

**BAITK ALWAED SAUDI EQUITY FUND
OPEN-ENDED FUND
(MANAGED BY SAUDI KUWAITI
FINANCE HOUSE)**

**INTERIM FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REVIEW
REPORT
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2017**

BAITK AL WAED SAUDI EQUITY FUND
(MANAGED BY SAUDI KUWAITI FINANCE HOUSE)
Interim Financial Statements and Independent Auditors' Review Report
For the six month period ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Unit holders

BAITK ALWAED SAUDI EQUITY FUND
Riyadh – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim statement of assets and liabilities of **BAITK ALWAED SAUDI EQUITY FUND** ("the Fund") as at June 30, 2017, and the related interim statement of operations, interim statement of cash flows and interim statement of changes in net assets for the six-month period then ended and the related notes which form an integral part of this interim financial information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Fund as at June 30, 2017, and of its financial performance and its cash flows for the six month period then ended in accordance with the accounting standards generally accepted in Kingdom of Saudi Arabia.

Aldar Audit Bureau
Abdullah Al Basri & Co.
P. O. Box 2195
Riyadh, Saudi Arabia

Abdullah M. AlBasri
Certified Public Accountant
(License No. 171)

Riyadh, 22 Dhul-Qa'dah 1438 H
Corresponding to 14 August 2017



INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017

		June 30, 2017	December 31, 2016	June 30, 2016
		(Unaudited)	(Audited)	(Unaudited)
	Notes	SR	SR	SR
Assets				
Cash and cash equivalents	5	3,477,147	3,306,203	6,187,096
Dividends receivable		14,140	-	95,903
Investments held for trading	6	10,304,591	13,321,612	36,259,455
Accrued profit on short term murabaha		-	307	-
Total assets		13,795,878	16,628,122	42,542,454
Liabilities				
Accrued expenses and other liabilities	7	78,204	106,139	84,416
Custody fee payable	9	6,715	17,599	21,395
Management fees payable	9	58,757	153,989	187,205
Total liabilities		143,676	277,727	293,016
Net assets		13,652,202	16,350,395	42,249,438
Units in issue (numbers)		1,913,669	2,318,354	5,380,734
Net asset value - per unit		7.1340	7.0526	7.8520

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

Chief Operating
Officer

Chief Financial
Officer

Chief Executive
Officer

INTERIM STATEMENT OF OPERATIONS
 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

	Notes	June 30, 2017	June 30, 2016
		(Unaudited) SR	(Unaudited) SR
Income			
Realized loss on investments, net		(523,817)	(3,128,709)
Unrealized gain on investments, net		538,824	405,345
Dividend income		322,513	937,593
Profit on short term murabaha		552	-
Other income		4,246	-
Total income / (loss)		<u>342,318</u>	<u>(1,785,771)</u>
Expenses			
Administrative and general expenses	8	(160,889)	(442,978)
Total expenses		<u>(160,889)</u>	<u>(442,978)</u>
Income / (Loss) for the period		<u><u>181,429</u></u>	<u><u>(2,228,749)</u></u>

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

 Chief Operating
 Officer

 Chief Financial
 Officer

 Chief Executive
 Officer

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

	June 30, 2017	June 30, 2016
	(Unaudited)	(Unaudited)
Note	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Income / (Loss) for the period	181,429	(2,228,749)
Adjustments for:		
Realized loss on investments, net	523,817	3,128,709
Unrealized gain on investments, net	(538,824)	(405,345)
Changes in current assets and liabilities:		
Additions to investments	(4,673,598)	(45,059,674)
Advance for purchase of investment	-	812,844
Proceeds from sale of investments	8,705,626	43,906,329
Purchase of Fund Units	(1,000,000)	-
Dividends receivable	(14,140)	(61,853)
Profit on short term murabaha	307	-
Other assets	-	9,418
Accrued expense and other liabilities	(27,935)	25,292
Custody fee payable	(10,884)	(1,705)
Management fees payable	(95,232)	(14,916)
<i>Net cash from operating activities</i>	<u>3,050,566</u>	<u>110,350</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units issued	-	1,530,212
Values of units redeemed	(2,879,622)	(39,635)
<i>Net cash (used in)/from financing activities</i>	<u>(2,879,622)</u>	<u>1,490,577</u>
Net increase in cash and cash equivalents	170,944	1,600,927
Cash and cash equivalents at the beginning of the period	3,306,203	4,586,169
Cash and cash equivalents at the end of the period	5 <u>3,477,147</u>	<u>6,187,096</u>

