

صندوق بيت المال الخليجي للأسهم السعودية

التقرير السنوي للعام 2019

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معلومات الصندوق

اسم الصندوق

صندوق بيت المال الخليجي للأسهم السعودية (BMK Saudi Equity Fund).

أهداف وسياسات الاستثمار

هو صندوق استثماري مفتوح، يهدف إلى تنمية رأس المال على المدى البعيد من خلال الاستثمار في أسهم الشركات السعودية خلال فترة الطرح العام الأولي والأسهم المدرجة في سوق الأسهم السعودية بما في ذلك حقوق الأولوية وتحقيق عوائد إيجابية مقارنة بالمؤشر الإرشادي وهو مؤشر سوق الأسهم السعودية (تاسي) TASI، مع إمكانية توزيع أرباح نقدية مرة واحدة سنوياً وذلك بعد الحصول على موافقة مجلس إدارة الصندوق، سواء من الأرباح الرأس مالية أو التوزيعات النقدية للشركات المستثمر بها أو كلاهما والتي استحقها الصندوق من استثماراته وبدون وجود حد أعلى أو أدنى لتلك التوزيعات. على أن يكون تاريخ استحقاق الأرباح النقدية هو آخر يوم عمل من السنة المالية للصندوق لمالكي الوحدات المسجلين في سجل الصندوق في ذلك اليوم، وسيتم توزيع تلك الأرباح في حال إقرارها من مجلس الإدارة خلال 45 يوماً تقويمياً من تاريخ الاستحقاق.

توزيع الأرباح

لم يتم توزيع أي أرباح خلال الفترة

تنويه

نود التنويه بأن التقارير الصندوق متاحة عند الطلب وبدون مقابل، ويمكن الاطلاع عليها من خلال الموقع الالكتروني للشركة

www.bmk.com.sa

معلومات أداء الصندوق

الأداء التاريخي للصندوق

1. جدول المقارنة

نسبة المصروفات %	عدد الوحدات المصدرة في نهاية الفترة	صافي قيمة الأصول الصندوق لكل وحدة			صافي قيمة الأصول الصندوق	كما في 31 ديسمبر
		أقل قيمة خلال الفترة	أعلى قيمة خلال الفترة	نهاية الفترة		
1.56%	5,715,476	9.8322	13.0388	11.4416	65,394,015	2014
2.33%	3,730,343	11.3711	11.7996	11.5803	43,198,411	2015
2.81%	5,109,556	8.8550	12.0033	11.9847	61,236,317	2016
2.44%	3,372,314	11.7888	14.4368	13.9073	46,899,795	2017
2.82%	834,298	13.9352	16.1545	15.1722	12,658,184	2018
3.03%	1,600,643	15.0830	19.9348	19.6360	31,430,292	2019

2. سجل الأداء

الفترة	العائد الإجمالي
ثلاث سنوات	63.84%
خمس سنوات	71.62%
منذ التأسيس	96.36%
عام 2014	14.42%
عام 2015	1.21%
عام 2016	3.49%
عام 2017	16.04%
عام 2018	9.10%
عام 2019	29.42%

مقابل الخدمات والأتعاب

بالريال السعودي	الرسوم والمصاريف الفعلية التي تحملها الصندوق خلال العام
285,187	رسوم الإدارة
34,197	رسوم الحفظ
7,500	رسوم متابعه ومراجعة وافصاح
5,250	رسوم تداول
21,000	رسوم المراجع الخارجي
61,036	رسوم الوساطة
12,000	مكافأة أعضاء مجلس إدارة الصندوق
15,969	رسوم ضريبة القيمة المضافة على خدمات الإدارة والحفظ
12,730	مصاريف أخرى

تنويه

يتبع مدير الصندوق قواعد حساب بيانات أداء الصندوق بيت المال الخليجي للأسهم السعودية كما هو مفصّل عنه في الشروط والأحكام.

التغيرات الجوهرية خلال الفترة

لم يتم مدير الصندوق بإحداث أي تغييرات جوهرية خلال الفترة.

ممارسات التصويت خلال الفترة

لا يوجد.

