

**BMK IPO FUND**

**FINANCIAL STATEMENTS  
FOR THE PERIOD FROM NOVEMBER 10, 2014 (DATE OF  
COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT**

**BMK IPO FUND  
FINANCIAL STATEMENTS  
FOR THE PERIOD FROM NOVEMBER 10, 2014 (DATE OF COMMENCEMENT OF OPERATIONS) TO  
DECEMBER 31, 2014**

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## INDEPENDENT AUDITORS' REPORT

March 29, 2015

To the Unit Holders of BMK IPO Fund:

### Scope of audit

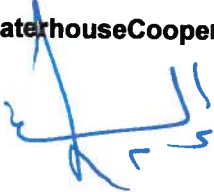
We have audited the accompanying balance sheet of BMK IPO Fund (the "Fund") as of December 31, 2014 and the statements of operations, cash flows and changes in net assets for the period from November 10, 2014 (date of commencement of operations) to December 31, 2014, and the notes from 1 to 7 which form an integral part of these financial statements. These financial statements, which were prepared by the Fund and presented to us with all information and explanations which we required, are the responsibility of the Fund's management. Our responsibility is to express an opinion on these 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 policies 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.

### Unqualified 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, 2014 and the results of its operations and its cash flows for the period from November 10, 2014 (date of commencement of operations) to December 31, 2014 in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Fund.

**PricewaterhouseCoopers**

By:   
Omar M. Al Sagga  
License No. 369



**BMK IPO FUND**  
**Balance Sheet**  
**As at December 31, 2014**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	
<b>Assets</b>		
<b>Current assets</b>		
Cash at bank		7,194,101
Held-for-trading investments	5	<u>563,524</u>
<b>Total assets</b>		<u>7,757,625</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Management and custodian fees payable	6	201,416
Redemption payable		2,061,072
Accrued and other liabilities		<u>66,181</u>
<b>Total liabilities</b>		<u>2,328,669</u>
<b>Net assets value</b>		<u>5,428,956</u>
Units in issue (Unit)		<u>519,338</u>
Per unit value (Saudi Riyals)		<u>10.45</u>

The accompanying notes from 1 to 7 form an integral part of these financial statements.

**BMK IPO FUND****Statement of Operations****For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014****(All amounts in Saudi Riyals unless otherwise stated)**

	Note	
<b>Investment income:</b>		
Net realized gains on held-for-trading investments		4,894,855
Net unrealized losses on held-for-trading investments		<u>(88,901)</u>
 Total investment income	 5	 <u>4,805,954</u>
<b>Expenses:</b>		
Management fees	6	(176,239)
Professional fees		(26,000)
Custodian fees	6	(25,177)
Other		<u>(21,679)</u>
 Total expenses		 <u>(249,095)</u>
 <b>Net income for the period</b>		 <b><u>4,556,859</u></b>

The accompanying notes from 1 to 7 form an integral part of these financial statements.

**BMK IPO FUND****Statement of cash flows****For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

**Cash flows from operating activities**

Net income for the period 4,556,859

Adjustments for non-cash items

Unrealized loss on held-for-trading investments 88,901

Changes in operating assets and liabilities

Held-for-trading investments (652,425)

Management and custodian fees payable 201,416

Redemption payable 2,061,072

Accrued and other liabilities 66,181

**Net cash generated from operating activities** 6,322,004**Cash flows from financing activities**

Proceeds from units issued 83,036,151

Payments on units redeemed (82,164,054)**Net cash generated from financing activities** 872,097**Net change in cash at bank** 7,194,101Cash at bank at beginning of the period -**Cash at bank at end of the period** 7,194,101

The accompanying notes from 1 to 7 form an integral part of these financial statements.

**BMK IPO FUND****Statement of changes in net assets**

For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014

(All amounts in Saudi Riyals unless otherwise stated)

<b>Net assets at the beginning of the period</b>	-
Proceeds from units issued during the period	83,036,151
Payments on units redeemed during the period	(82,164,054)
Net income for the period	<u>4,556,859</u>
<b>Net assets at end of the period</b>	<u><b>5,428,956</b></u>
<b>Net assets per unit at end of the period</b>	<u><b>10.45</b></u>

**Unit transactions**

Transactions in units for the period from November 10, 2014 (date of commencement of operations) to December 31, 2014 are summarized as follows:

<b>Units at beginning of the period</b>	-
Add: Units issued	8,304,004
Less: Units redeemed	<u>(7,784,666)</u>
Net increase in units	<u>519,338</u>
<b>Units at end of the period</b>	<u><b>519,338</b></u>

The accompanying notes from 1 to 7 form an integral part of these financial statements.

## **BMK IPO FUND**

### **Notes to the financial statements**

**For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

#### **1 General information**

BMK IPO Fund (the "Fund") is an open-ended investment fund established under an agreement between Bait Al Mal Al Khaleeji Company (the "Manager") and investors in the Fund ("Unit Holders"). The Fund is governed by the terms and conditions of its prospectus and aims at capital growth mainly through investments in the equity securities of the Saudi companies during the period of initial public offering, and priority rights of newly listed companies which are below three years of listing in the Saudi stock exchange "Tadawul". The Fund does not distribute dividends to unit holders. The Fund's net income is to be reinvested in the Fund, which affects the value and price per unit. The registered address of the Manager is Bait Al Mal Al Khaleeji Company, P.O. Box 9177, Dammam 31413, Kingdom of Saudi Arabia.

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

The Saudi Capital Market Authority ("CMA") approval for the Fund was obtained on 17 Dhul Qa'dah 1435 H (September 11, 2014). The Fund commenced its operations on November 10, 2014.

