

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

Interim Condensed Financial Statements (un-audited)
For the six month period ended 30 June 2013
together with the
Review Report to the Unitholders

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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 2013 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 2013 and the attached notes from (1) to (11) 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: 21 Ramadan 1434H
Corresponding to: 30 July 2013

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

As at 30 June 2013

(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>			
Cash at bank		41,616	5,081
Held for trading investments	6	31,375,257	40,313,321
Total assets		31,416,873	40,318,402
<u>LIABILITIES</u>			
Management and custody fees	8	176,075	206,123
Board of Directors' fee	8	30,000	30,000
Shari'a Committee members fee		17,500	17,500
Accrued expenses		25,281	35,231
Total liabilities		248,856	288,854
Net assets value attributable to unitholders		31,168,017	40,029,548
Units in issue (numbers)		17,287,317	27,127,415
Net asset value - per unit		1.8029	1.4756

The accompanying notes (1) through (11) 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 30 July 2013 and signed on their behalf by:



Alhassan Sami Goussous
Chief Executive Officer



Mohammed Ragheb Alothmani
Division Head - Asset Management



BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY BAKHEET INVESTMENT GROUP)
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six month period ended 30 June 2013
(Amounts in Saudi Arabian Riyals)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
<u>INCOME</u>			
Trading gain, net	7	5,652,341	3,258,364
Dividend income		759,979	876,351
Other income		107	473
Total income		6,412,427	4,135,188
<u>EXPENSES</u>			
Management fee	8	260,677	319,641
Custody fee	8	100,000	100,000
Board of Directors' fee	8	30,000	30,000
Other operating expenses	9	60,314	70,259
Total expenses		450,991	519,900
NET INCOME		5,961,436	3,615,288

The accompanying notes (1) through (11) 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 2013
(Amounts in Saudi Arabian Riyals)

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	5,961,436	3,615,288
Adjustment for unrealised (gain) / loss on held for trading investments during the period	(2,521,899)	358,156
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	4,758,414	353,813
Management and custody fees	(21,830)	4,733
Board of Directors' fee	(30,000)	(33,066)
Accrued expenses	(12,331)	3,549
Net cash generated by operating activities	<u>8,133,790</u>	<u>4,302,473</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from subscription of units	969,781	7,525,083
Payments for redemption of units	(11,692,391)	(12,136,433)
Net cash used in financing activities	<u>(10,722,610)</u>	<u>(4,611,350)</u>
Net decrease in cash and cash equivalents	(2,588,820)	(308,877)
Cash and cash equivalents at beginning of the period	2,630,436	313,958
Cash and cash equivalents at end of the period	<u>41,616</u>	<u>5,081</u>

The accompanying notes (1) through (11) 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 2013

	<u>2013</u>	<u>2012</u>
	<u>Amounts in Saudi Arabian Riyals</u>	
Net assets value at beginning of the period	35,929,191	41,025,610
Add: Subscriptions during the period	969,781	7,525,083
Less: Redemptions during the period	(11,692,391)	(12,136,433)
Net income	5,961,436	3,615,288
Net assets value at end of the period	<u>31,168,017</u>	<u>40,029,548</u>
	<u>In numbers</u>	
Units at beginning of the period	23,509,409	29,945,930
Add: Units subscribed	594,126	4,631,221
Less: Units redeemed	(6,816,218)	(7,449,736)
Net decrease in units	(6,222,092)	(2,818,515)
Units at end of the period	<u>17,287,317</u>	<u>27,127,415</u>

The accompanying notes (1) through (11) 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 2013

1. GENERAL

- 1.1** 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 while minimizing potential risks through investing in Saudi Joint stock companies that are compliant with Shariah criteria and investing the Fund's available liquidity in low risk and highly liquid Saudi Riyal assets (such as Murabaha and Murabaha funds in Saudi Riyal).

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

- 1.2** The interim results of the Fund may not be an indicator of its annual results.

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 2012.

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 2013
(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 that are measured 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 Riyals, 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 2012. Risk management policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2012.

6. HELD FOR TRADING INVESTMENTS

The sector wise composition of the investment portfolio is summarized below.

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		2013	
Banks and financial services	5,899,446	6,409,383	20.43
Cement	5,518,373	5,794,540	18.47
Building and construction	4,556,180	5,201,722	16.58
Agriculture and food industries	4,250,633	4,477,490	14.27
Petrochemical industries	3,973,728	3,985,256	12.70
Telecommunication and information technology	2,694,133	3,085,938	9.84
Industrial investment	1,960,865	2,420,928	7.71
Transport	--	--	--
Hotel and tourism	--	--	--
Energy and utilities	--	--	--
	<u>28,853,358</u>	<u>31,375,257</u>	<u>100.00</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 2013
(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>
		2012	
Banks and financial services	10,657,782	10,313,251	25.58
Cement	2,171,566	2,199,392	5.46
Building and construction	--	--	--
Agriculture and food industries	2,701,849	2,697,601	6.69
Petrochemical industries	12,951,589	12,036,050	29.86
Telecommunication and information technology	3,046,502	3,376,011	8.37
Industrial investment	4,262,967	4,638,441	11.51
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
	<u>40,671,477</u>	<u>40,313,321</u>	<u>100.00</u>

7. TRADING GAIN, NET

	<u>2013</u>	<u>2012</u>
Unrealised gain / (loss) on investments, net	2,521,899	(358,156)
Realized gain on investments, net	<u>3,130,442</u>	<u>3,616,520</u>
	<u>5,652,341</u>	<u>3,258,364</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 board compensation is calculated as 5% of the Fund's annual management fee subject to a maximum of SR 30,000 per member.

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

	<u>2013</u>		<u>2012</u>	
	<u>Units in numbers</u>	<u>SAR</u>	<u>Units in numbers</u>	<u>SAR</u>
Held by the Fund Manager	1,705,834	3,075,519	2,078,641	3,067,268
Held by members of the Board of Directors of the Fund	735,132	1,325,399	1,890,251	2,789,277
Held by employees of the Fund Manager	59,800	107,816	74,389	109,769
	<u>2,500,766</u>	<u>4,508,734</u>	<u>4,043,281</u>	<u>5,966,314</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 2013
(Amounts in Saudi Arabian Riyals)

8. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the period the above-mentioned unitholders' have subscribed and redeemed units of amounting to SR 69,781 (2012: SR 6,166,071) and SR 4,285,231 (2012: SR 5,689,171), 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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Bakheet Investment Group	Management fee	<u>260,677</u>	<u>319,641</u>	<u>126,075</u>	<u>156,123</u>
	Custody fee	<u>100,000</u>	<u>100,000</u>	<u>50,000</u>	<u>50,000</u>
Board of Directors	Annual remuneration	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

9. OTHER OPERATING EXPENSES

	<u>2013</u>	<u>2012</u>
Shari'a Committee members fee	<u>35,000</u>	<u>35,000</u>
Audit fee	<u>15,000</u>	<u>15,000</u>
Shari'a cleansing (Note 9.1)	<u>6,532</u>	<u>16,481</u>
CMA monitoring and reviewing fees	<u>3,750</u>	<u>3,750</u>
Other expenses	<u>32</u>	<u>28</u>
	<u>60,314</u>	<u>70,259</u>

9.1 The Fund donates Shari'a cleansing amount to Saudi charity associations.

10. 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.

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 prices. The fair value of other financial instruments is not materially different from their carrying values.

11. LAST VALUATION DATE

The last valuation day of the period was 30 June 2013 (2012: 30 June 2012).