

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

**INTERIM FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR
THE SIX MONTH PERIOD ENDED JUNE 30,
2016**

**BAITK AL WAED SAUDI EQUITY FUND
(MANAGED BY SAUDI KUWAITI FINANCE HOUSE)**

**Interim Financial Statements and Independent Auditors' Review Report
For the six month period ended 30 June 2016**

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INDEPENDENT AUDITORS' REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim statement of assets and liabilities of Baitk Al Waed Saudi Equity Fund (the "Fund") managed by Saudi Kuwaiti Finance House (the "Fund Manager") as at June 30, 2016, and the related interim statements of operations, cash flows and changes in net assets for the six month period then ended June 30, 2016, together with the notes 1-11 which form an integral part of these interim financial statements. These 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. Our responsibility is to express a conclusion on these interim 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 person responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia, the objective of which is expression of an opinion regarding the interim financial statements taken as 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 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
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OPEN-ENDED FUND

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INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2016

	Notes	June 30, 2016	December 31,
		(Unaudited)	2015
		SR	SR
Assets			
Cash at bank		6,187,096	4,586,169
Dividends receivable		95,903	34,050
Advance for purchase of investment		-	812,844
Investments held for trading	4	36,259,455	37,829,474
Other assets		-	9,418
Total assets		42,542,454	43,271,955
Liabilities			
Accrued expenses and other liabilities	5	84,416	59,124
Custody fee payable		21,395	23,100
Management fees payable		187,205	202,121
Total liabilities		293,016	284,345
Net assets		42,249,438	42,987,610
Units in issue (numbers)		5,380,734	5,196,586
Net asset value - per unit		7.8520	8.2723

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

**Chief Operating
Officer**

**Chief Financial
Officer**

**Chief Executive
Officer**

OPEN-ENDED FUND

INTERIM STATEMENT OF OPERATIONS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

		June 30, 2016	June 30, 2015
	Notes	SR	SR
Income			
Realized (loss) / gains on investment, net		(3,128,709)	3,921,412
Dividends income		937,593	1,026,410
Unrealized gain / (loss) on investments, net		405,345	(44,606)
Total (loss) / income		(1,785,771)	4,903,216
Expenses			
Administrative and general expenses	6	(442,978)	(584,362)
Total expenses		(442,978)	(584,362)
(Loss) / income for the period		(2,228,749)	4,318,854

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

**Chief Operating
Officer**

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**Chief Executive
Officer**

OPEN-ENDED FUND

INTERIM STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

	June 30, 2016	June 30, 2015
Cash flows from operating activities	SR	SR
(Loss) / income for the period	(2,228,749)	4,318,854
Adjustments for:		
Realized loss / (gains) on investment, net	3,128,709	(3,921,412)
Unrealized (gain) / loss on investments, net	(405,345)	44,606
Changes in current assets and liabilities:		
Additions to investments	(45,059,674)	(89,016,009)
Advance for purchase of investments	812,844	-
Proceeds from sale of investments	43,906,329	82,643,796
Dividends receivable	(61,853)	-
Other assets	9,418	-
Accrued expense and other liabilities	25,292	20,843
Custody fee payable	(1,705)	20,144
Management fees payable	(14,916)	176,260
Net cash from / (used in) operating activities	110,350	(5,712,918)
Cash flows from financing activities		
Proceeds from units issued	1,530,212	178,400
Values of units redeemed	(39,635)	(53,691)
Net cash from financing activities	1,490,577	124,709
Net increase / (decrease) in cash at bank	1,600,927	(5,588,209)
Cash at bank at the beginning of the period	4,586,169	6,902,881
Cash at bank at the end of the period	6,187,096	1,314,672

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

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OPEN-ENDED FUND

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INTERIM STATEMENT OF CHANGES IN NET ASSETS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
	SR	SR
Net assets at the beginning of the period	42,987,610	51,211,570
Proceeds from units issued	1,530,212	178,400
Value of units redeemed	(39,635)	(53,691)
Dividends paid	-	-
(Loss) / income for the period	(2,228,749)	4,318,854
Net assets at the end of the period	42,249,438	55,655,133
Units transactions	Units	Units
Outstanding units at the beginning of the period	5,196,586	5,183,160
Units issued	189,148	16,615
Units redeemed	(5,000)	(5,000)
Outstanding units at the end of the period	5,380,734	5,194,775

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

Chief Operating
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Chief Financial
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Chief Executive
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

1 LEGAL STATUS AND ACTIVITY

- a) The Batik Al Waeed 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 "Unitholders").