التقرير السنوي لمجلس الإدارة

- مناقشة أداء الصندوق
- اعتماد محاضر اجتماعات المجلس
- الاطلاع على التقرير السنوي المتضمن القوائم المالية واعتمادها للسنة المالية 2019م
- الاجتماع مع مسؤول المطابقة والالتزام والتبليغ عن غسل الأموال وتمويل الإرهاب
- الموافقة على استمرار التعاقد مع أمين الحفظ شركة الرياض المالية
- الموافقة على استمرار التعاقد مع مراجع الحسابات القانوني مجموعة تي جي إس الدولية
- مناقشة أي خطابات أو مخالفات واردة من هيئة السوق المالية

مدير الصندوق

شركة بيت المال الخليجي

ص ب: 9177

الدمام 31413

المملكة العربية السعودية

هاتف: 0138316666

فاكس: 0138316600

www.bmk.com.sa

مدير الصندوق بالباطن

لا ينطبق

الأنشطة الاستثمارية للصندوق

تم تنفيذ جميع استثمارات الصندوق بما يتوافق مع أهداف واستراتيجيات الصندوق مع استغلال الفرص الاستثمارية الممكنة
أخذين بالاعتبار الالتزام بقيود الاستثمار التي نصت عليها الشروط والأحكام الصندوق قدر الإمكان

التغييرات على الشروط والأحكام

- لا يوجد تغييرات خلال الفترة.

معلومات أخرى

لمزيد من المعلومات يرجى الرجوع إلى شروط واحكام الصندوق.

استثمار مدير الصندوق في صناديق اخرى

لا يوجد.

العمولات الخاصة

لم يبرم مدير الصندوق خلال الفترة أي عمولات خاصة

أي بيانات ومعلومات أخرى أوجبت هذه اللائحة تضمينها بهذا التقرير

لا يوجد

امين الحفظ

شركة الرياض المالية -رقم الترخيص 37 - 07070

6775 شارع التخصصي -الرياض

الرياض 3712-12331

ص.ب: 21116 الرمز البريدي: 11475

المملكة العربية السعودية

هاتف: 486 5858 / 486 5866 11 +966

www.riyadcapital.com

مهام امين الحفظ

حفظ الأصول الصندوق وحماية أصول حاملي الوحدات واتخاذ الإجراءات الإدارية المتعلقة بحفظ أصول الصندوق

المحاسب القانوني

1) أسم وعنوان المحاسب القانوني:

تم تعيين مكتب عبد الوهاب العقيل كمراجع خارجي مستقل لحسابات الصندوق، وعنوانه:

مكتب عبد الوهاب العقيل محاسبون قانونيون واستشاريون عضو مجموعة تي جي إس الدولية

ص.ب : 106255

الرياض 11666

المملكة العربية السعودية

هاتف : 90004947

فاكس : 0112390980

www.tgs-glbal.com

(2) رأي المحاسب القانوني في القوائم المالية المعدة:

أن القوائم المالية أعدت وروجعت وفقاً لمعايير المحاسبة الصادرة عن الهيئة السعودية للمحاسبين القانونيين وأحكام لائحة صناديق الاستثمار وشروط وأحكام الصندوق، وأن القوائم المالية تقدم صورة صحيحة وعادلة لصافي الدخل وصافي الأرباح والخسائر لأصول صندوق الاستثمار عن الفترة المحاسبية لتلك القوائم، وأن القوائم المالية تقدم صورة صحيحة وعادلة للمركز المالي لصندوق الاستثمار في نهاية الفترة.

القوائم المالية

BMK SAUDI EQUITY FUND
(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH INDEPENDENT AUDITOR REPORT

BMK Saudi Equity Fund

(MANAGED BY BAIT AL MAL AL KHALEEJI COMPANY)

Financial Statements for the year ended December 31, 2019 together with Independent auditor report

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INDEPENDENT AUDITOR'S REPORT

TO: The Unit Holders of BMK Saudi Equity Fund:

Opinion

We have audited the financial statements of **BMK Saudi Equity Fund** ("the Fund") managed by Bait Al Mal Al Khaleeji Company (the Fund Manager), which comprise the statement of financial position as of 31 December 2019, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements from (1) to (14), which are an integral part of these financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **BMK Saudi Equity Fund** ("the Fund") as of 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statement of the current period. These matters were addressed in the context of our audit of the Financial Statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information Included in the Fund's 2019 Annual Report

The management of the fund is responsible for the other information in its annual report. Other information consists of the information included in the Fund's annual report prepared by the fund's management for the year ended December 31, 2019, other than the financial statements and our auditor's report thereon. The Fund's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matters to those charged with governance.

