

**BATIK AL WAED EQUITY 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**

INDEX	PAGES
INDEPENDENT AUDITORS' LIMITED REVIEW REPORT	1
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES	2
CONDENSED INTERIM STATEMENT OF OPERATIONS	3
CONDENSED INTERIM STATEMENT OF CASH FLOWS	4
CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS	5
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6 -10

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

**To the Unitholders
Batik Al Waed Saudi Equity Fund
Riyadh- Kingdom of Saudi Arabia**

Scope of review

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Batik Al Waed Saudi Equity 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 Unit holders 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 theses 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. Al Basri
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**

		June 30, 2015 (Unaudited)	December 31, 2014 (Audited)
	Note	SR	SR
ASSETS			
Cash and cash equivalents		1,314,672	6,902,881
Subscription in IPO Fund		5,267,076	-
Dividend receivables		91,341	-
Investments-held for trading	4	49,294,770	44,403,968
Total assets		55,967,859	51,306,849
LIABILITIES			
Management fees payable	5	245,075	68,815
Custody fees payable		28,009	7,865
Accrued expenses		39,642	18,799
Total liabilities		312,726	95,479
Net assets attributable to the Unitholders		55,655,133	51,211,370
Units in issue (numbers)		5,194,774.82	5,183,160.00
Net asset value - per unit value		10.7137	9.88

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 SR
Income		
Realized gains on investment, net		3,921,412
Dividend income		1,026,410
Net unrealized loss on investments- held for trading		<u>(44,606)</u>
Total income		4,903,416
Expenses		
Management fees	1(b), 5	(480,578)
Custody fees		(54,954)
Professional fees		(35,099)
Administrative expenses		<u>(13,731)</u>
Total expenses		(584,362)
Net income for the period		<u><u>4,319,054</u></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
	SR
Cash flows from operating activities	
Income for the period	4,319,054
Adjustments for:	
Realized gains on investment, net	(3,921,412)
Unrealized loss on investment, net	44,406
Changes in current assets and liabilities:	
Additions to investments	(89,016,009)
Proceeds from sale of investments	82,643,796
Management fees payable	176,260
Custody fees	20,144
Accrued expenses	20,843
<i>Net cash used in operating activities</i>	<u>(5,712,918)</u>
Cash flows from financing activities	
Proceeds from units issued	178,400
Values of units redeemed	(53,691)
<i>Net cash from financing activities</i>	<u>124,709</u>
Net decrease in cash and cash equivalents	(5,588,209)
Cash and cash equivalents at the beginning of the period	6,902,881
Cash and cash equivalents at the end of the period	<u>1,314,672</u>

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**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
	SR
Net assets attributable to Unitholders at the beginning of the period	51,211,370
Proceeds from units issued	178,400
Value of units redeemed	(53,691)
Net income for the period	4,319,054
Net assets attributable to Unitholders at the end of the period	55,655,133
Units transactions	
	Units
Outstanding units at the beginning of the period	5,183,160
Units issued	16,614.82
Units redeemed	(5,000)
Outstanding units at the end of the period	5,194,774.82

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 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, 1435H (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.

- 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 November 30, 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 Unit-holders 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
<u>Equities</u>	SR	SR	
Energy & Utilities	815,537	764,000	2
Industrial Investment	1,587,054	1,668,060	3
Transport	1,766,450	2,579,017	5
Petrochemical industries	3,217,292	3,061,898	6
Cement	4,948,845	4,801,282	10
Agriculture and food industries	5,127,240	4,848,285	10
Retail	5,548,668	5,271,143	11
Building and construction	6,309,370	6,121,655	12
Hotel and tourism	7,728,545	7,291,140	15
Bank and financial services	12,856,855	12,888,280	26
Total investment portfolio	49,905,558	49,294,770	100

	December 31, 2014		
	Cost	Fair value	% of market value
<u>Equities</u>	SR	SR	
Industrial Investment	3,695,233	3,873,860	5
Petrochemical industries	15,203,331	14,549,170	(4)
Cement	9,214,830	9,319,318	1
Retail	5,873,028	6,101,820	4
Hotel and tourism	1,575,600	1,841,850	17
Bank and financial services	9,408,123	8,717,950	(7)
Total investment portfolio	44,970,150	44,403,968	100

5 RELATED PARTIES TRANSACTIONS

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

	Relationship
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:

	As at June 30, 2015
	SR
Management fees payable	245,075

**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	480,578

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. 53,568,500.

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 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.

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 traded in active market, fair value is determined by reference to closing market value. Investments are recorded at this fair 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.