

BMK SAUDI EQUITY FUND

**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015
AND LIMITED REVIEW REPORT**

**BMK SAUDI EQUITY FUND
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LIMITED REVIEW REPORT

August 13, 2015

To the Unit Holders of BMK Saudi Equity Fund:

Scope of review

We have reviewed the accompanying interim balance sheet of BMK Saudi Equity Fund (the "Fund") as of June 30, 2015 and the interim statements of operations, cash flows and changes in net assets for the six-month period then ended, and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. 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. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 to the accompanying interim financial statements, which states that the comparative interim financial statements for the period from May 4, 2014 (date of commencement of operations) to June 30, 2014 were neither audited nor reviewed.

PricewaterhouseCoopers

By: 

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BMK SAUDI EQUITY FUND**Interim balance sheet**

(All amounts in Saudi Riyals unless otherwise stated)

	As at June 30, 2015 (Unaudited)	As at December 31, 2014 (Audited)	As at June 30, 2014 (Unaudited and unreviewed)
Assets			
Current assets			
Cash at bank	27,745,355	65,395,227	106,183,035
Held-for-trading investments	4 166,353	151,243	101,349,902
Accrued dividend income	305,115	305,115	55,115
Prepayments and other receivable	2,520	-	9,664
Total assets	28,219,343	65,851,585	207,597,716
Liabilities			
Current liabilities			
Management, custodian and subscription fees payable	5 241,546	436,039	500,045
Redemption payable	-	-	2,500,000
Accrued and other liabilities	35,256	21,531	22,814
Total liabilities	276,802	457,570	3,022,859
Net assets value	27,942,541	65,394,015	204,574,857
Units in issue (Unit)	2,376,417	5,715,476	20,450,990
Per unit value (Saudi Riyals)	11.76	11.44	10.00

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
Interim statement of operations
(All amounts in Saudi Riyals unless otherwise stated)

		Six-month period ended June 30, 2015	Period from May 4 to June 30, 2014
	Note	(Unaudited)	(Unaudited and unreviewed)
Investment income:			
Net realized gains on held-for-trading investments		2,499,101	1,258,833
Net unrealized gains (losses) on held-for-trading Investments		15,110	(1,160,262)
Dividend income		2,810	70,115
		<hr/>	<hr/>
Total investment income	4	2,517,021	168,686
Expenses:			
Management fees	5	(491,824)	(367,380)
Custodian fees	5	(70,260)	(52,483)
Professional fees		(13,636)	(6,240)
Commissions	5	(1,957)	(125,026)
Other		(18,215)	(6,949)
		<hr/>	<hr/>
Total expenses		(595,892)	(558,078)
		<hr/>	<hr/>
Net income (loss) for the period		1,921,129	(389,392)

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
Interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Six-month period ended June 30, 2015	Period from May 4 to June 30, 2014
	(Unaudited)	(Unaudited and unreviewed)
Cash flows from operating activities		
Net income (loss) for the period	1,921,129	(389,392)
<u>Adjustments for non-cash item</u>		
Unrealized (gains) losses on held-for-trading investments	(15,110)	1,160,262
<u>Changes in operating assets and liabilities</u>		
Held-for-trading investments	-	(102,510,164)
Accrued dividend income	-	(55,115)
Prepayments and other receivable	(2,520)	(9,664)
Management, custodian and subscription fees payable	(194,493)	500,045
Redemption payable	-	2,500,000
Accrued and other liabilities	13,725	22,814
Net cash generated from (utilized in) operating activities	1,722,731	(98,781,214)
Cash flows from financing activities		
Proceeds from units issued	-	207,464,249
Payments on units redeemed	(39,372,603)	(2,500,000)
Net cash (utilized in) generated from financing activities	(39,372,603)	204,964,249
Net change in cash at bank	(37,649,872)	106,183,035
Cash at bank at beginning of the period	65,395,227	-
Cash at bank at end of the period	27,745,355	106,183,035

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND
Interim statement of changes in net assets
 (All amounts in Saudi Riyals unless otherwise stated)

	Six-month period ended June 30, 2015 (Unaudited)	Period from May 4 to June 30, 2014 (Unaudited and unreviewed)
Net assets at beginning of the period	65,394,015	-
Proceeds from units issued during the period	-	207,464,249
Payments on units redeemed during the period	(39,372,603)	(2,500,000)
Net income (loss) for the period	1,921,129	(389,392)
Net assets at end of the period	27,942,541	204,574,857
Net assets per unit at end of the period	11.76	10.00

Unit transactions

The transactions in units are summarized as follows:

Units at beginning of the period	5,715,476	-
Add: Units issued	-	20,700,911
Less: Units redeemed	(3,339,059)	(249,921)
Net (decrease) increase in units	(3,339,059)	20,450,990
Units at end of the period	2,376,417	20,450,990

The accompanying notes from 1 to 6 form an integral part of these interim financial statements.

BMK SAUDI EQUITY FUND

Notes to the interim financial statements for the six-month period ended June 30, 2015

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

BMK Saudi Equity 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 issue rights of listed companies in the Saudi stock exchange "Tadawul". The Fund distributes dividends to Unit Holders on annual basis. The Fund's net income after distribution of dividends 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 Fund's books and records are also administered by the Manager. Furthermore, the Unit Holders are considered owners of the assets of the Fund and any income distribution is made in relation to their respective ownership share to the total number of units.

The Saudi Capital Market Authority ("CMA") approval for the Fund was obtained on 4 Jumada Al-Awwal 1435 H (March 5, 2014). The Fund commenced its operations on May 4, 2014.