(6-1)2/1/20/02/09/15

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and the other standards and pronouncements issued by SOCPA and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (continue)

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Further, we report that, based on the information provided to us, nothing has come to our attention that causes us to believe that the accompanying financial statements have not complied with the requirements of the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum in so far as they affect the preparation of the financial statements.

Abdulwahab Al Ageel
Certified Public Accountants



Abdulwahab Saad Alageel
License No. 416

27 Jumada al-awwal 1441H (January 22, 2020)
(6-1)2/1/20/02/09/15
BMK Saudi Equity Fund
Al Dammam, Saudi Arabia

Statement of Financial Position
As of December 31, 2019
(Saudi Riyal)

	<u>Note</u>	<u>December 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalent	5	2,376,066	2,555,900
Investments at fair value through profit or loss	5 & 7	29,112,843	10,151,656
Prepayments and other receivable	5	-	32,625
Total current assets		<u>31,488,909</u>	<u>12,740,181</u>
Total assets		<u>31,488,909</u>	<u>12,740,181</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Management and custodian fees payable	9	45,825	62,379
Accrued expenses and other liabilities	5	12,791	19,618
Total current liabilities		<u>58,616</u>	<u>81,997</u>
Total liabilities		<u>58,616</u>	<u>81,997</u>
Net assets value attributable to unit holder		<u>31,430,293</u>	<u>12,658,184</u>
Units in issue (Unit)		<u>1,600,644</u>	<u>834,299</u>
Per unit value (Saudi Riyals)	5	<u>19.64</u>	<u>15.17</u>

The accompanying notes from (1) to (14) are an integral part of these financial statements

Statement of Comprehensive income
For the year ended December 31, 2019
(Saudi Riyal)

	<u>Note</u>	<u>December 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Income:			
Net gains from investments at fair value through profit or loss	5 & 8-1	4,022,882	2,995,399
Dividend revenue	5	<u>327,907</u>	<u>352,083</u>
Total income		<u>4,350,789</u>	<u>3,347,482</u>
Expenses:			
Management fees	5 & 9	(285,187)	(406,603)
Brokerage commission	5	(61,036)	(73,513)
Custodian fees	5	(34,197)	(54,235)
Professional fees	5	(21,000)	(35,750)
Board of Directors' remunerations	5 & 9	(12,000)	(12,000)
Other	5	<u>(41,449)</u>	<u>(53,968)</u>
Total expenses		<u>(454,869)</u>	<u>(636,069)</u>
Net income for the year		<u>3,895,920</u>	<u>2,711,413</u>

Statement of Changes in Net Assets Attributable to Unit Holders
For the year ended December 31, 2019
(Saudi Riyal)

	<u>December 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Net assets at beginning of year	12,658,184	46,899,795
Proceeds from units issued during the year	27,412,000	-
Payments on units redeemed during the year	(12,535,811)	(36,953,024)
Net income for the year	<u>3,895,920</u>	<u>2,711,413</u>
Net assets attributable to the unit holder at the end of the year	<u>31,430,293</u>	<u>12,658,184</u>
Net assets attributable to unit holder per unit at the end of the year	<u>19.64</u>	<u>15.17</u>
Unit transactions		
The transactions in units are summarized as follows:		
Units at beginning of the year	834,299	3,372,315
Add: Units issued	1,422,766	-
Less: Units redeemed	<u>(656,421)</u>	<u>(2,538,016)</u>
Net increase (decrease) in units	<u>766,345</u>	<u>(2,538,016)</u>
Units at end of the year	<u>1,600,644</u>	<u>834,299</u>

The accompanying notes from (1) to (14) are an integral part of these financial statements

Statement of Cash Flows
For the year ended December 31, 2019
(Saudi Riyal)

