

BAKHEET IPO FUND

**Financial Statements for the Period from
March 15, 2008 (Date of Commencement of
Operations) to December 31, 2008 and
Independent Auditors' Report**

REPORT OF INDEPENDENT AUDITORS

To the Unitholders and the Fund Manager of
The Bakheet IPO Fund:

We have audited the accompanying balance sheet of the Bakheet IPO Fund (the "Fund") as of December 31, 2008, and the related statements of operations, changes in net assets and cash flows for the period from March 15, 2008 (date of commencement of operations) to December 31, 2008. These financial statements which were prepared by the Fund's management and presented to us with all the information and explanations which we required, are the responsibility of the Fund's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as of December 31, 2008, the results of its operations, and the changes in its net assets and cash flows for the period from March 15, 2008 to December 31, 2008 in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

PricewaterhouseCoopers Al Juraid



By _____
Rashid S. Al Rashoud
License Number 366



March 25, 2009



BAKHEET IPO FUND**BALANCE SHEET
AS OF DECEMBER 31, 2008**

	<u>NOTES</u>	
<u>ASSETS</u>		
Cash and cash equivalents		SR 61,792,098
Commission receivable		733
Investments	5	<u>57,984,725</u>
Total assets		<u>119,777,556</u>
<u>LIABILITIES</u>		
Management and custody fees	4	894,649
Audit fee		25,000
Board of Directors fees		<u>197,692</u>
Total liabilities		<u>1,117,341</u>
NET ASSETS VALUE		SR 118,660,215
Units in issue		<u>206,814,897</u>
Per unit value		<u>SR 0.5738</u>

Authorized signatories:


General Manager
Fund Manager

The accompanying notes form an integral part of these financial statements.

BAKHEET IPO FUND**STATEMENT OF OPERATIONS
FOR THE PERIOD FROM MARCH 15, 2008 (DATE OF COMMENCEMENT OF
OPERATIONS) TO DECEMBER 31, 2008**

NOTE**INVESTMENT INCOME:**

Dividend income	SR	182,000
Commission income		1,077,774
Other income		<u>2,594</u>
Total investment income		<u>1,262,368</u>

EXPENSES:

Management fee	4	3,163,402
Custody fee		790,850
Other		<u>249,831</u>
Total expenses		<u>4,204,083</u>

DECREASE IN ASSETS FROM OPERATIONS (2,941,715)

**NET REALIZED AND UNREALIZED
GAINS (LOSSES):**

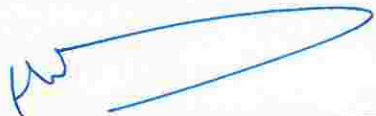
Realized losses	(81,691,916)
Unrealized losses	<u>(13,209,332)</u>
Total realized and unrealized losses	<u>(94,901,248)</u>

NET LOSS FROM OPERATIONS SR (97,842,963)

Authorized signatories:



General Manager



Fund Manager

The accompanying notes form an integral part of these financial statements.

BAKHEET IPO FUND**STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM MARCH 15, 2008 (DATE OF COMMENCEMENT OF
OPERATIONS) TO DECEMBER 31, 2008**

NET ASSETS, BEGINNING OF THE PERIOD	SR	-
Add: New subscriptions during the period		265,617,131
Less: Redemptions during the period		(49,113,953)
Net loss from operations		<u>(97,842,963)</u>
NET ASSETS, END OF THE PERIOD	SR	<u>118,660,215</u>
UNITS, BEGINNING OF THE PERIOD		<u>-</u>
Add: Units subscribed		265,656,087
Less: Units redeemed		<u>(58,841,190)</u>
Net increase in units		<u>206,814,897</u>
UNITS, END OF THE PERIOD		<u>206,814,897</u>

The accompanying notes form an integral part of these financial statements.

BAKHEET IPO FUND**STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 15, 2008 (DATE OF COMMENCEMENT OF
OPERATIONS) TO DECEMBER 31, 2008**

OPERATING ACTIVITIES:

Net loss from operations	SR (97,842,963)
Adjustment for movement in unrealized losses on investments	<u>13,209,332</u>
	(84,633,631)
Changes in operating assets and liabilities:	
Investments	(71,194,057)
Commission receivable	(733)
Management and custody fee	894,649
Audit fee	25,000
Board of Directors fee	<u>197,692</u>
Net cash used in operating activities	<u>(154,711,080)</u>

FINANCING ACTIVITIES:

Proceeds from units subscribed	265,617,131
Payments on units redeemed	<u>(49,113,953)</u>

Net cash provided by financing activities 216,503,178

NET INCREASE IN CASH AND CASH EQUIVALENTS 61,792,098

CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD -

CASH AND CASH EQUIVALENTS, END OF THE PERIOD SR 61,792,098

The accompanying notes form an integral part of these financial statements.

BAKHEET IPO FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM MARCH 15, 2008 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2008

1. GENERAL

Bakheet IPO Fund (the "Fund") is an investment fund established by the Investment Services Department of The Bakheet Investment Group (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Fund operates in accordance with Fund Regulations and laws of the Kingdom of Saudi Arabia with the primary objective 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.

