

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)

Interim Condensed Financial Statements (un-audited)
For the six month period ended 30 June 2011
together with the
Limited Review Report to the Unitholders

**KPMG Al Fozan & Al Sadhan**

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**LIMITED REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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

Scope of Review

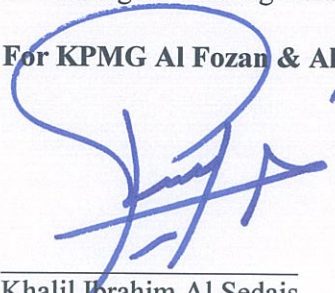
We have reviewed the accompanying interim condensed financial statements of **Bakheet IPO Fund** (the "Fund") managed by Bakheet Investment Group (the "Fund Manager"), which comprise the interim balance sheet as at 30 June 2011, and the related interim statements of income, cash flows and changes in net assets attributable to unitholders for the six month period then ended and the attached condensed notes (1) to (10) 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 limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited 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 limited 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: 12 Sha'ban 1432H
Corresponding to: 13 July 2011

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM BALANCE SHEET (UN-AUDITED)


As at 30 June 2011

(Saudi Riyals)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>			
Cash and cash equivalents		3,098,748	9,237,528
Investments - held for trading	6	<u>76,793,625</u>	<u>79,298,640</u>
Total assets		<u>79,892,373</u>	<u>88,536,168</u>
<u>LIABILITIES</u>			
Management and custody fees	8	499,560	572,007
Board of Directors fee	8	39,076	125,000
Accrued expenses		<u>19,802</u>	<u>19,059</u>
Total liabilities		<u>558,438</u>	<u>716,066</u>
Net assets value attributable to unitholders		<u>79,333,935</u>	<u>87,820,102</u>
Units in issue (numbers)		<u>94,875,485</u>	<u>119,520,492</u>
Net assets value - per unit		<u>0.8362</u>	<u>0.7348</u>

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

These interim condensed financial statements shown in the pages from 1 to 8 have been approved by the Board of Directors on July 13, 2011 and signed on their behalf by:


Beshr Bakheet
Chief Executive Officer and Chairman


Hesham H. Abo-Jamee
Chief Investment Officer

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six month period ended 30 June 2011
(Saudi Riyals)

	<u><i>Note</i></u>	<u>2011</u>	<u>2010</u>
<u>INCOME</u>			
Trading gain, net	7	8,685,195	4,452,328
Dividend income		1,054,950	1,062,150
Other income		803	178
Total income		<u>9,740,948</u>	<u>5,514,656</u>
<u>EXPENSES</u>			
Management fee	8	796,681	1,089,618
Custody fee	8	199,170	272,404
Others		69,833	144,079
Total expenses		<u>1,065,684</u>	<u>1,506,101</u>
NET INCOME		<u>8,675,264</u>	<u>4,008,555</u>

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

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six month period ended 30 June 2011
(Saudi Riyals)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	8,675,264	4,008,555
Adjustment for movement in unrealised gain on investments	(8,240,479)	(7,890,987)
<i>Changes in operating assets and liabilities:</i>		
Investments - held for trading	15,295,514	46,466,045
Management and custody fees	(33,623)	(291,736)
Board of Directors' fee	(210,924)	(138,523)
Accrued expenses	4,661	4,059
Net cash provided by operating activities	<u>15,490,413</u>	<u>42,157,413</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units subscribed	108,000	30,000
Payments on units redeemed	(15,551,480)	(47,315,371)
Net cash used in financing activities	<u>(15,443,480)</u>	<u>(47,285,371)</u>
Net increase / (decrease) in cash and cash equivalents	46,933	(5,127,958)
Cash and cash equivalents, beginning of the period	3,051,815	14,365,486
Cash and cash equivalents, end of the period	<u>3,098,748</u>	<u>9,237,528</u>