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

Chief Operating
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Chief Executive
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INTERIM STATEMENT OF CHANGES IN NET ASSETS
 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

	June 30, 2017 (Unaudited) SR	June 30, 2016 (Unaudited) SR
Net assets at the beginning of the period	16,350,395	42,987,610
Proceeds from units issued	-	1,530,212
Value of units redeemed	(2,879,622)	(39,635)
Income/ (Loss) for the period	181,429	(2,228,749)
Net assets at the end of the period	<u>13,652,202</u>	<u>42,249,438</u>
Units transactions	Units	Units
Outstanding units at the beginning of the period	2,318,354	5,196,586
Units issued	-	189,148
Units redeemed	(404,685)	(5,000)
Outstanding units at the end of the period	<u>1,913,669</u>	<u>5,380,734</u>

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

 Chief Operating
 Officer

 Chief Financial
 Officer

 Chief Executive
 Officer

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

1 LEGAL STATUS AND ACTIVITY

- a) The Baitk Al Waed Saudi Equity Fund (the "Fund") is a fund established and managed through an agreement between Saudi Kuwaiti Finance House (the "Fund Manager") and the Fund Investors (the "Unitholders").

The Capital Market Authority's (CMA) approval for the establishment of the Fund was granted in its letter number 14/8946/5/3 dated Dhul Qa'dah 22, 1435 H (corresponding to September 16, 2014). The Fund commenced its operations on November 30, 2014 (the date of inception).

The Fund is an open-ended fund and aims to provide investors with long term capital appreciation by investing in Saudi equities listed on the Saudi stock market which are compliant with the Shariah standards approved by the Fund Manager's Shariah Committee. The address of the registered office of the Fund and Fund Manager is P.O.Box 50051 Riyadh 11523.

In dealing with Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

- b) The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund's Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Funds Regulations ("the Regulations") published by the Capital Market Authority (CMA) on 16 Shaban 1437H (corresponding to May 23, 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

Statement of compliance

These financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA), as considered appropriate to the circumstances of the Fund.

Basis of measurement

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

Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is also functional currency of the Fund. All financial information presented has been rounded to the nearest SR unless stated otherwise.

Use of estimates and judgments

The preparation of the financial statements require 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 on a prospective basis.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

Investments

Held for trading investments are initially recognized at cost. The cost includes the purchase price plus all expenses incurred by the enterprise to acquire them. After initial recognition, investments are stated at market value by reference to closing market prices quoted at the end of business on the date of the statement of assets and liabilities.

Revenue recognition

The unrealized gains and losses from revaluation of investments and realized gains and losses from sale of investments are recorded in the statement of operations.

Dividends income is recognized when dividends are declared (i.e. when the Fund's right to receive the dividend is established).

Investment transactions

Investment transactions are accounted for as of the trade date.

OPEN-ENDED FUND

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIE (Continued)****Cash and cash equivalents**

Cash and cash equivalents includes cash at bank, cash with broker used for trading in equities and short term murabaha placements with maturity of three months or less that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value.

Profit on short term murabaha

Profit on short term murabaha is recognized on effective interest rate.

Zakat and income tax

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying financial statements.

Management, custody and subscription fees

The Fund Manager charges the Fund a management fee of 1.75% per annum of the net asset value of the Fund at each valuation day. During the year, the Fund Manager has charged their fee to the Fund.

The Fund Manager charges the Fund a custody fee of 0.20% per annum of the net asset value of the Fund at each valuation day. During the year, the Fund Manager has charged their fee to the Fund.