The address of the Fund Manager is as follows:

Bakheet Investment Group
Head Office
P.O. Box 63762
Riyadh 11526
Saudi Arabia

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 accompanying financial statements are for the period from March 15, 2008 (the date of commencement of operations) to December 31, 2008. The Saudi Capital Market Authority ("CMA") approval was obtained on February 5, 2008. However, the Fund did not commence operations until March 15, 2008.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations issued by the CMA on Dhul Hijja 22, 1427H (corresponding to January 12, 2007) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention, except for the measurement of investments at fair value, on the accrual basis of accounting and in conformity with generally accepted accounting principles in Saudi Arabia as promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

b) Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

c) Revenue recognition

Dividend income is recognized when the Fund's right to receive payment is established. Realized gains and losses on investments sold are determined on the weighted average cost basis. Commission income is recognized on an effective yield basis. Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets held for trading.

d) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and highly liquid investments including Murabaha investments, with original maturities of three months or less from the date of origination.

e) Investments

The Fund's investments are in equities traded on the Saudi Stock Market.

Equities are valued at quoted market prices at the balance sheet date. Changes in fair values of listed equities, comprising realized and unrealized gains and losses are included in the statement of operations.

f) Trade date accounting

All purchases and sales of equity investments are recognized on the trade date, which is the date the Fund commits to purchase or sell the asset.

g) Foreign currency translation

The Fund's books of accounts are maintained in Saudi Riyals. Transactions denominated in foreign currencies, if any, are translated into Saudi Riyals at rates of exchange prevailing on the date of such transactions. Assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at rates prevailing on the balance sheet date.

h) Liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether billed by the provider or not.

i) Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

j) Zakat and income tax

Under certain provisions of the Saudi Income Tax Law, the income and gains of investment funds are subject to income tax at the applicable rates. The provisions of the Saudi Income Tax Law relating to investment funds have not been enforced pending clarification from The Department of Zakat and Income Tax ("DZIT") and the CMA.

k) Offsetting

Financial assets and liabilities are offset and reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Fund intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. TRANSACTIONS WITH RELATED PARTIES

The management of the Fund is the responsibility of the Fund Manager who 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. For management services, the Fund Manager charges the Fund with a management fee of 2.0% per annum of the Fund's net assets, calculated on a daily basis, as well as a custody fee of 0.5% per annum of the Fund's net assets, calculated on a daily basis. In addition, the Fund Manager charges the Fund with any operating charges (such as auditing fees) or any legal charges paid on behalf the Fund.

The Fund Manager has agreed voluntarily to waive Board of Directors fees amounting to SR 53,522 incurred on behalf of the Fund for the period from March 15, 2008 to December 31, 2008.

The unitholders' account at 31 December 2008 included units held as follows:

Held by the Fund Manager	SR 6,127,491
Held by members of the Board of Directors	423,674
Held by employees and the Pension Fund of the Fund Manager	<u>633,639</u>
Total	<u>SR 7,184,804</u>

5. INVESTMENTS

All of the Fund's investments are in Saudi public companies that are listed on the Saudi stock market. The Composition of the investment portfolio at December 31, 2008 is summarized below:

<u>Company Name</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of Market Value</u>
Rabigh Refining and Petrochemical Co.	SR 23,235,760	SR 14,131,840	24.37
Abdullah Al Othaim Markets Co.	8,185,888	8,888,000	15.33
Halwani Brothers Co.	8,554,847	10,946,840	18.88
Astra Industrial Group Co.	14,629,200	11,401,035	19.66
Mohammad Al Mojil Group Co.	<u>16,588,362</u>	<u>12,617,010</u>	<u>21.76</u>
Total	<u>SR 71,194,057</u>	<u>SR 57,984,725</u>	<u>100.00</u>

6. FINANCIAL RISK MANAGEMENT

The Fund's activities in the normal course of business expose it to market, credit and liquidity risks. The Fund's overall risk management program seeks to minimize the potential adverse effects on the Fund's financial performance.

The primary objective is to achieve long-term capital appreciation through a diversified portfolio, principally of equity securities of Saudi Arabian companies traded on the Saudi Stock Market.

Market Risk

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as equity prices. Equity price risk refers to the risk of decrease in fair values of equities as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The Fund's market price risk is managed through diversification of the investment portfolio into different industry classifications. All of the net assets are invested in quoted Saudi equities.

Commission Rate Risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of the financial instruments.

The majority of the Fund's financial assets and liabilities are non-commission bearing instruments. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market commission rates. In the normal course of business, the Fund invests in short-term Murabaha securities.

Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay the amounts in full when due. The Fund's main credit risk concentration is spread on fixed commission Murabaha securities.

The securities are placed with Saudi Banks of sound ratings. In addition, the Fund's management monitors outstanding balances and historically has not incurred losses on such securities.

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available.

The Fund is exposed to daily cash redemptions of the units. It therefore invests all of its assets in investments that are quoted in an active market and can be easily liquidated. The fund manager monitors the liquidity requirements on a regular basis and ensures sufficient funds are available to meet requirements as they arise.

The Fund's investments in quoted equities are considered readily realizable as they are listed on the Saudi Stock market.

7. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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. Consequently, differences can arise between carrying values and fair value estimates.

The fair values of on balance sheet financial instruments are not significantly different from the carrying values included in the financial statements.

8. LAST VALUATION DAY

The last valuation day of the period was December 31, 2008.

9. MANAGEMENT'S APPROVAL

These financial statements were approved by the Fund Manager on March 25, 2009.