The comparative interim financial statements for the period from May 4, 2014 (date of commencement of operations) to June 30, 2014 were neither audited nor reviewed.

The accompanying interim financial statements were approved by the Fund's Manager on August 13, 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 interim financial statements are set out below. These policies have been consistently applied to all periods presented.

3.1 Basis of preparation

The accompanying interim 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 the Standard of Review of for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Fund for preparing such interim financial statements are consistent with the accounting policies described in the 2014 audited financial statements of the Fund.

The accompanying interim financial statements include all adjustments comprising mainly of normal recurring accruals considered necessary by the Fund's management to present a fair statement of the financial position, results of operations and cash flows. The interim results of the operations for the six-month period ended June 30, 2015 may not represent a proper indication for the annual results of operations. These interim financial statements and notes should be read in conjunction with the audited financial statements and the related notes for the period ended December 31, 2014.

3.2 Critical accounting estimates and judgments

The preparation of interim 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 currency translations

(a) Reporting currency

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

BMK SAUDI EQUITY FUND

Notes to the interim financial statements for the six-month period ended June 30, 2015

(All amounts in Saudi Riyals unless otherwise stated)

(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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations. The amounts of foreign exchange gains and losses were not significant for the six-month period ended June 30, 2015.

3.4 Cash and cash equivalents

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

3.5 Held-for-trading investments

Held-for-trading investments are initially recognized at cost. After initial recognition, investments in equities are valued at fair value 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.

3.6 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 interim 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.

BMK SAUDI EQUITY FUND**Notes to the Interim financial statements for the six-month period ended June 30, 2015**

(All amounts in Saudi Riyals unless otherwise stated)

4 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 June 30, 2015, December 31, 2014 and June 30, 2014 are summarized below:

	<u>June 30, 2015</u> (Unaudited)	<u>December 31, 2014</u> (Audited)	<u>June 30, 2014</u> (Unaudited and unreviewed)
Bank and Financial Services	166,353	151,243	19,865,730
Petrochemical Industries	-	-	17,928,000
Retail	-	-	15,764,416
Hotel and Tourism	-	-	12,962,246
Telecommunication and Information Technology	-	-	8,277,850
Buildings and Construction	-	-	6,716,700
Industrial Investment	-	-	6,261,750
Multi-Investment	-	-	5,826,000
Agriculture and Food Industries	-	-	5,160,010
Transport	-	-	2,587,200
	<u>166,353</u>	<u>151,243</u>	<u>101,349,902</u>

Movement in held-for-trading investments is as follows:

	<u>Six-month period ended June 30, 2015</u> (Unaudited)	<u>Period from May 4 to December 31, 2014</u> (Audited)	<u>Period from May 4 to June 30, 2014</u> (Unaudited and unreviewed)
Balance, beginning of period	151,243	-	-
Purchases	4,023,600	366,736,939	263,123,628
Disposals	(6,522,701)	(395,062,684)	(161,872,297)
Changes in fair value, net	2,514,211	28,476,988	98,571
Balance, end of period	<u>166,353</u>	<u>151,243</u>	<u>101,349,902</u>

Detailed summary of held-for-trading investments are as follows:

June 30, 2015 (Unaudited)

Name of company	Number of shares	Fair value
Bank and financial services		
Samba Financial Group	5,000	130,300
Banque Saudi Fransi	1,000	32,140
Saudi Investment Bank	172	3,913
		<u>166,353</u>

December 31, 2014 (Audited)

Name of company	Number of shares	Fair value
Bank and financial services		
Samba Financial Group	3,000	115,800
Banque Saudi Fransi	1,000	31,320
Saudi Investment Bank	159	4,123
		<u>151,243</u>

BMK SAUDI EQUITY FUND**Notes to the interim financial statements for the six-month period ended June 30, 2015**

(All amounts in Saudi Riyals unless otherwise stated)

June 30, 2014 (Unaudited and unreviewed)

Name of company	Number of shares	Fair value
Bank and Financial Services		
Samba Financial Group	285,500	11,288,850
Arab National Bank	312,000	8,576,880
Petrochemical Industries		
Saudi Basic Industries Corporation	100,000	11,472,000
Methanol Chemicals Company	400,000	6,456,000
Retail		
Al Hammadi Company for Development and Investment	546,291	15,296,148
National Medical Care Company	6,299	468,268
Hotel and Tourism		
Abdul Mohsen Al-Hokair Group for Tourism and Development Company	194,921	12,962,246
Telecommunication and Information Technology		
Saudi TeleCom Company	75,000	5,006,250
Etihad Etisalat Company	40,000	3,271,600
Buildings and Construction		
Bawan Company	90,000	6,716,700
Industrial Investment		
National Metal Manufacturing and Casting Company	165,000	6,261,750
Multi-Investment		
Saudi Arabia Refineries Company	50,000	3,720,000
Al-Ahsa Development Company	120,000	2,106,000
Agriculture and Food Industries		
Almarai Company	70,000	4,902,100
Saudi Airlines Catering Company	1,500	257,910
Transport		
Saudi Land Transport Company	60,000	2,587,200
		<u>101,349,902</u>

5 Related party matters

The Fund pays management fees at the rate of 1.75% per annum for the six-month period ended June 30, 2015 (2014: 1.75% per annum) and custodian fees at the rate of 0.25% per annum for the six-month period ended June 30, 2015 (2014: 0.25% per annum), calculated on the Fund's net asset value at each valuation day. Also, the Manager recovers from the Fund any other expenses incurred on behalf of the Fund.

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

6 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 six-month period ended June 30, 2015 was June 30, 2015 (2014: June 30, 2014).