

**BAKHEET SAUDI TRADING EQUITY 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**



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**LIMITED 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***

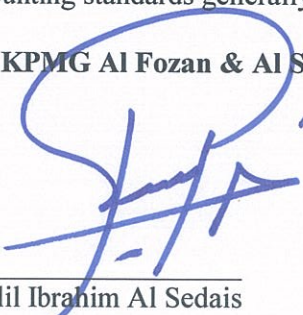
We have reviewed the accompanying interim condensed financial statements of **Bakheet Saudi Trading Equity Fund** (the "Fund") managed by Bakheet Investment Group (the "Fund Manager"), which comprise the interim balance sheet as at 30 June 2011, and the related interim statements of income, cash flows 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

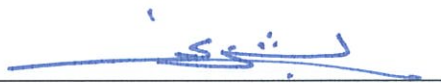
**BAKHEET SAUDI TRADING EQUITY FUND**  
**(MANAGED BY BAKHEET INVESTMENT GROUP)**  
**INTERIM BALANCE SHEET (UN-AUDITED)**


As at 30 June 2011  
(Saudi Riyals)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents		671,629	5,466,277
Investments - held for trading	6	43,637,933	45,644,935
Dividend receivable		41,600	90,900
<b>Total assets</b>		<u>44,351,162</u>	<u>51,202,112</u>
<b><u>LIABILITIES</u></b>			
Management and custody fees	8	237,690	256,347
Board of Directors fee	8	33,066	109,685
Sharia committee member fees		17,500	17,500
Accrued expenses		37,181	12,500
<b>Total liabilities</b>		<u>325,437</u>	<u>396,032</u>
<b>Net assets value attributable to unitholders</b>		<u>44,025,725</u>	<u>50,806,080</u>
<b>Units in issue (numbers)</b>		<u>31,354,389</u>	<u>40,409,476</u>
<b>Net asset value - per unit</b>		<u>1.4041</u>	<u>1.2573</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 SAUDI TRADING EQUITY FUND**  
**(MANAGED BY BAKHEET INVESTMENT GROUP)**  
**INTERIM STATEMENT OF INCOME (UN-AUDITED)**

For the six month period ended 30 June 2011

(Saudi Riyals)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
<b><u>INCOME</u></b>			
Trading (loss) / gain, net	7	(609,696)	1,917,997
Dividend income		1,016,375	1,215,400
Other income		1,298	19
<b>Total income</b>		<u>407,977</u>	<u>3,133,416</u>
<b><u>EXPENSES</u></b>			
Management fee	8	371,346	441,007
Custody fee	8	100,000	100,000
Others		105,295	157,224
<b>Total expenses</b>		<u>576,641</u>	<u>698,231</u>
<b>NET (LOSS) / INCOME</b>		<u>(168,664)</u>	<u>2,435,185</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)**

**STATEMENT OF CASH FLOWS**

For the six month period ended 30 June 2011

(Saudi Riyals)

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income	(168,664)	2,435,185
Adjustment for movement in unrealised gain on investments	(4,284,272)	(3,149,951)
<i>Changes in operating assets and liabilities:</i>		
Investments - held for trading	7,243,385	25,645,075
Dividend receivable	(41,600)	(90,900)
Management and custody fees	(8,320)	(47,082)
Board of Directors' fee	(176,224)	(117,353)
Sharia committee members' fee	--	(5,000)
Accrued expenses	5,489	(2,500)
<b>Net cash provided by operating activities</b>	<u>2,569,793</u>	<u>24,667,474</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from units subscribed	5,064,683	8,294,656
Payments on units redeemed	(10,827,379)	(28,311,568)
<b>Net cash used in financing activities</b>	<u>(5,762,696)</u>	<u>(20,016,912)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	(3,192,903)	4,650,562
Cash and cash equivalents, beginning of the period	3,864,532	815,715
<b>Cash and cash equivalents, end of the period</b>	<u>671,629</u>	<u>5,466,277</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 2011