	<u>December 31</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Cash flows from operating activities:		
Net income for the year	3,895,920	2,711,413
Adjustments for non-cash item:		
Unrealized (gains) from investment at fair value through profit or loss	(956,429)	(158,920)
Dividend income distribution	(327,907)	(352,083)
Changes in operating assets and liabilities:		
Investment at fair value through profit or loss	(18,004,758)	34,467,514
Management and custodian fees payable	(16,554)	(378,166)
Accrued payments on redeemed units	-	(6,666,278)
Accrued expenses and other liabilities	(6,827)	(24,897)
Cash (used in) from operating activity	(15,416,555)	29,598,583
Dividend distribution received	360,532	319,458
Net cash (used in) provided by operating activities	(15,056,023)	29,918,041
Cash flows from financing activities:		
Proceeds from units issued	27,412,000	-
Payments on units redeemed	(12,535,811)	(36,953,024)
Net cash provided by (used in) financing activities	14,876,189	(36,953,024)
Net (decrease) in cash and cash equivalent	(179,834)	(7,034,983)
Cash and cash equivalent at beginning of the year	2,555,900	9,590,883
Cash and cash equivalent bank at end of the year	2,376,066	2,555,900

The accompanying notes from (1) to (14) are an integral part of these financial statements

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 (the "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 the initial public offering, and issue rights of listed companies in the Saudi Stock Exchange "Tadawul". The Fund distributes dividends to the Unit Holders on an 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") approved the Fund on 4 Jumada Al-Awwal 1435H (corresponding to March 5, 2014). The Fund commenced its operations on May 4, 2014.

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- BASIS OF PREPARATION

3-1 Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("IFRS as endorsed in the KSA").

3-2 Preparation of The Financial Statements

These Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position.

- Investments are measured at fair value through profit and loss.

3-3 Use of Judgments and Estimates

In preparing these financial statements, management has made judgments and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4- FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Riyals (SAR), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyal.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the cash flows purpose, banks overdraft is deducted from cash and cash equivalents.

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities are recognized initially at fair value. Subsequently measured at amortized cost using the effective interest rate.

Revenues

Dividend income is recognized when the Fund has the right to receive payment is established.

Net gain from financial instruments at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences (if any) but excludes interest and dividend income, and dividend expense on securities sold short.

Net realized gain from financial instruments at FVTPL is calculated using the weighted average cost method.

Expenses

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

Zakat and income tax

Under the current system of taxation in the Kingdom of Saudi Arabia, the fund is not liable to pay any tax. Zakat and income tax are considered to be the obligation of the unit holders and are not provided in the accompanying financial statements.

Net assets value

The net assets value per unit disclosed in the balance sheet is calculated by dividing the net assets value of the fund by the number of units in issue at the period -end.

Subscription and Redemption of units

Units subscribed and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

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.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Financial Instruments

The fund is applying the classification and measurement requirements for financial instruments in accordance with IFRS 9 "Financial Instruments".

The fund is proofing its financial assets and liabilities in the statement of financial position when – and only when- the fund becomes a party to the contractual provisions of the instruments. Purchases, sales, and derecognition of the instruments are proof by using accounting based on trading or settlement date.

- Financial Assets

When the fund acquires the financial assets, it's classified either at amortized cost, at fair value through statements of other comprehensive income or at fair value through statements of comprehensive income based on both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets.

- Initial Measurement of Financial Assets

The fund is measuring the financial assets – except for amounts due on trade receivable – at the initial recognition based on the category in which these financial assets are classified. Accordingly, the financial assets are measured at amortized cost if the fund's aim to maintain the financial assets within a business model whose objective is to collect contractual cash flows on specific dates, which are – only- payments of the original amount and the interest on the outstanding original amount.

Financial asset is measured at fair value through the statement of other comprehensive income if the fund's aim to maintain financial assets within a business model aiming to collect cash flows and selling financial assets, arises from the contractual terms of financial assets on specific dates, cash flows considered – only- payments of the original amount and the interest on the outstanding original amount.

A financial asset is measured at fair value through statement of income unless it's measured at amortized cost or at fair value through the statement of other comprehensive income. However, the fund may irrevocably choose on the initial recognition of certain investments in equity instruments, otherwise, it would be measured at fair value through statement of comprehensive income to view the subsequent changes in fair value within the statement of comprehensive income.