The Fund Manager charges each investor a subscription fee for a percentage not to exceed 2% of subscribed amount to cover administration cost. In accordance with the terms and conditions of the Fund, subscription fee is not included in these interim financial statements.

Expenses

Expenses are recognized on an accruals basis.

Net asset value per unit

Net asset value per unit disclosed in the statement of asset and liabilities is calculated by dividing the net assets of the Funds by the number of units in issue at the year end.

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.

5 CASH AND CASH EQUIVALENTS

		June 30, 2017	December 31, 2016	June 30, 2016
	Notes	<u>(Unaudited)</u> SR	<u>(Audited)</u> SR	<u>(Unaudited)</u> SR
Cash at bank		3,477,147	2,302,218	6,187,096
Investment in short term murabaha	5.1	-	1,003,985	-
		<u>3,477,147</u>	<u>3,306,203</u>	<u>6,187,096</u>

- 5.1 This represents investment in commodity murabaha contracts based on commodities crude palm oil. The murabaha placement booked at the rate of 1.1 % per annum has been matured on January 19, 2017.

6 INVESTMENTS HELD FOR TRADING

		June 30, 2017	December 31, 2016	June 30, 2016
	Notes	<u>(Unaudited)</u> SR	<u>(Audited)</u> SR	<u>(Unaudited)</u> SR
6.1 Following is the breakup of investment:				
Equity shares	6.1.1	8,192,700	12,099,602	32,749,232
Funds - Baitk IPO		1,104,598	1,222,010	3,510,223
Funds - Albader		1,007,293	-	-
		<u>10,304,591</u>	<u>13,321,612</u>	<u>36,259,455</u>

The investments in equity share portfolio is allocated among the various economic sectors as follows:

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

6 INVESTMENTS HELD FOR TRADING(Continued)

		June 30, 2017 (Unaudited)		
		Cost	Market Value	% difference in cost and market value - Increase/ (decrease)
		SR	SR	SR
6.1.1 Equities				
Banks		1,976,919	2,106,840	0.07
Commercial & Professional Services		872,140	826,215	(0.05)
Energy		1,252,806	1,064,760	(0.15)
Materials		3,061,347	3,039,285	(0.01)
Telecommunication		916,671	1,155,600	0.26
Total		8,079,883	8,192,700	
		December 31, 2016 (Audited)		
		Cost	Market Value	% difference in cost and market value - Increase/ (decrease)
		SR	SR	SR
Equities				
Petrochemical industries		3,363,103	3,666,050	0.09
Cement		1,463,580	960,835	(0.34)
Banks & financial services		1,604,913	1,567,540	(0.02)
Telecommunication and information		1,367,286	1,668,650	0.22
Industrial investment		1,082,339	739,860	(0.32)
Building and construction		1,274,747	1,023,008	(0.20)
Insurance		787,375	803,914	0.02
Transport		1,692,387	1,669,745	(0.01)
Total		12,635,730	12,099,602	
		June 30, 2016 (Unaudited)		
		Cost	Market Value	% difference in cost and market value - Increase/ (decrease)
		SR	SR	SR
Equities				
Petrochemical industries		2,912,602	2,973,749	0.02
Cement		8,234,191	6,213,039	(0.25)
Banks & financial services		5,626,082	4,224,250	(0.25)
Retail		6,076,976	5,698,044	(0.06)
Industrial		3,204,097	2,854,800	(0.11)
Building		1,595,134	1,472,000	(0.08)
Agriculture		3,156,546	1,894,000	(0.40)
Transport		3,963,051	3,545,000	(0.11)
Hotel & tourism		1,854,216	1,081,200	(0.42)
Telecommunication		2,690,966	2,793,150	0.04
Total		39,313,862	32,749,232	

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

7 ACCRUED EXPENSES AND OTHER LIABILITIES	Notes	June 30, 2017	December 31, 2016	June 30, 2017
		(Unaudited)	(Audited)	(Unaudited)
		SR	SR	SR
Accrued expenses		5,286	7,014	5,196
Accrued professional fees		12,884	12,976	13,007
Meeting fees payable to the Fund's board		60,034	46,149	36,186
Accrued shariah board fees	7.1	-	40,000	30,027
		<u>78,204</u>	<u>106,139</u>	<u>84,416</u>

7.1 The new terms and conditions are effective from December 19, 2016 and Shariah-Committee fees would not apply to the Funds from the effective date.