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

BAKHEET IPO 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 2011

	<u>2011</u>	<u>2010</u>
	<u>In Saudi Riyals</u>	
Net assets value, beginning of the period	86,102,151	131,096,918
Add: New subscriptions during the period	108,000	30,000
Less: Redemptions during the period	(15,551,480)	(47,315,371)
Net income	8,675,264	4,008,555
Net assets value, end of the period	<u>79,333,935</u>	<u>87,820,102</u>
	<u>In numbers</u>	
Units, beginning of the period	115,230,348	182,165,927
Add: Units subscribed	145,671	40,436
Less: Units redeemed	(20,500,534)	(62,685,871)
Net decrease in units	(20,354,863)	(62,645,435)
Units, end of the period	<u>94,875,485</u>	<u>119,520,492</u>

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

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2011

1. GENERAL

Bakheet IPO Fund (the "Fund") is an investment fund established through an agreement between the Bakheet Investment Group (the "Fund Manager") and the Fund Investors (the "Unitholders").

The Saudi Capital Market Authority (the "CMA") approval for the Fund was obtained on 27 Muharram 1429H (corresponding to 5 February 2008). The Fund commenced operations on 15 March 2008.

The Fund's primary objective is to increase capital by achieving a positive return and incurring minimum risk while investing in initial public offerings in Saudi Arabia, and investing the available liquidity in low-risk assets and Saudi Riyal Murabaha funds. The Fund is an "open-end" type, and will not distribute any dividends to the unitholders. Instead, the income will be reinvested in the Fund, which will be reflected in the Fund's unit price.

In dealing with the Unitholders, 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 within the Kingdom of Saudi Arabia.

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

The Fund is open for subscriptions / redemptions of units on business day (each a "Dealing Day") immediately preceding the 16th day of each calendar month or the last business day of each calendar month. 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 shall be 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 financial statements have been presented in condensed form and 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 2010.

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2011
(Saudi 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 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 Riyal, which is also 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 2010. Risk management policies are consistent with those as disclosed in the annual financial statements for the year ended 31 December 2010.

6. INVESTMENTS - HELD FOR TRADING

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>
2011			
Industrial investment	43,121,901	48,362,545	62.98
Retail	10,744,358	12,435,875	16.19
Building and construction	5,849,125	7,003,075	9.12
Agriculture and food industries	5,992,186	6,146,800	8.00
Petrochemical industries	2,845,576	2,845,330	3.71
	<u>68,553,146</u>	<u>76,793,625</u>	<u>100.00</u>
2010			
Industrial investment	45,683,941	49,745,050	62.73
Retail	9,512,243	12,061,550	15.21
Building and construction	3,951,389	3,978,280	5.02
Agriculture and food industries	5,997,073	7,577,700	9.56
Petrochemical industries	6,263,007	5,936,060	7.48
	<u>71,407,653</u>	<u>79,298,640</u>	<u>100.00</u>

BAKHEET IPO FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2011
(Saudi Riyals)

7. TRADING GAIN, NET

	<u>2011</u>	<u>2010</u>
Unrealized gain on investments, net	8,240,479	7,890,987
Realized gain / (loss) on investments, net	<u>444,716</u>	<u>(3,438,659)</u>
	<u>8,685,195</u>	<u>4,452,328</u>

8. TRANSACTIONS WITH RELATED PARTIES

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 2% 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 as audit fee, board compensation and other similar charges. The Fund manager also receives a subscription fee of 2% for all new subscriptions.

The unitholders' account at 30 June included units (in numbers) held as follows:

	<u>2011</u>	<u>2010</u>
Held by employees and Staff Saving Account of Fund Manager	403,409	914,066
Held by members of the Board of Directors	<u>42,843</u>	<u>245,200</u>
	<u>446,252</u>	<u>1,159,266</u>

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 payable balance</u>	
		<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bakheet Investment Group	Management and custody fees	<u>995,851</u>	<u>1,362,022</u>	<u>499,560</u>	<u>572,007</u>
Bakheet Investment Group	Board of Directors fee	<u>39,076</u>	<u>125,000</u>	<u>39,076</u>	<u>125,000</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 cash at bank and investments - held for trading and financial liabilities consists 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.

BAKHEET IPO FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2011

10. LAST VALUATION DAY

The last valuation day of the period was 29 June 2011 (2010: 30 June 2010).