

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT FOR  
THE YEAR ENDED DECEMBER 31, 2015**

**BAITK IPO FUND – OPEN-ENDED FUND  
(MANAGED BY SAUDI KUWAITI FINANCE HOUSE)**

**Financial Statements and Independent Auditors' Report  
For the Year Ended 31 December 2015**

---

<b>INDEX</b>	<b>PAGE</b>
Independent Auditors' Report	1
Statement of Assets and Liabilities	2
Statement of Operations	3
Statement of Cash Flows	4
Statement of Changes in Net Assets	5
Notes to the Financial Statements	6 - 10



## INDEPENDENT AUDITORS' REPORT

**To the Unitholders**  
**Baitk IPO Fund**  
**Riyadh- Kingdom of Saudi Arabia**

We have audited the accompanying statement of assets and liabilities of **Baitk IPO Fund** (the "Fund"), as at December 31, 2015, and the related statement of operations, statement of cash flows and statement of changes in net assets for the year ended December 31, 2015, together with the notes 1-11 which form an integral part of these financial statements. These financial statements are the responsibility of the Fund Manager and have been prepared by them and submitted to us together with all the information and explanations which we required. These financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA). Our responsibility is to express a conclusion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. The 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 respect, the financial position of the fund as at December 31, 2015 and the result of its operations, cash flows and changes in its net assets for the year ended December 31, 2015 in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

**Aldar Audit Bureau**  
**Abdullah Al Basri & Co.**



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

Riyadh, 11 Jumada Al-Alkhirah 1437H  
Corresponding to 20 March 2016

Head Office - Riyadh  
Al-Mousa Complex  
Tower 4, 7th Floor  
Olaya Main Street  
P.O.Box 2195 Ryadh 11451  
Kingdom of Saudi Arabia  
Tel. : ( +966 ) 1 463 0680 ( 7 lines )  
Fax : ( +966 ) 1 464 5939  
E-mail : infor@aldaraudit.com  
www.aldaraudit.com  
Branches - Jeddah - Khobar

**BAITK IPO FUND**  
**OPEN-ENDED FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT DECEMBER 31, 2015**

		December 31, 2015	December 31, 2014
	Notes	SR	SR
<b>Assets</b>			
Cash at bank		23,276,058	37,038,879
Advance for purchase of investment		10,199,862	-
Investments held for trading	4	<u>174,089,941</u>	<u>199,461,373</u>
<b>Total assets</b>		<u>207,565,861</u>	<u>236,500,252</u>
<b>Liabilities</b>			
Accrued expenses and other liabilities	5	208,141	60,544
Custody fee payable		111,957	112,681
Management fees payable		<u>979,615</u>	<u>985,957</u>
<b>Total liabilities</b>		<u>1,299,713</u>	<u>1,159,182</u>
<b>Net assets</b>		<u><u>206,266,148</u></u>	<u><u>235,341,070</u></u>
<b>Units in issue (numbers)</b>		<u><u>22,631,951</u></u>	<u><u>23,742,223</u></u>
<b>Net asset value - per unit value</b>		<u><u>9.1139</u></u>	<u><u>9.9123</u></u>

The annexed notes 1 to 11 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Operating Officer

\_\_\_\_\_  
Chief Financial  
Officer

\_\_\_\_\_  
Chief Executive  
Officer

**BAITK IPO FUND**  
**OPEN-ENDED FUND**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

		<b>December 31, 2015</b>	<b>From June 15, 2014 to December 31, 2014</b>
	<b>Notes</b>	<b>SR</b>	<b>SR</b>
<b>Income</b>			
Realized gain on investments, net		20,689,319	115,107
Dividends income		4,600,282	1,852,000
Unrealized loss on investments- held for trading		(43,101,237)	(5,788,826)
<b>Total loss</b>		<u>(17,811,636)</u>	<u>(3,821,719)</u>
<b>Expenses</b>			
Administrative and general expenses	6	5,635,381	2,313,809
<b>Total expenses</b>		<u>5,635,381</u>	<u>2,313,809</u>
<b>Loss for the year/period</b>		<u><u>(23,447,017)</u></u>	<u><u>(6,135,528)</u></u>

The annexed notes 1 to 11 form an integral part of these financial statements.