	<u>2011</u>	<u>2010</u>
	<u>In Saudi Riyals</u>	
<b>Net assets value, beginning of the period</b>	<b>49,957,085</b>	<b>68,387,807</b>
Add: New subscriptions during the period	<b>5,064,683</b>	<b>8,294,656</b>
Less: Redemptions during the period	<b>(10,827,379)</b>	<b>(28,311,568)</b>
Net (loss) / income	<b>(168,664)</b>	<b>2,435,185</b>
<b>Net assets value, end of the period</b>	<b><u>44,025,725</u></b>	<b><u>50,806,080</u></b>
	<u>In numbers</u>	
<b>Units, beginning of the period</b>	<b>35,604,122</b>	<b>56,309,257</b>
Add: Units subscribed	<b>3,699,455</b>	<b>6,153,797</b>
Less: Units redeemed	<b>(7,949,188)</b>	<b>(22,053,578)</b>
Net decrease in units	<b>(4,249,733)</b>	<b>(15,899,781)</b>
<b>Units, end of the period</b>	<b><u>31,354,389</u></b>	<b><u>40,409,476</u></b>

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 2011

**1. GENERAL**

Bakheet Saudi Trading Equity 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 12 Rabi I 1428H (corresponding to 31 March 2007). The Fund commenced operations on 7 May 2007.

The Fund's primary objective is to increase capital by achieving a positive return and incurring minimum risk while investing in selected publicly traded joint stock companies in Saudi Arabia, which fit the 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 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 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 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 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>
		<b>2011</b>	
Petrochemical industries	15,564,552	18,636,858	42.71
Banks and financial services	7,422,826	7,937,565	18.19
Telecommunication and information technology	4,075,977	4,258,030	9.76
Building and construction	3,002,975	3,021,875	6.92
Industrial investment	2,691,100	2,994,970	6.86
Agriculture and food industries	3,139,100	2,891,360	6.63
Cement	2,354,113	2,724,400	6.24
Energy and utilities	1,103,017	1,172,875	2.69
Transport	--	--	--
Real estate development	--	--	--
Retail	--	--	--
	<u>39,353,660</u>	<u>43,637,933</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 2011  
*(Saudi Riyals)*

**6. INVESTMENTS - HELD FOR TRADING (CONTINUED)**

<u>Sector</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
		2010	
Petrochemical industries	18,476,621	18,990,200	41.60
Banks and financial services	7,548,591	8,722,525	19.11
Telecommunication and information technology	2,528,182	3,125,475	6.85
Building and construction	1,332,778	1,299,280	2.85
Industrial investment	3,826,215	4,032,700	8.83
Agriculture and food industries	2,615,034	3,142,125	6.88
Cement	823,917	799,200	1.75
Energy and utilities	1,993,208	2,081,530	4.56
Transport	1,553,929	1,507,180	3.30
Real estate development	1,254,966	1,072,620	2.35
Retail	541,543	872,100	1.92
	<u>42,494,984</u>	<u>45,644,935</u>	<u>100.00</u>

**7. TRADING (LOSS) / GAIN, NET**

	<u>2011</u>	<u>2010</u>
Unrealised gain on investments, net	4,284,272	3,149,951
Realized loss on investments, net	<u>(4,893,968)</u>	<u>(1,231,954)</u>
	<u>(609,696)</u>	<u>1,917,997</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 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 as audit fee, board compensation and other similar charges.

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

	<u>2011</u>	<u>2010</u>
Held by the Fund Manager	3,665,783	3,272,974
Held by members of Board of Directors	225,112	87,902
Held by employees and Staff Saving Account of Fund Manager	<u>110,493</u>	<u>571,330</u>
	<u>4,001,388</u>	<u>3,932,206</u>

**BAKHEET SAUDI TRADING EQUITY FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six month period ended 30 June 2011  
*(Saudi Riyals)*

**8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

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>471,346</u>	<u>541,007</u>	<u>237,690</u>	<u>256,347</u>
Bakheet Investment Group	Board of Directors fee	<u>33,066</u>	<u>109,685</u>	<u>33,066</u>	<u>109,685</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.

**10. LAST VALUATION DATE**

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