8 ADMINISTRATIVE AND GENERAL EXPENSES	June 30, 2017	June 30, 2016
	(Unaudited)	(Unaudited)
	SR	SR
Management fees	11,533	356,847
Custody fees	13,885	40,782
Directors' fees	11,158	11,219
Professional fees	-	9,973
Shariah board fees	8,224	10,195
Other administrative expenses	<u>160,889</u>	<u>442,978</u>

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Fund include the Unitholders, Directors of the Fund, the Fund Manager and other Funds managed by the Fund Manager. 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 transactions with related parties are carried out based on mutually agreed prices under agreement.

Related party transactions for the period and balances arising there from are as follows:

Transactions	Related party name	Relationship	Nature of transaction	June 30, 2017	June 30, 2016	
				(Unaudited)	(Unaudited)	
				SR	SR	
	Saudi Kuwaiti Finance House	Fund Manager	Management fee	114,533	356,847	
			Custody fee	13,089	40,782	
	Directors	Fund board member	Fund board fee	13,885	13,962	
	Baitk IPO Fund	Fund under same Fund Manager	Value of units purchased	-	3,510,223	
Balances						
Balances	Related party name	Relationship	Nature of balance	June 30, 2017	December 31, 2016	June 30, 2016
				(Unaudited)	(Audited)	(Unaudited)
				SR	SR	SR
	Saudi Kuwaiti Finance House	Fund Manager	Management fee payable	58,757	153,989	187,205
			Custody fee payable	6,715	17,599	21,395
			Investment	12,270,194	14,984,244	40,745,195
			Fund board fee payable	60,034	46,149	36,186
	Baitk IPO Fund	Fund under same Fund Manager	Investment	1,104,599	1,222,010	3,510,223

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

9 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The Fund pays management fee and custody fee at an annual rate of 1.75 and 0.2 percent per annum for the net assets attributable to the Unitholders. The fee is accrued daily and paid on quarterly basis.

The investments as at June 30, 2017 include 162,499 (December 31, 2016: 162,499) units held in the Baitk IPO Fund carrying a value of SR. 1,104,599 (December 31, 2016: SR. 1,222,010).

The Unitholders' accounts as at June 30, 2017 include 1,719,960 (December 31, 2016: 2,124,645) units held by the Fund Manager (SKFH Management company) carrying a value of SR. 12,270,194 (December 31, 2016: SR. 14,984,244).

10 RISK MANAGEMENT

Equity price risk

Equity price risk is the risk that the value of investments will fluctuate because of changes in market prices.

The Fund's underlying investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of sector and industry distribution.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units twice a week and it is, therefore, exposed to the liquidity risk of meeting Unitholders' redemptions. The Fund's securities are considered to be readily realizable as they are investments in listed equities which can be easily redeemed at any time. The Fund Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

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 exposed to currency risk as all the balances are held in Saudi Riyal.

11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities in the Fund. The Fund's financial assets consists of cash and cash equivalents and investments held for trading. The Fund's liabilities consists of management fees payable, custody fees payable and accrued expenses.

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. For investments traded in active market, fair value is determined by reference to closing market value, (refer note 6.1.1). Investments are recorded at this fair value.

12 LAST VALUATION DAY

With effect from April 09, 2015, the Fund's units are valued twice a week on every Monday and Wednesday and announced net asset value on the following business day. Previously, the valuation was done on Sunday and Tuesday. The last valuation date of the six month period was on June 30, 2017.

13 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Fund's Board on August 14, 2017.

Chief Operating
Officer

Chief Financial

Chief Executive
Officer