

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

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

BAITK IPO 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 IPO FUND
Riyadh – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim statement of assets and liabilities of BAITK IPO 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	4	11,047,558	21,273,480	26,425,833
Dividend receivable		-	-	521,393
Investments held for trading	5	45,285,656	44,141,700	135,686,847
Accrued profit on short term murabaha		-	2,147	-
Total assets		56,333,214	65,417,327	162,634,073
Liabilities				
Accrued expenses and other liabilities	6	258,978	303,817	263,912
Custody fee payable	8	28,843	43,921	81,081
Management fees payable	8	252,374	384,310	709,460
Redemption payable		-	-	282,445
Total liabilities		540,195	732,048	1,336,898
Net assets		55,793,019	64,685,279	161,297,175
Units in issue (numbers)		8,207,784	8,601,631	19,870,208
Net asset value - per unit value		6.7976	7.5201	8.1175

The annexed notes 1 to 12 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)

		June 30, 2017	June 30, 2016
		(Unaudited)	(Unaudited)
	Notes	SR	SR
Income			
Realized loss on investments, net		(11,258,353)	(32,891,903)
Unrealized gain on investments- net		5,069,034	2,892,243
Dividend income		660,250	8,441,913
Profit on short term murabaha		3,865	-
Other income		4,247	-
Total loss		<u>(5,520,957)</u>	<u>(21,557,747)</u>
Expenses			
Administrative and general expenses	7	<u>(610,901)</u>	<u>(1,662,390)</u>
Total expenses		<u>(610,901)</u>	<u>(1,662,390)</u>
Loss for the period		<u><u>(6,131,858)</u></u>	<u><u>(23,220,137)</u></u>

The annexed notes 1 to 12 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)

	Note	June 30, 2017	June 30, 2016
		(Unaudited)	(Unaudited)
		SR	SR
Cash flows from operating activities			
Loss for the period		(6,131,858)	(23,220,137)
Adjustments for:			
Realized loss on investments, net		11,258,353	32,891,903
Unrealized gain on investments, net		(5,069,034)	(8,441,913)
Changes in current assets and liabilities:			
Additions to investments		(31,247,324)	(177,656,682)
Proceeds from sale of investments		23,914,049	201,809,428
Dividend receivable		-	(521,393)
Profit on short term murabaha		2,147	-
Accrued expense and other liabilities		(44,839)	55,771
Custody fees payable		(15,079)	(30,876)
Redemption payable		-	282,445
Management fees payable		(131,935)	(270,155)
Net cash (used in) / from operating activities		(7,465,520)	24,898,391
Cash flows from financing activities			
Proceeds from units issued		-	55,000,000
Value of units redeemed		(2,760,402)	(76,748,836)
Net cash used in financing activities		(2,760,402)	(21,748,836)
Net (decrease) / increase in cash and cash equivalents		(10,225,922)	3,149,555
Cash and cash equivalents at the beginning of the period		21,273,480	23,276,278
Cash and cash equivalents at the end of the period	4	<u>11,047,558</u>	<u>26,425,833</u>

The annexed notes 1 to 12 form an integral part of these interim financial statements.

Chief Operating Officer

Chief Financial Officer

Chief Executive Officer

BAITK IPO FUND
 OPEN-ENDED FUND
 INTERIM STATEMENT OF CHANGES IN NET ASSETS
 FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)

	June 30, 2017	June 30, 2016
	(Unaudited)	(Unaudited)
	SR	SR
Net assets at the beginning of the period	64,685,279	206,266,148
Proceeds from units issued	-	55,000,000
Value of units redeemed	(2,760,402)	(76,748,836)
Loss for the period	(6,131,858)	(23,220,137)
Net assets at the end of the period	55,793,019	161,297,175
Units transactions	Units	Units
Outstanding units at the beginning of the period	8,601,631	22,631,951
Units issued	-	7,439,814
Units redeemed	(393,847)	(10,201,557)
Outstanding units at the end of the period	8,207,784	19,870,208

The annexed notes 1 to 12 form an integral part of these interim financial statements.

 Chief Operating Officer

 Chief Financial Officer

 Chief Executive Officer

1 LEGAL STATUS AND ACTIVITY

- a) The Baitk 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 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).

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.

- 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 16 Shaban 1437H (corresponding to May 23, 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

Statement of compliance

These interim 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 interim 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 and presentation 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 interim 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 interim 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).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Investment transactions

Investment transactions are accounted for as of the trade date.

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 interim 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 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 period 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.

4 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		11,047,558	14,245,587	26,425,833
Investment in short term murabaha		-	7,027,893	-
		<u>11,047,558</u>	<u>21,273,480</u>	<u>26,425,833</u>

4.1 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.

