

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)

Interim Condensed Financial Statements (un-audited)
For the six month period ended 30 June 2012
together with the
Review Report to the Unitholders

**KPMG Al Fozan & Al Sadhan**

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REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To: **The Unitholders of
Bakheet Saudi Trading Equity Fund
Riyadh, Kingdom of Saudi Arabia**

Scope of Review

We have reviewed the accompanying interim balance sheet of **Bakheet Saudi Trading Equity Fund** (the "Fund") managed by Bakheet Investment Group (the "Fund Manager") as at 30 June 2012 and the related interim statements of income, cash flows and changes in net assets attributable to unitholders for the six month period ended 30 June 2012 and the attached notes from (1) to (10) for the six month period then ended which form an integral part of these interim condensed financial statements. These interim condensed 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 condensed financial statements based on our review.

We conducted our review in accordance with the Standard 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 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 accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Khalil Ibrahim Al Sedais
License No. 371



Date: 23 Ramadan 1433H
Corresponding to: 11 August 2012

**BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM BALANCE SHEET (UN-AUDITED)**

As at 30 June 2012

(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	2012	2011
<u>ASSETS</u>			
Cash at bank		5,081	671,629
Held for trading investments	6	40,313,321	43,637,933
Dividend receivable		--	41,600
Total assets		40,318,402	44,351,162
<u>LIABILITIES</u>			
Management and custody fees	8	206,123	237,690
Board of Directors' fee	8	30,000	33,066
Sharia committee members' fee		17,500	17,500
Accrued expenses		35,231	37,181
Total liabilities		288,854	325,437
Net assets value attributable to unitholders		40,029,548	44,025,725
Units in issue (numbers)		27,127,415	31,354,389
Net asset value - per unit		1.4756	1.4041

The accompanying notes (1) through (10) form an integral part of these interim condensed financial statements.

These interim condensed financial statements shown in pages from 1 to 8 have been approved by the Board of Directors of the Fund on 11 August 2012 and signed on their behalf by:



Al Hassan Goussous
Chief Executive Officer



Hisham Tuffaha
Asset Management Head

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF INCOME (UN-AUDITED)

For the six month period ended 30 June 2012

(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2012</u>	<u>2011</u>
<u>INCOME</u>			
Trading gain / (loss), net	7	3,258,364	(609,696)
Dividend income		876,351	1,016,375
Other income		473	1,298
Total income		<u>4,135,188</u>	<u>407,977</u>
<u>EXPENSES</u>			
Management fee	8	319,641	371,346
Custody fee	8	100,000	100,000
Board of Directors' fee	8	30,000	33,066
Other operating expenses		70,259	72,229
Total expenses		<u>519,900</u>	<u>576,641</u>
NET INCOME / (LOSS)		<u>3,615,288</u>	<u>(168,664)</u>

The accompanying notes (1) through (10) form an integral part of these interim condensed financial statements.

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2012
(Amounts in Saudi Arabian Riyals)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss)	3,615,288	(168,664)
Adjustment for movement in unrealised loss / (gain) on held for trading investments	358,156	(4,284,272)
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	353,813	7,243,385
Dividend receivable	--	(41,600)
Management and custody fees	4,733	(8,320)
Board of Directors' fee	(33,066)	(176,224)
Accrued expenses	3,549	5,489
Net cash generated by operating activities	<u>4,302,473</u>	<u>2,569,793</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	7,525,083	5,064,683
Payments for redemption of units	<u>(12,136,433)</u>	<u>(10,827,379)</u>
Net cash used in financing activities	<u>(4,611,350)</u>	<u>(5,762,696)</u>
Net decrease in cash and cash equivalents	<u>(308,877)</u>	<u>(3,192,903)</u>
Cash and cash equivalents at beginning of the period	313,958	3,864,532
Cash and cash equivalents at end of the period	<u>5,081</u>	<u>671,629</u>

The accompanying notes (1) through (10) form an integral part of these interim condensed financial statements.

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS (UN-AUDITED)
For the six month period ended 30 June 2012

	<u>2012</u>	<u>2011</u>
	<u>Amounts in Saudi Arabian Riyals</u>	
Net assets value at beginning of the period	41,025,610	49,957,085
Add: New subscriptions during the period	7,525,083	5,064,683
Less: Redemptions during the period	(12,136,433)	(10,827,379)
Net income / (loss)	3,615,288	(168,664)
Net assets value at end of the period	<u>40,029,548</u>	<u>44,025,725</u>
	<u>In numbers</u>	
Units at beginning of the period	29,945,930	35,604,122
Add: Units subscribed	4,631,221	3,699,455
Less: Units redeemed	(7,449,736)	(7,949,188)
Net decrease in units	(2,818,515)	(4,249,733)
Units at end of the period	<u>27,127,415</u>	<u>31,354,389</u>

The accompanying notes (1) through (10) form an integral part of these interim condensed financial statements.

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2012

1. GENERAL

Bakheet Saudi Trading Equity Fund (the "Fund") is an investment fund established through an agreement between Bakheet Investment Group (the "Fund Manager") and the Fund Investors (the "Unitholders") by virtue of approval of the Saudi Capital Market Authority (the "CMA") dated 12 Rabi I 1428H (corresponding to 31 March 2007). The Fund commenced its operations on 7 May 2007.

