

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET
INVESTMENT COMPANY)
Financial Statements
For the year ended 31 December 2016
together with the
Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

The Unitholders of Osool & Bakheet IPO Fund Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Osool & Bakheet IPO Fund** (the "Fund") managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprise the balance sheet as at 31 December 2016 and the related statements of income, cash flows and changes in net assets attributable to Unitholders for the year then ended and the attached notes (1) through (13) which form an integral part of the financial statements.

Fund Manager's responsibility for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the financial statements 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 Manager's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of **Osool & Bakheet IPO Fund** as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

**For KPMG Al Fozan & Partners
Certified Public Accountants:**

Khalil Ibrahim Al Sedais
License No. 371



Date: 02 Rajab 1438 H
Corresponding to 30 March 2017

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)

BALANCE SHEET

As at 31 December 2016

(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and bank balances	6	86,133,158	99,693,974
Dividend receivable		--	118,997
Held for trading investments	7	179,299,266	336,415,013
Total assets		<u>265,432,424</u>	<u>436,227,984</u>
<u>LIABILITIES</u>			
Management and custody fees	9	1,628,280	3,056,266
Board of Directors' fee	9	85,158	90,000
Accrued expenses		61,961	29,065
Total liabilities		<u>1,775,399</u>	<u>3,175,331</u>
Net assets value attributable to unitholders		<u>263,657,025</u>	<u>433,052,653</u>
Units in issue (numbers)		<u>137,436,432</u>	<u>215,033,601</u>
Net assets value - per unit		<u>1.9184</u>	<u>2.0139</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF INCOME
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2016</u>	<u>2015</u>
<u>INCOME</u>			
Trading (loss), net	8	(29,754,258)	(86,717,576)
Dividend income		9,938,836	13,924,418
Other income		264,403	37,898
Total loss		<u>(19,551,019)</u>	<u>(72,755,260)</u>
<u>EXPENSES</u>			
Management fee	9	(6,575,971)	(10,523,995)
Custody fee	9	(1,637,198)	(2,630,999)
Board of Directors' fee, net	9	(85,158)	(90,000)
Interest expense		(46,667)	--
Other operating expenses	10	(76,191)	(63,946)
Total expenses		<u>(8,421,185)</u>	<u>(13,308,940)</u>
Net (loss)		<u>(27,972,204)</u>	<u>(86,064,200)</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / Income	(27,972,204)	(86,064,200)
<i>Adjustment for unrealised loss on held for trading investments</i>	(19,740,762)	84,553,305
Changes in operating assets and liabilities:		
Held for trading investments, net	176,856,509	(38,834,435)
Dividend receivable	118,997	954,673
Other receivable	--	209,547
Management and custody fees	(1,427,986)	160,318
Board of Directors' fee	(4,842)	15,198
Accrued expenses	32,896	(2,970)
Net cash generated by/(used in) operating activities	<u>127,862,608</u>	<u>(39,008,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	15,738,085	167,071,212
Payments for redemption of units	(157,161,509)	(118,648,782)
Net cash (used in)/generated by financing activities	<u>(141,423,424)</u>	<u>48,422,430</u>
Net (decrease)/increase in cash and bank balances	(13,560,816)	9,413,866
Cash and bank balances at beginning of the year	99,693,974	90,280,108
Cash and bank balances at end of the year	<u>86,133,158</u>	<u>99,693,974</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
Net assets value at beginning of the year	433,052,653	470,694,423
Add: Subscriptions during the year	15,738,085	167,071,212
Less: Redemptions during the year	(157,161,509)	(118,648,782)
Net loss	<u>(27,972,204)</u>	<u>(86,064,200)</u>
Net assets value at end of the year	<u>263,657,025</u>	<u>433,052,653</u>

	<i>In numbers</i>	
	<u>2016</u>	<u>2015</u>
Units at beginning of the year	215,033,601	202,290,615
Add: Units subscribed	8,709,582	62,821,481
Less: Units redeemed	(86,306,751)	(50,078,495)
Net increase in units	<u>(77,597,169)</u>	<u>12,742,986</u>
Units at end of the year	<u>137,436,432</u>	<u>215,033,601</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

1. GENERAL

Osool & Bakheet IPO Fund (the "Fund") is an investment fund established through an agreement between the Osool & Bakheet Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Fund commenced its operations on 16 March 2008.

The Fund has updated their terms and condition which have been approved by the CMA on 28 Dhu Al Hijjah 1437H (corresponding to 29 September 2016).

The Fund's primary objective is to maximize capital growth by achieving a positive return while minimizing potential risks through investing in the Initial Public Offerings of shares of Saudi joint stock companies, in addition to newly listed companies in the Saudi stock market during the first three years of their listing and investing the Fund's available liquidity in low risk and highly liquid Saudi Riyal assets such as money market funds and bank deposits. In addition, the Fund is allowed to invest up to 50% of the Fund's assets in small and medium cap companies.

In dealing with the Unitholders, 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:

Osool & Bakheet Investment Company

P. O. Box 63762

Riyadh 11526

Kingdom of Saudi Arabia

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the CMA on 3/12/1427 (corresponding to 24/12/2006) subsequently amended by Resolution of the Board of the Capital Market Authority Number 1 - 61 - 2016 Dated 16/8/1437 (corresponding to 23/5/2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. During the year, CMA has issued new Investment Fund Regulations effective from 6 November 2016.

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.

