

ALINMA SAUDI EQUITY FUND

**Unaudited Interim Financial Statements
for the Six-Month Period Ended June 30,
2014 and Independent Auditors' Limited
Review Report**



LIMITED REVIEW REPORT OF INDEPENDENT AUDITORS

July 24, 2014

To the unit holders and the Fund Manager of Alinma Saudi Equity Fund:

Scope of review

We have reviewed the accompanying balance sheet of Alinma Saudi Equity Fund (the "Fund") as of June 30, 2014, and the related 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 the limited review is substantially less 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 limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements as of and for the six-month period ended June 30, 2014 for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'MOHAMMED A. AL OBAIDI', is written over the PricewaterhouseCoopers logo.

By:

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ALINMA SAUDI EQUITY FUND**BALANCE SHEET**

(All amounts in Saudi Riyals unless otherwise stated)

		June 30, 2014	December 31, 2013	June 30, 2013
	Note	(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Bank balances		2,111,432	4,725,329	4,352,907
Trading investments	5	85,797,074	67,637,388	54,376,820
Dividend receivable		203,945	-	-
		88,112,451	72,362,717	58,729,727
LIABILITIES				
Redemptions payable		286,999	-	-
Accrued expenses		304,606	255,617	184,104
		591,605	255,617	184,104
NET ASSETS		87,520,846	72,107,100	58,545,623
Units in issue		4,947,925	4,697,275	4,538,781
Per unit value		17.69	15.35	12.90

The notes on pages 6 to 8 form an integral part of these interim financial statements.

ALINMA SAUDI EQUITY FUND
INTERIM STATEMENT OF OPERATIONS (UNAUDITED)
 (All amounts in Saudi Riyals unless otherwise stated)

		<u>Six-month period ended June 30,</u>	
	Note	2014	2013
INVESTMENT INCOME			
Dividend income		<u>2,053,882</u>	<u>1,740,523</u>
NET REALIZED AND UNREALIZED (LOSSES) GAINS			
Realized gains		11,658,329	6,125,979
Unrealized (losses) gains		<u>(1,944,789)</u>	<u>1,255,933</u>
Net realized gains		<u>9,713,540</u>	<u>7,381,912</u>
Total investment income		<u>11,767,422</u>	<u>9,122,435</u>
EXPENSES			
Management fees	4	704,953	516,452
Other expenses		<u>78,690</u>	<u>78,218</u>
		<u>783,643</u>	<u>594,670</u>
NET INCOME FROM OPERATIONS		<u>10,983,779</u>	<u>8,527,765</u>

The notes on pages 6 to 8 form an integral part of these interim financial statements.

ALINMA SAUDI EQUITY FUND
INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Six-month period ended June 30,</u>	
	2014	2013
OPERATING ACTIVITIES		
Net income from operations	10,983,779	8,527,765
Adjustment for movement in unrealized losses (gains) on trading investments	1,944,789	(1,255,933)
Changes in operating assets and liabilities:		
Trading investments	(20,104,475)	682,210
Dividend receivable	(203,945)	-
Redemption payable	286,999	
Accrued expenses	48,989	39,394
Net cash (used in) generated from operating activities	<u>(7,043,864)</u>	<u>7,993,436</u>
FINANCING ACTIVITIES		
Proceeds from units sold	10,648,141	1,470,000
Value of units redeemed	(6,218,174)	(9,194,489)
Net cash generated from (used in) from financing activities	<u>4,429,967</u>	<u>(7,724,489)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,613,897)	268,947
Cash and cash equivalents at the beginning of the period	<u>4,725,329</u>	<u>4,083,960</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>2,111,432</u>	<u>4,352,907</u>

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ALINMA SAUDI EQUITY FUND
INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Six-month period ended June 30,</u>	
	2014	2013
NET ASSETS VALUE AT THE BEGINNING OF THE PERIOD	<u>72,107,100</u>	<u>57,742,347</u>
CHANGES FROM OPERATIONS		
Net income from operations	<u>10,983,779</u>	<u>8,527,765</u>
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	10,648,141	1,470,000
Value of units redeemed	<u>(6,218,174)</u>	<u>(9,194,489)</u>
Net change in unit transactions	<u>4,429,967</u>	<u>(7,724,489)</u>
NET ASSETS AT THE END OF THE PERIOD	<u>87,520,846</u>	<u>58,545,623</u>

UNIT TRANSACTIONS

Transactions in units for the six-month periods ended June 30 are summarized as follows:

	2014	2013
UNITS AT THE BEGINNING OF THE PERIOD	<u>4,697,275</u>	<u>5,176,648</u>
Units sold	616,329	126,456
Units redeemed	<u>(365,679)</u>	<u>(764,323)</u>
Net increase (decrease) in units	<u>250,650</u>	<u>(637,867)</u>
UNITS AT THE END OF THE PERIOD	<u>4,947,925</u>	<u>4,538,781</u>

The notes on pages 6 to 8 form an integral part of these interim financial statements.