The accompanying financial statements were approved by the Fund's Manager on March 29, 2015.

#### **2 Regulating authority**

The Fund is governed by the Investment Fund Regulations published by CMA detailing requirements for all funds within the Kingdom of Saudi Arabia.

#### **3 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below.

##### **3.1 Basis of preparation**

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting, except for the measurement of held-for-trading investments at fair value, and in compliance with standards promulgated by Saudi Organization for Certified Public Accountants.

##### **3.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

##### **3.3 Foreign currencies translations**

###### **(a) Reporting currency**

These financial statements are presented in Saudi Riyals which is the reporting currency of the Fund.

###### **(b) Transactions and balances**

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations. The amounts for foreign exchange gains and losses were not significant during the period.



## **BMK IPO FUND**

### **Notes to the financial statements**

**For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

#### **3.4 Held-for-trading investments**

Held for trading investments are initially recognized at cost. After initial recognition, investments in equities are valued at quoted market prices at the balance sheet date. Changes in fair values, comprising of realized and unrealized gains and losses, are included in the statement of operations. Investments in mutual funds, if any, are valued at the net assets value of the units in issue at the balance sheet date.

#### **3.5 Cash and cash equivalents**

Cash and cash equivalents include cash in hand and with bank, and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

#### **3.6 Liabilities**

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Fund.

#### **3.7 Revenues**

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

#### **3.8 Expenses**

Expenses are calculated and recognized as a period costs in the period in which incurred.

#### **3.9 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 law have not been enforced pending clarifications from the Department of Zakat and Income Tax ("DZIT") and the CMA. No provision has been made in the accompanying financial statements as zakat or income tax, if any, determined upon eventual implementation of the above mentioned provision in the law will be the obligation of the unit holders.

#### **3.10 Trade date accounting**

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

### **4 Financial instruments and risk management**

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

Financial asset and liability is offset and net amounts are reported in the financial statements, when the Fund has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

#### **4.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of the financial instruments will fluctuate due to changes in market variables such as capitalization size in market commission rates, foreign exchange rates, and equity prices. The Fund's market risk is managed through diversification of the investment portfolio.

#### **4.2 Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund holds assets denominated in Saudi Riyals, the functional currency. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

## **BMK IPO FUND**

### **Notes to the financial statements**

**For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014**

(All amounts in Saudi Riyals unless otherwise stated)

#### **4.3 Fair value and cash flow interest rate risks**

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund's financial positions and cash flows. The Fund's results of operations and operating cash flows are substantially independent of changes in market interest rates as the Fund has no interest-bearing assets and liabilities.

#### **4.4 Price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the balance sheet as held-for-trading investments. The Fund diversifies its portfolio, to manage its price risk arising from held-for-trading investments in equity securities.

#### **4.5 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund has no significant concentration of credit risk. Cash is placed with a bank with sound credit rating.

#### **4.6 Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to meet its net funding requirements for redemptions. The Fund is exposed to bi-weekly cash redemptions of the units. The Fund invests all of its assets in investments that are quoted in an active market which can be easily liquidated. The Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

#### **4.7 Fair value**

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. As the Fund's financial instruments are compiled under the historical cost convention, except for held-for-trading investments which are carried at fair value (Note 5), differences can arise between the book values and fair value estimates. Fund's management believes that the fair values of the Fund's financial assets and liabilities are not materially different from their carrying values.

### **5 Held-for-trading Investments**

All of the Fund's investments are in Saudi publicly listed companies on the Saudi stock market. The composition of the investment portfolio by economic sector at December 31, 2014 is summarized below:

Bank and financial services	274,900
Retail sector	147,338
Buildings and construction	105,640
Hotel and Tourism	35,646
	<u>563,524</u>

Movement in held-for-trading investments for the period ended December 31, 2014 is as follows:

Balance, November 10	-
Purchases	15,756,549
Disposals	(19,998,979)
Changes in fair value, net	4,805,954
Balance, December 31	<u>563,524</u>

**BMK IPO FUND****Notes to the financial statements****For the period from November 10, 2014 (date of commencement of operations) to December 31, 2014****(All amounts in Saudi Riyals unless otherwise stated)**

Detailed summary of the held-for-trading investments for the period ended December 31, 2014 is as follows:

<b>Name of company</b>	<b>Number of shares</b>	<b>Fair value</b>
<b>Bank and financial services</b>		
National Commercial Bank	5,000	274,900
<b>Retail sector</b>		
Al Hammadi Company For Development and Investment	1,100	92,488
National Medical Care Company	1,000	54,850
<b>Buildings and construction</b>		
Bawan Company	1,500	71,250
United Wire Factories Company	1,000	34,390
<b>Hotel and Tourism</b>		
Abdulmohsen Alhokair Group for Tourism and Development Company	600	35,646
		<u>563,524</u>

**6 Related party matters**

The Fund pays management fees at the rate of 1.75% per annum and custodian fees at the rate of 0.25% per annum, calculated on the Fund's net asset value at each valuation day. Also, the Fund Manager recovers from the Fund any other expenses incurred on behalf of the Fund.

In the normal course of business, the Fund Manager and its employees hold units in the Fund.

**7 Last valuation day**

The Fund's units are valued on a bi-weekly basis on every Monday and Wednesday (the "valuation day"). The value of the Fund's units is announced on the day following the valuation day (the "announcement day").

The last valuation day of the period from November 10, 2014 (date of commencement of operations) to December 31, 2014 was December 31, 2014.