The Fund is an open-ended fund and 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. 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 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).

- 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 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 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 interim 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

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. 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 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 these 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 condensed interim financial statements.

Expenses

Expenses are recognized on an accruals basis.

Net asset value per unit

Net asset value per unit disclosed in the interim statement of asset and liabilities is calculated by dividing the net assets of the Fund 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 INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

4 INVESTMENTS HELD FOR TRADING	Note	June 30, 2016	December 31, 2015
		SR (Unaudited)	SR (Audited)
4.1 Following is the breakup of investment:			
Equity shares	4.2	32,749,232	33,888,388
Funds		3,510,223	3,941,086
		<u>36,259,455</u>	<u>37,829,474</u>

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

4.2 Equities	June 30, 2016 (Unaudited)		
	Cost	Market Value	% difference in cost and market value - Increase/ (decrease)
	SR	SR	SR
Petrochemical industries	2,912,602	2,973,749	2.1
Cement	8,234,191	6,213,039	(24.5)
Banks & financial services	5,626,082	4,224,250	(24.9)
Retail	6,076,976	5,698,044	(6.2)
Industrial investment	3,204,097	2,854,800	(10.9)
Building and construction	1,595,134	1,472,000	(7.7)
Agriculture and food	3,156,546	1,894,000	(40.0)
Transport	3,963,051	3,545,000	(10.5)
Hotel & tourism	1,854,216	1,081,200	(41.7)
Telecommunication	2,690,966	2,793,150	3.8
Total	<u>39,313,861</u>	<u>32,749,232</u>	

Equities	December 31, 2015 (Audited)		
	Cost	Market Value	% difference in cost and market value - Increase/ (decrease)
	SR	SR	SR
Petrochemical industries	1,152,713	918,000	(20.4)
Cement	8,793,062	5,750,540	(34.6)
Banks & financial services	5,831,188	4,476,267	(23.2)
Retail	4,407,106	3,856,965	(12.5)
Industrial investment	3,917,683	3,740,400	(4.5)
Building and construction	2,263,097	2,135,616	(5.6)
Agriculture and food	7,787,090	5,868,150	(24.6)
Transport	5,873,638	5,768,750	(1.8)
Hotel & tourism	1,263,806	1,373,700	8.7
	<u>41,289,383</u>	<u>33,888,388</u>	

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

	June 30, 2016 SR (Unaudited)	December 31, 2015 SR (Audited)
5 ACCRUED EXPENSES AND OTHER LIABILITIES		
Accrued expenses	5,196	-
Accrued professional fees	13,007	12,976
Meeting fees payable to the fund board	36,186	26,148
Accrued shariah board fees	30,027	20,000
	<u>84,416</u>	<u>59,124</u>
	June 30, 2016 SR (Unaudited)	June 30, 2015 SR (Unaudited)
6 ADMINISTRATIVE AND GENERAL EXPENSES		
Management fees	356,847	480,578
Custody fees	40,782	54,954
Directors' fees	13,962	-
Professional fees	11,219	35,099
Shariah board fees	9,973	-
Other administrative expenses	10,195	13,731
	<u>442,978</u>	<u>584,362</u>
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 period and balances arising there from are as follows:

			June 30, 2016 SR (Unaudited)	June 30, 2015 SR (Unaudited)
Transactions				
Related party name	Relationship	Nature of transaction		
Saudi Kuwaiti Finance House	Fund Manager	Management fee	356,847	480,578
		Custody fee	40,782	54,954
Directors	Fund board member	Fund board fee	13,962	-
Baitk IPO Fund	Fund under same Fund Manager	Purchase of units	3,510,223	5,267,076
Balances				
Related party name	Relationship	Nature of balance	June 30, 2016 SR (Unaudited)	December 31, 2015 SR (Audited)
Saudi Kuwaiti Finance House	Fund Manager	Management fee payable	187,205	202,121
		Custody fee payable	21,395	23,100
		Fund board fee payable	36,186	26,148
Baitk IPO Fund	Fund under same Fund Manager	Investment	3,510,223	3,941,086

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 (Unaudited)

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, 2016 include 5,000,000 units (December 31, 2015: 5,000,000 units) held by the Fund Manager carrying a value of SR. 39,259,921 (December 31, 2015: SR. 41,361,396).

8 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.

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 at banks and investments held for trading and dividend receivable. 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 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, 2016.

11 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Fund's Board on August 14, 2016.

**Chief Operating
Officer**

**Chief Financial
Officer**

**Chief Executive
Officer**