ALINMA SAUDI EQUITY FUND
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 AND 2013 (UNAUDITED)
(All amounts in Saudi Riyals unless otherwise stated)

1 GENERAL

Alinma Saudi Equity fund, (the "Fund"), is an open ended fund created by an agreement between Alinma Investment Company (the "Fund Manager"), a subsidiary of Alinma Bank (the "Bank") and investors (the "Unit holders") in the Fund, in accordance with Shariah standards issued by the Shariah board of the Fund Manager.

The Fund is designed for investors seeking capital appreciation, over the long term, through diversified exposure to Shariah compliant publicly traded Saudi equities and financial products. All income is reinvested in the Fund and is reflected in the unit price.

The results for the interim period may not be indicative of the annual operating results.

The books and records of the Fund are maintained in Saudi Riyal ("SR").

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the accounting standard on interim financial reporting issued by the Saudi Organization of Certified Public Accountants ("SOCPA").

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used and disclosed in the annual audited financial statements for the year ended December 31, 2013.

4 TRANSACTIONS WITH RELATED PARTIES

The Fund pays management fees calculated at an annual rate of 1.75% of the net asset value at each valuation date. The management fees reflected in the statement of operations represent the fees charged by the Fund Manager during the period.

Administration expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Trade transactions on the Saudi Arabian stock exchange are executed through the Fund Manager. Additionally, the Fund Manager also acts as the custodian of the Fund's investments.

The Bank acts as the Fund's banker.

Unit holders' account included units held as follows.

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)	June 30, 2013 (Unaudited)
Held by the Fund Manager	3,303,141	3,303,141	3,303,141

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5 TRADING INVESTMENTS

The composition of the trading investments portfolio on the balance sheet date is summarized below:

June 30, 2014 (Unaudited)

	Cost	Market value	% of market Value
<u>Equity investments by sectors</u>			
<u>Kingdom of Saudi Arabia:</u>			
Petrochemical industries	18,671,254	20,796,398	24.2%
Agriculture and food industries	10,437,786	13,397,945	15.6%
Banks and other financial institutions	12,039,310	12,014,487	14.0%
Telecommunication and information technology	8,237,326	10,006,045	11.6%
Building and construction	4,915,945	6,562,391	7.6%
Real estate development	4,638,184	5,468,262	6.3%
Retail	4,163,006	4,175,635	4.8%
Energy and utilities	2,939,428	2,835,940	3.8%
Hotel and tourism	2,426,450	3,227,179	3.7%
Cement	2,166,322	2,338,818	2.7%
Healthcare	2,208,668	2,208,668	2.7%
Industrial investment	1,402,172	1,476,106	1.6%
Transportation	778,323	1,289,200	1.4%
	75,024,174	85,797,074	100%

December 31, 2013

	Cost	Market value	% of market Value
<u>Equity investments by sectors</u>			
<u>Kingdom of Saudi Arabia:</u>			
Petrochemical industries	15,032,345	17,147,406	25.3%
Agriculture and food industries	7,380,761	9,926,425	14.7%
Banks and other financial services	6,600,402	7,697,990	11.4%
Real estate development	5,873,788	7,352,890	10.9%
Industrial investment	6,089,383	6,533,340	9.7%
Telecommunication & information technology	3,354,641	5,561,177	8.2%
Cement	4,593,694	5,453,475	8.1%
Building and construction	3,406,976	4,153,785	6.1%
Transportation	2,587,709	3,810,900	5.6%
	54,919,699	67,637,388	100%

June 30, 2013 (Unaudited)

	Cost	Market value	% of market Value
<u>Equity investments by sectors</u>			
<u>Kingdom of Saudi Arabia:</u>			
Petrochemical industries	10,701,349	10,007,662	18.4%
Banks and other financial institutions	8,179,689	8,920,452	16.4%
Agriculture and food industries	7,101,408	8,670,325	15.9%
Industrial investment	7,317,460	7,471,312	13.7%
Real estate development	5,698,284	6,089,710	11.2%
Cement	4,593,694	5,460,675	10.1%
Telecommunication and information technology	3,354,641	5,268,483	9.7%
Transportation	2,482,849	2,488,201	4.6%
	49,429,374	54,376,820	100%

The Fund Manager seeks to limit its credit risk by monitoring exposures in each investment sector and individual securities.

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6 LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these interim financial statements was June 30, 2014 (2013: June 30, 2013).

7 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Fund Board on 27 Ramadan 1435H (corresponding to July 24, 2014).