\_\_\_\_\_  
**Chief Operating Officer**

\_\_\_\_\_  
**Chief Financial  
Officer**

\_\_\_\_\_  
**Chief Executive  
Officer**

**BAITK IPO FUND**  
**OPEN-ENDED FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Page 4

	December 31, 2015	From June 15, 2014 to December 31, 2014
	SR	SR
<b>Cash flows from operating activities</b>		
Loss for the year/period	(23,447,017)	(6,135,528)
<b>Adjustments for:</b>		
Realized gains on investments, net	(20,689,319)	(115,107)
Unrealized loss on investments, net	43,101,237	5,788,826
<b>Changes in current assets and liabilities:</b>		
Additions to investments	(870,111,596)	(243,126,019)
Advance for purchase of investment	(10,199,862)	-
Proceeds from sale of investments	873,071,110	37,990,927
Accrued expense and other liabilities	147,597	60,544
Custody fees payable	(724)	112,681
Management fees payable	(6,342)	985,957
<b>Net cash used in operating activities</b>	<b>(8,134,916)</b>	<b>(204,437,719)</b>
<b>Cash flows from financing activities</b>		
Proceeds from units issued	171,647,506	244,324,610
Value of units redeemed	(177,275,411)	(2,848,012)
<b>Net cash (used in) / from financing activities</b>	<b>(5,627,905)</b>	<b>241,476,598</b>
<b>Net (decrease) / increase in cash at bank</b>	<b>(13,762,821)</b>	<b>37,038,879</b>
Cash at bank at the beginning of the year/period	37,038,879	-
<b>Cash at bank at the end of the year/period</b>	<b>23,276,058</b>	<b>37,038,879</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Operating Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

## OPEN-ENDED FUND

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	December 31, 2015	June 15, 2014 to December 31, 2014
	SR	SR
<b>Net assets at the beginning of the year/period</b>	<b>235,341,070</b>	-
Proceeds from units issued	171,647,506	244,324,610
Value of units redeemed	(177,275,411)	(2,848,012)
Loss for the year/period	(23,447,017)	(6,135,528)
<b>Net assets at the end of the year/period</b>	<b>206,266,148</b>	<b>235,341,070</b>
<b>Units transactions</b>	<b>Units</b>	<b>Units</b>
<b>Outstanding units at the beginning of the year/period</b>	<b>23,742,223</b>	-
Units issued	15,086,758	24,002,199
Units redeemed	(16,197,030)	(259,976)
<b>Outstanding units at the end of the year/period</b>	<b>22,631,951</b>	<b>23,742,223</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Operating Officer

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

**1 LEGAL STATUS AND ACTIVITY**

- a) The Batik IPO 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 Fund is an open-ended fund type and specialized in investing in corporate shares of the Saudi joint stock companies. The Fund's objectives are to expand and develop the "Fund" capital on the long term through achieving a relative positive yield compared to "Standard & Poor's IPO Index", and through Subscription in IPO's of the Saudi joint stock companies, equity rights issues and investment in the shares of the Saudi companies newly listed on the Saudi stock exchange – during the first five years of listing – on the exchange, and to invest cash liquidities available in the Fund in cash market instruments and in the Fund market. 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.

The Capital Market Authority's (CMA) approval for the establishment of the Fund was granted in its letter number 2014/03325/5 dated Jumada II 3, 1435 H (corresponding to April 3, 2014). The Fund commenced its operations on June 15, 2014 (the date of inception).

- 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.
- c) The Fund is governed by the Investment Funds Regulations ("the Regulations") published by the Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) detailing requirements for all funds within the Kingdom of Saudi Arabia.

**2 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, 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.



### **3 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. 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.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash at bank and cash with broker used for trading in equities.