5 INVESTMENTS HELD FOR TRADING

		June 30, 2017	December 31, 2016	June 30, 2016
	Notes	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>
Following is the breakup of investment:				
Equity shares	5.1.1	34,200,321	44,141,700	135,686,847
Funds - Albader		11,085,335	-	-
		<u>45,285,656</u>	<u>44,141,700</u>	<u>135,686,847</u>

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

5 INVESTMENTS HELD FOR TRADING(Continued)

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

	June 30, 2017 (Unaudited)		
	Cost	Market Value	% difference in cost and market value - Increase/ (Decrease)
Equities	SR	SR	SR
Commercial & Professional Services	9,613,484	7,479,420	(0.10)
Food & Staples Retailing	6,638,562	4,884,314	(0.01)
Health Care Equipment & Services	13,802,276	12,895,436	(0.22)
Insurance	1,963,780	1,950,900	(0.13)
Real Estate Management & Development	825,599	820,800	(0.01)
Transportation	6,838,183	6,169,451	
	<u>39,681,884</u>	<u>34,200,321</u>	
	December 31, 2016 (Audited)		
	Cost	Market Value	% difference in cost and market value - Increase/ (Decrease)
Equities	SR	SR	SR
Transport	4,089,536	5,358,960	0.31
Insurance	2,417,492	2,644,400	0.09
Agriculture and food industries	7,229,418	5,878,410	(0.19)
Retail	18,905,784	18,453,870	(0.02)
Hotel and tourism	17,528,188	8,468,460	(0.52)
Cement	4,436,544	3,337,600	(0.25)
Total investment portfolio	<u>54,606,962</u>	<u>44,141,700</u>	
	June 30, 2016 (Unaudited)		
	Cost	Market Value	% difference in cost and market value - Increase/ (Decrease)
Equities	SR	SR	SR
Transport	13,307,369	12,563,200	0.06
Insurance	9,853,381	9,493,920	0.04
Agriculture and food	16,141,536	11,790,000	0.27
Retail	60,938,352	55,997,832	0.08
Hotel & Tourism	46,455,448	20,903,200	0.55
Cement	22,227,713	17,590,775	0.21
Building & Construction	7,632,000	7,347,920	0.04
Total investment portfolio	<u>176,555,799</u>	<u>135,686,847</u>	
6 ACCRUED EXPENSES AND OTHER LIABILITIES	June 30, 2017	December 31, 2016	June 30, 2016
	SR	SR	SR
	(Unaudited)	(Audited)	(Unaudited)
Accrued expenses	162,327	180,958	160,964
Accrued professional fees	23,461	23,553	23,579
Meeting fees payable to the fund board	73,190	59,305	49,342
Accrued shariah board fees	-	40,001	30,027
	<u>258,978</u>	<u>303,817</u>	<u>263,912</u>

6.1 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.

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

	June 30, 2017 SR (Unaudited)	June 30, 2016 SR (Unaudited)
7 ADMINISTRATIVE AND GENERAL EXPENSES		
Management fees	507,829	1,423,833
Custody fees	58,038	162,724
Meeting fees to the Fund Board	13,885	13,961
Professional fees	11,158	11,219
Shariah board fees	-	9,972
Other administrative expenses	19,991	40,681
	610,901	1,662,390

8 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 period and balances arising therefrom are as follows:

Transactions			June 30, 2017 SR (Unaudited)	June 30, 2016 SR (Unaudited)
Related party name	Relationship	Nature of transaction		
Saudi Kuwaiti Finance Hous	Fund Manager	Management fee	507,829	1,423,833
		Custody fee	58,038	162,724
Directors	Fund board member	Fund board fee	13,885	13,961
			June 30, 2017 SR (Unaudited)	December 31, 2016 SR (Audited)
				June 30, 2016 SR (Unaudited)
Balances				
Related party name	Relationship	Nature of balance		
Saudi Kuwaiti Finance Hous	Fund Manager	Management fee payable	252,374	384,310
		Custody fee payable	28,843	43,921
		Fund board fee payable	73,190	59,305
		Investment	7,207,585	7,973,706
				40,587,500

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

The Unitholders' accounts as at June 30, 2017 include 1,060,317 units (December 31, 2016: 1,060,317 units) held by the Fund Manager carrying a value of SR 7,207,585 (December 31, 2016: SR. 7,973,706).

The Unitholders' accounts as at June 30, 2017 include 162,499 units (December 31, 2016: 162,499 units) held by Baitk AlWaed Saudi Equity Fund carrying a value of SR 1,104,599 (December 31, 2016: SR.1,222,010).

9 RISK MANAGEMENT

Equity price risk

Equity price risk is the risk that the value of interim 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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 (Unaudited)****9 RISK MANAGEMENT (Continued)**

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.

10 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 at banks and investments held for trading and dividend receivable. The Fund's financial 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 5.1.1). Investments are recorded at this fair value.

11 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 six month period was on June 30, 2017.

12 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 Officer

Chief Executive Officer