The transaction cost that can be attributed to purchase or issuance financial assets and liabilities (other than financial assets and liabilities measured at fair value through statement of income) are added or deducted from the fair value of the financial assets or liabilities, as appropriate, upon initial recognition. Transaction cost attributable to the acquisition of financial assets or liabilities at fair value through statements of comprehensive income is included directly in statements of other comprehensive income.

- Subsequent Measurement of Financial Assets

Subsequent to the initial recognition, the fund performs subsequent tests of financial assets either at amortized cost or at fair value through statement of other comprehensive income or at fair value through statement of income in accordance with the initial classification of financial assets. Differences in financial assets valuation are recognized when preparing financial information. Accordingly, financial assets measured at amortized cost are measured at amortized cost in effective interest method and the difference of measurement are recognized through the statement of income as well as the derecognition of that financial asset. As for financial assets measured at fair value are measured at fair value with recognition of evaluation differences through statement of income, except for financial assets the fund has decided at initial measurement to measure at fair value through statement of other comprehensive income, evaluation differences are recognized within statement of other comprehensive income, the resulting dividend is recognized through statement of comprehensive income.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Financial Instruments (continue)

- Derecognition of Financial Asset

A financial asset is derecognized only when:

- Contractual rights to the cash flows from the asset expire, or
- Transfer the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of financial asset are transferred or retain the contractual rights to receive cash flows from the financial assets with a contractual obligation to pay cash flows to one or more recipients and transferring almost all the risks and rewards of ownership of financial asset.
- Transfer the rights to receive the contractual cash expenses of financial assets in which the fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset or retain the contractual rights to receive cash flows from the financial assets with a contractual obligation to pay cash flows to one or more recipients in which the fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the differences between the carrying amount of the asset (measured at derecognition date) and the consideration received including any new asset obtained less any new liability assumed is recognized in the statement of comprehensive income.

The fund classifies all financial liabilities at amortized cost unless it has financial liabilities classified at fair value through profit or loss. The fund derecognizes a financial liability (or part of it) only when its contractual obligations are discharged or canceled or expired.

- Reclassification of Financial Assets and Liabilities

If the fund reclassifies financial asset, it applies the reclassification with future effect from the date of reclassification, and it does not amend any gain or loss (including impairment gain or loss) or interest recognized previously, it also prevents any reclassification between categories of financial liabilities from one category to another.

- Impairment of Financial Assets

If there are any indications of an expected credit loss on financial asset measured at amortized cost or financial asset measured at fair value through statement of other comprehensive income, credit loss is measured within the next 12 months (if the credit risk at the reporting date on financial instrument has not materially increased since the initial recognition) or during the full lifetime of the financial asset (if the credit risk on financial instrument has materially increased since initial recognition). The provision of impairment assets measured at amortized cost is recognized in the statement of comprehensive income, and the provision of impairment asset measured at fair value through statement of other comprehensive income is recognized in the statement of other comprehensive income and should not be deducted from the carrying amount of the financial asset.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

Financial Instruments (continue)

- Offsetting Financial Instruments

Financial assets and liabilities are offset, and net amounts are reported in the financial information 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 assets and liabilities simultaneously.

- Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a principal market.

The fair value of assets or liabilities is measured using the assumptions that market participants would use when pricing the assets or liabilities, assuming that market participants act in their best economic interest.

A fair value measurement of a non- financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fund uses the last closing price in the principal market for financial assets, for the financial liabilities the fund uses observable market inputs as far as possible when measuring the fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques are based on inputs other than quoted prices included in level 1 that can be observable for the assets and liabilities, either directly or indirectly.
- **Level 3:** Valuation techniques using inputs have a significant impact on the fair value that is not based on observable inputs.

The fund recognizes transfers between levels of the fair value at the end of the reporting period during which the change has occurred. Management believes that its estimates and assumptions are reasonable and sufficient.

6- STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after January 01, 2020 and earlier application is permitted, however, the fund has not early applied these new amendments and standards in preparing these financial statements as these do not have material impact on the fund's financial statements.

7- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The composition of the investment portfolio by economic sector on December 31, 2019, 2018, are summarized below:

Sectors	As of December 31, 2019			As of December 31, 2018		
	Fair value %	Cost Value	Fair Value	Fair value %	Cost Value	Fair Value
Financials	74%	20,772,697	21,574,485	90.2%	8,864,601	9,156,376
Consumer services	5%	1,463,118	1,584,162	-	-	-
Energy	10%	2,984,850	2,855,250	-	-	-
Materials	11%	2,935,749	3,098,946	9.8%	1,128,135	995,280
	100%	28,156,414	29,112,843	100%	9,992,736	10,151,656

8- NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

8-1 Below are the details of net gain on investments at fair value through profit or loss during the year ended December 31:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Realized gain, net	3,066,453	2,836,479
Unrealized gain, net	<u>956,429</u>	<u>158,920</u>
Total	<u>4,022,882</u>	<u>2,995,399</u>

8-2 Realized gain on investment at FVTPL is calculated based on the weighted average cost of securities.

9- RELATED PARTY MATTERS

The related parties of the funds include unit holders, fund managers and other funds managed by the fund's manager. The fund is dealing with related parties within the normal context of the fund's activities. Transactions with related parties are in accordance with the fund's terms and conditions.

Transactions with related parties for the period are as follow:

Transactions			December 31, 2019	December 31, 2018
Related party	Nature of Relationship	Nature of transaction	SAR	SAR
Bait Al Mal Al Khaleeji	Fund's manager	Management fees	285,187	406,603
		Custody fees	-	29,065
Fund Board	Board of directors	Fund Board fee	12,000	12,000
Elite House GCC Equity Fund		Units issued by BMK Saudi Equity Fund	27,412,000	-

The Fund pays management fees at the rate of 1.90% (1.75% previously) per annum and custodian fees at the rate of 0.10% (0.25% previously) 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 including the Board of Directors' remuneration.

In accordance with the instructions mentioned in Article 23 of the investment funds regulations, Riyadh Capital Company has been appointed as custodian of the fund starting from April 1, 2018, and custody fees are calculated accordingly.

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

As of December 31, 2019, Elite House GCC Fund which is a fund managed by the fund manager owns 1,422,766 units in BMK Saudi Equity Fund (December 31, 2018: Nil units).

10- 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.

10-1 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.

9- RISK MANAGEMENT (continue)

10-2 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, which is the functional and presentation currency. Management monitors the fluctuations in currency exchange rates and believes that the risk is not material.

10-3 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.

10-4 Price risk: The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Fund diversifies its portfolio, to manage its price risks arising from investments in equity securities.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund's manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

Sensitivity analysis: The table below sets out the effect on net assets attributable to unitholders of a reasonably possible weakening/strengthening in the individual equity market prices of 5% at the reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	As of December 31, 2019		As of December 31, 2018	
Net gain / (loss) on investments held at FVTPL	+ 5%	1,455,642	+ 5%	507,583
	- 5%	(1,455,642)	- 5%	(507,583)

10-5 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 in a bank with a sound credit rating.

10-6 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 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.

11- FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a principal market.

The fund uses the last closing price in the principal market for financial assets, for the financial liabilities the fund uses observable market inputs as far as possible when measuring the fair value. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques are based on inputs other than quoted prices included in level 1 that can be observable for the assets and liabilities, either directly or indirectly.
- **Level 3:** Valuation techniques using inputs have a significant impact on the fair value that are not based on observable inputs

11- FAIR VALUES OF FINANCIAL INSTRUMENTS (continue)

The following table shows financial instruments recognized at fair value as of December 31, 2019, and December 31, 2018. For all other financial instruments and liabilities, the carrying value is an approximation of fair value, including cash and cash equivalent, prepayment and other assets, management, custodian fees, and other accruals.

As of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Investment at FVPL	29,112,843	-	-	29,112,843
Total	29,112,843	-	-	29,112,843

As of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Investment at FVPL	10,151,656	-	-	10,151,656
Total	10,151,656	-	-	10,151,656

12- 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 year ended December 31, 2019, was December 31, 2019 (2018: December 31, 2018).

13- SUBSEQUENT EVENT

There were no significant post-financial position events that require disclosures or adjusting of accounts in these financial statements.

14- DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Fund Board February 13, 2020.