

**BATIK IPO FUND - An open-ended mutual fund
(Managed by Saudi Kuwaiti Finance House)
Condensed Interim Financial Statements
(Unaudited)
For the six month period ended June 30, 2015
together with the
Auditors' limited review report to the Unitholders**

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT ON THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Scope of review

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Batik IPO Fund** (the "Fund"), as at June 30, 2015, and the related condensed interim statement of operations, condensed interim statement of cash flows and condensed interim statement of changes in net assets attributable to the Unitholders for the six month period from January 01, 2015 to June 30, 2015, together with the notes 1-9 which form an integral part of these condensed interim financial statements. These condensed interim 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 condensed interim 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 interim condensed financial statements based on our review.

We conducted our review in accordance with the standards on review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with the generally accepted accounting standards in the Kingdom of Saudi Arabia.

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



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

Riyadh, 28 Ramadan 1436 AH
15 July 2015

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2015**

	Note	June 30, 2015 (Unaudited) SR	December 31, 2014 (Audited) SR
ASSETS			
Cash and cash equivalents		95,056,257	37,038,879
Dividend receivables		600,000	-
Investments-held for trading	4	330,787,809	199,461,373
Total assets		<u>426,444,066</u>	<u>236,500,252</u>
LIABILITIES			
Management fees payable	5	1,381,415	985,957
Custody fees payable		157,876	112,681
Accrued expenses		150,721	60,544
Total liabilities		<u>1,690,012</u>	<u>1,159,182</u>
Net assets attributable to the Unitholders		<u>424,754,054</u>	<u>235,341,070</u>
Units in issue (numbers)		<u>34,872,116.60</u>	<u>23,742,223.41</u>
Net asset value - per unit value		<u>12.18</u>	<u>9.91</u>

The attached notes 1-9 are an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

	Note	From January 01, 2015 to June 30, 2015
		<u>SR</u>
Income		
Realized gains on investment, net		45,719,026
Dividend income		1,912,713
Net unrealized gain on investments- held for trading		16,636,414
Total income		<u>64,268,153</u>
Expenses		
Management fees	1(b), 5	(2,455,755)
Custody fees		(280,658)
Professional fees		(35,154)
Administrative expenses		(70,164)
Total expenses		<u>(2,841,731)</u>
Net income for the period		<u>61,426,422</u>

The attached notes 1-9 are an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

	From January 01, 2015 to June 30, 2015 <u>SR</u>
Cash flows from operating activities	
Income for the period	61,426,422
Adjustments for:	
Realized gains on investment, net	(45,719,026)
Unrealized gains on investment, net	(16,636,414)
Changes in current assets and liabilities:	
Additions to investments	(448,638,757)
Proceeds from sale of investments	379,067,761
Management fees payable	395,458
Custody fees	45,195
Accrued expenses	90,177
<i>Net cash used in operating activities</i>	<u>(69,969,184)</u>
Cash flows from financing activities	
Proceeds from units issued	167,566,538
Values of units redeemed	(39,579,976)
<i>Net cash from financing activities</i>	<u>127,986,562</u>
Net increase in cash and cash equivalents	58,017,378
Cash and cash equivalents at the beginning of the period	<u>37,038,879</u>
Cash and cash equivalents at the end of the period	<u><u>95,056,257</u></u>

The attached notes 1-9 are an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

	From January 01, 2015 to June 30, 2015
	<u>SR</u>
Net assets attributable to Unitholders at the beginning of the period	235,341,070
Proceeds from units issued	167,566,538
Value of units redeemed	(39,579,976)
Net income for the period	61,426,422
Net assets attributable to Unitholders at the end of the period	<u>424,754,054</u>
 Units transactions	
	<u>Units</u>
Outstanding units at the beginning of the period	23,742,223.41
Units issued	14,670,884.34
Units redeemed	(3,540,991.13)
Outstanding units at the end of the period	<u>34,872,116.60</u>

The attached notes 1-9 are an integral part of these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)****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 "Unit holders").

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 three years of listing – on the exchange, and to invest cash liquidities available in the Fund in cash market instruments and in the Fund market.

In dealing with 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 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 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.

- 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 condensed 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, as considered appropriate to the circumstances of the Fund.

Basis of measurement

These condensed 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.

As the fund has prepared its first financial statements from the period starting from June 15, 2014 to December 31, 2014, no comparative information for the corresponding period for six month ended June 30, 2014 has been presented. However, the comparative balance sheet is shown as at December 31, 2014.

Functional and presentation currency

These condensed interim 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)****Use of estimates and judgments**

The preparation of the condensed 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 period 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 condensed interim financial statements are as follows:

(a) 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 NAV to obtain the best estimates of the fair value.

(b) 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).

(c) Investment transactions

Investment transactions are accounted for as of the trade date.

(d) Cash and cash equivalents

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

(e) Zakat and income tax

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

(f) Expenses

Expenses are recognized on an accruals basis.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

4 INVESTMENTS HELD FOR TRADING

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

	June 30, 2015		
	Cost	Fair value	% of market value
	SR	SR	
<u>Equities</u>			
Hotel & Tourism	108,119,102	106,085,600	32
Retail	74,598,205	77,357,019	24
Agricultural and Food Industries	38,565,000	36,843,750	11
Industrial investments	31,031,550	30,772,500	12
Cement	39,626,364	38,848,940	12
Transport	28,000,000	40,880,000	9
Total investment portfolio	319,940,221	330,787,809	100

	December 31, 2014		
	Cost	Fair value	% of market value
	SR	SR	
<u>Equities</u>			
Hotel & Tourism	72,350,895	67,813,688	(6)
Retail	59,891,479	62,670,055	5
Agricultural and Food Industries	24,682,554	25,360,536	3
Industrial investments	24,010,122	19,282,875	20
Cement	18,127,149	17,326,309	4
Transport	6,188,000	7,007,910	13
Total investment portfolio	205,250,199	199,461,373	100

5 RELATED PARTIES 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 balance as at June 30, 2015 resulting from such transactions included in the accompanying financial statements are as follows:

	<u>June 30, 2015 SR</u>
Management fees payable	<u>1,381,415</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

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

	For the period ended June 30, 2015
	SR
Management fees expense	<u>2,455,755</u>

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 June 30, 2015 include 5,000,000 units held by the Fund Manager carrying a value of SR. 60,901,650.

6 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.

7 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 in the Foreign Fund, fair value is determined by references to its closing net asset value.

8 VALUATION DAYS

The Fund's units are valued twice a week every Sunday and Tuesday and announced on the following business day. In accordance with the terms and conditions of the Fund, the last valuation date of the period was June 30, 2015.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2015 (Unaudited)**

9 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the management on 15 July 2015.