

BAITK AL WAED SAUDI EQUITY FUND

**FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF
INCEPTION) TO DECEMBER 31, 2014**

BAITK AL WAED SAUDI EQUITY FUND

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AUDITORS' REPORT

To the Unit holders
Baitk Al Waed Saudi Equity Fund
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying statement of assets and liabilities of Baitk Al Waed Saudi Equity Fund (the "Fund") as at December 31, 2014, and the related statements of operations, cash flows and changes in net assets for the period from November 30, 2014 (date of inception) to December 31, 2014 and notes 1 to 9 which form an integral part of these financial statements. These financial statements which were prepared by the Fund's management and submitted to us with all the necessary information and explanations 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 the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 standards used and significant estimates made by the Fund's management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2014 and the results of its operations and its cash flows for the period from November 30, 2014 (date of inception) to December 31, 2014 in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

Deloitte & Touche
Bakr Abulkhair & Co.



Ehsan A. Makhdoum
License No. 358

Jumada Al Oula 12, 1436
March 3, 2015



BAITK AL WAED SAUDI EQUITY FUND

**STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2014**

	Notes	2014 SR
Assets		
Cash at bank		6,902,881
Investments	3	<u>44,403,968</u>
Total assets		<u>51,306,849</u>
Liabilities		
Management fees payable	5	68,815
Custody fees payable		7,865
Accrued expenses	4	<u>18,799</u>
Total liabilities		<u>95,479</u>
Net assets		<u>51,211,370</u>
Units in issue		<u>5,183,160.00</u>
Per unit value		<u>9.88</u>

The accompanying notes 1 to 9 form an integral part of these financial statements

BAITK AL WAED SAUDI EQUITY FUND

**STATEMENT OF OPERATIONS
FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION)
TO DECEMBER 31, 2014**

	Notes	2014 SR
Investment loss		
Dividend income		30,000
Unrealized losses on investment, net		<u>(566,177)</u>
Total investment loss		<u>(536,177)</u>
Expenses		
General expenses	1(b) , 6	<u>(84,053)</u>
Total expenses		<u>(84,053)</u>
Loss for the period		<u><u>(620,230)</u></u>

The accompanying notes 1 to 9 form an integral part of these financial statements

BAITK AL WAED SAUDI EQUITY FUND

**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION)
TO DECEMBER 31, 2014**

	2014
	SR
Operating activities	
Loss for the period	(620,230)
Adjustments for:	
Unrealized losses on investment, net	566,177
Changes in operating assets and liabilities:	
Additions to investments	(44,970,145)
Management fees	68,815
Custody Fees	7,865
Accrued expenses	18,799
Net cash used in operating activities	(44,928,719)
Financing activities	
Proceeds from units issued	51,831,600
Net cash from financing activities	51,831,600
Net change in cash at bank	6,902,881
Cash at bank, beginning of the period	-
Cash at bank, end of the period	6,902,881

The accompanying notes 1 to 9 form an integral part of these financial statements

BAITK AL WAED SAUDI EQUITY FUND

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION)
TO DECEMBER 31, 2014**

	<u>2014 SR</u>
Net assets at the beginning of the period	-
Proceeds from units issued	51,831,600
Value of units redeemed	-
Loss for the period	<u>(620,230)</u>
Net assets at the end of the period	<u><u>51,211,370</u></u>

	<u>2014 Units</u>
Units Transactions	
Outstanding units at the beginning of the period	-
Units issued	5,183,160
Units redeemed	<u>-</u>
Outstanding units at the end of the period	<u><u>5,183,160</u></u>

The accompanying notes 1 to 9 form an integral part of these financial statements

BAITK AL WAED SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

1. GENERAL

- (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 “Unit holders”).

The Fund 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.

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.

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 books and records of the Fund are maintained in Saudi Riyals.

- (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.

The Fund Manager charges each investor a subscription fee for a percentage not to exceed 2% of subscribed amount. Subscription fee is not included in these financial statements. Furthermore, 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 period, the Fund Manager has charged these fees to the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

The 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. The significant accounting policies adopted in the preparation of these financial statements are set out below:

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of investments.

BAITK AL WAED SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

Investments

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.

If necessary, the Fund makes adjustments to the Net Assets Value (“NAV”) to obtain the best estimates of the fair value.

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 Unit-holders and are not provided for in the accompanying financial statements.

Expenses

Expenses are recognized on an accruals basis.

3. INVESTMENTS

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

	2014		
	Cost SR	Fair value SR	%
<u>Equities</u>			
Petrochemical Industries	15,203,331	14,549,170	(4)
Cement	9,214,830	9,319,318	1
Banks & Financial Services	9,408,123	8,717,950	(7)
Retail	5,873,028	6,101,820	4
Industrial Investment	3,695,233	3,873,860	5
Hotel & Tourism	1,575,600	1,841,850	17
Total Investments Portfolio	44,970,145	44,403,968	100

BAITK AL WAED SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

4. ACCRUED EXPENSES

	<u>2014</u> <u>SR</u>
Accrued professional fees	15,118
Meeting fees payable to the Fund Board	2,147
Accrued Shariah board fees	<u>1,534</u>
	<u>18,799</u>

5. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Fund transacts business with the following related party:

	<u>Relationship</u>
Saudi Kuwaiti Finance House	The Fund manager

The balances as at December 31 resulting from such transactions included in the accompanying financial statements are as follows:

	<u>2014</u> <u>SR</u>
Management fees payable	<u>68,815</u>

Expenses pertaining to transactions with the related party included in the accompanying financial statements are as follows:

	<u>For the</u> <u>period ended</u> <u>December</u> <u>31, 2014</u> <u>SR</u>
Management fees	<u>68,815</u>

The unit holders' accounts as at December 31, 2014 include 5,000,000 units held by the Fund Manager carrying a value of SR 49,401,687.

BAITK AL WAED SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

6. GENERAL EXPENSES

	For the period from November 30, 2014 to December 31, 2014 SR
Management fees	68,815
Custody fees	7,865
Meeting fees to the Fund Board	2,148
Professional fees	1,726
Shariah board fees	1,534
Other administrative expenses	1,965
	<u>84,053</u>

7. RISK MANAGEMENT

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'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 unit holders' 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.

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities in the Fund. The Fund's financial assets consist of cash at bank and investments. Financial liabilities consist 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 an active market, fair value is determined by reference to closing market prices.

Investments are carried at their fair value.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE PERIOD FROM NOVEMBER 30, 2014 (DATE OF INCEPTION)
TO DECEMBER 31, 2014

9. VALUATION DAYS

The Fund's units are valued twice a week every Sunday and Tuesday and announced on the following business day.