#### **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 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 these fees 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015

#### 4 INVESTMENTS HELD FOR TRADING

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

	December 31, 2015		
	Cost	Market Value	% difference in cost and market value - Increase/ (Decrease)
<u>Equities</u>	SR	SR	SR
Industrial investment	15,735,574	10,608,000	(32.6)
Transport	22,160,254	18,560,700	(16.2)
Cement	29,211,039	21,168,400	(27.5)
Agriculture and food industries	28,875,384	22,149,000	(23.3)
Retail	48,497,552	41,414,841	(14.6)
Hotel and tourism	78,920,610	60,189,000	(23.7)
<b>Total investment portfolio</b>	<b>223,400,413</b>	<b>174,089,941</b>	

	December 31, 2014		
	Cost	Market Value	% difference in cost and market value - Increase/ (Decrease)
<u>Equities</u>	SR	SR	SR
Hotel and tourism	72,350,895	67,813,688	(6.3)
Retail	59,891,479	62,670,055	4.6
Agriculture and food industries	24,682,554	25,360,536	2.7
Building & construction	24,010,122	19,282,875	(19.7)
Cement	18,127,149	17,326,309	(4.4)
Industrial investment	6,188,000	7,007,910	13.3
<b>Total investment portfolio</b>	<b>205,250,199</b>	<b>199,461,373</b>	(2.8)

#### 5 ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2015	December 31, 2014
	SR	SR
Accrued expenses	125,282	-
Accrued professional fees	23,553	34,308
Meeting fees payable to the fund board	39,305	15,304
Accrued shariah board fees	20,001	10,932
	<b>208,141</b>	<b>60,544</b>

#### 6 ADMINISTRATIVE AND GENERAL EXPENSES

	December 31, 2015	From June 15, 2014 to December 31, 2014
	SR	SR
Management fees	4,869,271	1,990,860
Custody fees	556,488	227,532
Meeting fees to the Fund Board	28,000	15,304
Professional fees	22,500	12,298
Shariah board fees	20,000	10,932
Other administrative expenses	139,122	56,883
	<b>5,635,381</b>	<b>2,313,809</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2015

## 7 RELATED PARTY TRANSACTIONS

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 year and balances arising therefrom are as follows:

			December 31, 2015	From June 15, 2014 to December 31, 2014
			SR	SR
<b>Transactions</b>				
Related party name	Relationship	Nature of transaction		
Saudi Kuwaiti Finance House	Fund Manager	Management fee	4,869,271	1,990,860
		Custody fee	556,488	227,532
Directors	Fund board member	Fund board fee	28,000	15,304
Baitk Al Waed Fund	Comman Fund Manager	Value of units issued	5,000,000	-
			December 31, 2015	December 31, 2014
			SR	SR
<b>Balances</b>				
Related party name	Relationship	Nature of balance		
Saudi Kuwaiti Finance House	Fund Manager	Management fee payable	979,615	985,957
		Custody fee payable	111,957	112,681
		Fund board fee payable	39,305	15,304

The Fund pays management fee at an annual rate of 1.75% percent for the net assets attributable to the Unitholders. The fee is accrued daily and paid on monthly basis.

The Unitholders' accounts as at December 31, 2015 include 5,000,000 (December 31, 2014: 5,000,000) units held by the Fund Manager carrying a value of SR 45,569,500 (December 31, 2014: SR. 49,561,717).

The Unitholders' accounts as at December 31, 2015 include 432,425 (December 31, 2014: Nil) units held by Baitk AlWaed Saudi Equity Fund carrying a value of SR 3,941,083 (December 31, 2014: SR. Nil).

## 8 RISK MANAGEMENT

### Equity price risk

Equity price risk is the risk that the value of financial statements 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.

**9 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. Investments are recorded at this fair value.

**10 VALUATION DAYS**

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 year was on December 31, 2015.

**11 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Fund's Board on 20 March 2016.

---

**Chief Operating Officer**

---

**Chief Financial Officer**

---

**Chief Executive Officer**