The Fund's primary objective is to increase its capital by achieving a positive return and incurring minimum risk while investing in selected publicly traded joint stock companies in the Kingdom of Saudi Arabia, which fit Sharia rules, and investing the available liquidity in Murabaha investments and Saudi Riyal Murabaha funds. The Fund is an "open-end" type, and will not distribute any dividends to the unit holders. Instead, the income will be reinvested in the Fund, which will be reflected in the Fund's unit price.

In dealing with the Unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The address of the Fund Manager is as follows:

Bakheet Investment Group
P. O. Box 63762
Riyadh 11526
Kingdom of Saudi Arabia

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units on every business day (each a "Dealing Day") of the Saudi Stock Market. The value of the Fund's portfolio is determined on each dealing day (each a "Valuation Day"). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

These interim condensed financial statements have been presented in accordance with the requirements of accounting standard on interim financial reporting issued by the Saudi Organization of Certified Public Accountants (the "SOCPA"). These interim condensed financial statements do not include all the information presented in annual financial statements; therefore, these interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2012
(Amounts in Saudi Arabian Riyals)

4. BASIS OF PREPARATION (CONTINUED)

4.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention, except for the measurement of held for trading investments at fair value, using accrual basis of accounting and the going concern concept.

4.3 Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Arabian Riyal, which is the functional currency of the Fund.

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2011. Risk management policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2011.

6. HELD FOR TRADING INVESTMENTS

All of the Fund's investments are in Saudi public companies that are listed on the Saudi Stock Exchange (Tadawul). The composition of the investment portfolio is summarized below.

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		2012	
Petrochemical industries	12,951,589	12,036,050	29.86
Banks and financial services	10,657,782	10,313,251	25.58
Industrial investment	4,262,967	4,638,441	11.51
Telecommunication and information technology	3,046,502	3,376,011	8.37
Agriculture and food industries	2,701,849	2,697,601	6.69
Cement	2,171,566	2,199,392	5.46
Transport	1,857,096	1,931,610	4.79
Hotel and tourism	1,630,242	1,761,305	4.37
Energy and utilities	1,391,884	1,359,660	3.37
Building and construction	--	--	--
	<u>40,671,477</u>	<u>40,313,321</u>	<u>100.00</u>

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2012
(Amounts in Saudi Arabian Riyals)

6. HELD FOR TRADING INVESTMENTS (CONTINUED)

<u>Sector</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
	<u>2011</u>		
Petrochemical industries	15,564,552	18,636,858	42.71
Banks and financial services	7,422,826	7,937,565	18.19
Industrial investment	2,691,100	2,994,970	6.86
Telecommunication and information technology	4,075,977	4,258,030	9.76
Agriculture and food industries	3,139,100	2,891,360	6.63
Cement	2,354,113	2,724,400	6.24
Transport	--	--	--
Hotel and tourism	--	--	--
Energy and utilities	1,103,017	1,172,875	2.69
Building and construction	3,002,975	3,021,875	6.92
	<u>39,353,660</u>	<u>43,637,933</u>	<u>100.00</u>

7. TRADING GAIN / (LOSS), NET

	<u>2012</u>	<u>2011</u>
Unrealised (loss) / gain on investments, net	(358,156)	4,284,272
Realized gain / (loss) on investments, net	<u>3,616,520</u>	<u>(4,893,968)</u>
	<u>3,258,364</u>	<u>(609,696)</u>

8. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its related parties. The Fund Manager, its employees, and the Fund's Board of Directors are considered to be related parties of the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund. The Fund Manager charges the Fund with a management fee of 1.5% per annum of the Fund's net assets, calculated on a daily basis. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fee, board compensation and other similar charges.

The unitholders' account at 30 June included units held as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Units in numbers</u>	<u>SAR</u>	<u>Units in numbers</u>	<u>SAR</u>
Held by the Fund Manager	2,078,641	3,067,268	3,665,783	5,147,126
Held by members of the Board of Directors of the Fund	1,890,251	2,789,277	225,112	316,080
Held by employees of the Fund Manager	74,389	109,769	110,493	155,147
	<u>4,043,281</u>	<u>5,966,314</u>	<u>4,001,388</u>	<u>5,618,353</u>

BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2012
(Amounts in Saudi Arabian Riyals)

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the period the above-mentioned unitholders' have subscribed and redeemed units of SR 6,166,071 (2011: SR 349,600) and SR 5,689,171 (2011: SR 759,068), respectively.

Related party transactions for the period ended 30 June and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance payable</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bakheet Investment Group	Management fee	<u>319,641</u>	<u>371,346</u>	<u>156,123</u>	<u>187,690</u>
	Custody fee	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>
Board of Directors	Meetings allowance	<u>30,000</u>	<u>33,066</u>	<u>30,000</u>	<u>33,066</u>

9. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability could be settled between knowledgeable willing parties in an arm's length transaction.

Financial instruments consist of financial assets and financial liabilities. The Fund's financial assets consists of cash at bank and held for trading investments and financial liabilities consists of management and custody fees, Board of Directors' fee, Shari'a Committee Members Fees and certain accrued expenses.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of other financial instruments is not materially different from their carrying values.

10. LAST VALUATION DATE

The last valuation day of the period was 30 June 2012 (2011: 29 June 2011).