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts in Saudi Arabian Riyals)

4. BASIS OF PREPARATION

4.1 Statement of compliance

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

4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for 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 financial statements have been presented in Saudi Arabian Riyals (SR), which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest Saudi Arabian Riyal.

4.4 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting policies applied in the preparation of these financial statements are consistent with those used in the previous year and are set out below:

5.1 Held for trading investments

Investments which are purchased for trading are initially recognized at cost and are subsequently re-measured at their market values. The unrealized gains or losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

5.2 Income recognition

The realized gain or loss from a held for trading investments is calculated as the difference between its carrying amount at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its sale price.

The unrealized gain or loss is calculated as the difference between the carrying amounts of a held for trading investment at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its carrying amount at the end of the reporting period. Dividend income or other income is recognized when the right to receive payment is established.

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5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (CONTINUED)

5.3 Zakat / taxation

Zakat / taxation is the obligation of the unit holders and is not provided for in these financial statements.

5.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Fund without any restrictions.

5.5 Management fee and other fees

Fund management fee and other fees are charged at agreed rates with the Fund Manager. These charges are calculated on each valuation date at an annual percentage of the Fund's net assets value. These expenses are charged to the Statement of Income.

5.6 Net Assets Value

Net assets value per unit, as disclosed in balance sheet is calculated by dividing the net assets of the Fund by the numbers of Units in use at the year end.

5.7 Subscription / redemption of units

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

6. CASH AND BANK BALANCES

	<u>2016</u>	<u>2015</u>
Cash at bank	4,095,309	19,365,220
Cash at brokerage investment account	82,037,849	80,328,754
	<u>86,133,158</u>	<u>99,693,974</u>

7. HELD FOR TRADING INVESTMENTS

The sector-wise composition of investment held for trading is summarized as follows:

<u>Sector</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
		<u>2016</u>	
Transport	35,174,622	48,120,263	26.84
Retail	47,020,037	18,865,159	26.65
Petrochemical Industries	18,865,159	27,929,636	15.58
Banks and financial services	25,735,619	22,880,973	12.76
Agriculture & Food Industries	9,861,340	10,530,035	5.87
Hotel and tourism	11,623,920	10,050,376	5.61
Insurance	7,551,852	8,633,505	4.82
Building & Construction	3,725,955	3,369,635	1.88
	<u>159,558,504</u>	<u>179,299,266</u>	<u>100</u>

OSOOL & BAKHEET IPO FUND
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7. HELD FOR TRADING INVESTMENTS (CONTINUED)

	<u>Cost</u>	<u>Market Value</u>	<u>% of Market Value</u>
		2015	
Retail	124,516,088	101,661,264	30.22
Banks and financial services	68,732,280	55,730,255	16.57
Transport	52,990,637	48,047,283	14.28
Cement	67,086,362	43,639,118	12.97
Hotel and tourism	40,441,664	34,539,319	10.27
Petrochemical Industries	41,311,214	24,115,241	7.17
Insurance	9,848,251	13,400,476	3.98
Industrial investment	9,890,448	9,130,683	2.71
Real Estate Development	6,151,374	6,151,374	1.83
	<u>420,968,318</u>	<u>336,415,013</u>	<u>100</u>

8. TRADING (LOSS) / GAIN, NET

	<u>2016</u>	<u>2015</u>
Realized (loss) / gain on investments, net	(49,495,020)	(2,164,271)
Unrealized (loss) / gain on investments, net	19,740,762	(84,553,305)
	<u>(29,754,258)</u>	<u>(86,717,576)</u>

9. 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 2% per annum and custody fee of 0.5% 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 unit holders' account at 31 December included units held as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Units</u>	<u>Net Asset Value</u>	<u>Units</u>	<u>Net Asset Value</u>
	<u>(in numbers)</u>	<u>(SAR)</u>	<u>(in numbers)</u>	<u>(SAR)</u>
Held by the Fund Manager	--	--	--	--
Held by members of the Board of Directors of the Fund	64,678	124,078	114,663	230,918
Held by employees of the Fund Manager	128,222	245,980	6,320,313	12,728,374
	<u>192,900</u>	<u>370,058</u>	<u>6,434,976</u>	<u>12,959,292</u>

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NOTES TO THE FINANCIAL STATEMENTS
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9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the year 2016, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 15.4 million (2015: SR 18.7 million) and SR 15.6 million (2015: SR 6.3 million), respectively.

Related party transactions for the year ended 31 December and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance payable</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Osool & Bakheet Investment Company	Management fee	<u>6,575,971</u>	<u>10,523,995</u>	<u>1,302,624</u>	<u>2,445,013</u>
	Custody fee	<u>1,637,198</u>	<u>2,630,999</u>	<u>325,656</u>	<u>611,253</u>
	Cash at brokerage investment account	<u>-</u>	<u>-</u>	<u>82,037,849</u>	<u>80,328,754</u>
	Brokerage fee	<u>279,040</u>	<u>374,394</u>	<u>-</u>	<u>--</u>
Board of Directors	Annual remuneration	<u>85,158</u>	<u>90,000</u>	<u>85,158</u>	<u>90,000</u>

10. OTHER OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
Audit fee	<u>(35,000)</u>	<u>(30,000)</u>
Benchmark calculation fee	<u>(30,000)</u>	<u>(26,250)</u>
CMA monitoring and reviewing fees	<u>(7,500)</u>	<u>(7,500)</u>
Tadawul Listing Fees	<u>(3,461)</u>	<u>--</u>
Other expenses	<u>(230)</u>	<u>(196)</u>
	<u>(76,191)</u>	<u>(63,946)</u>

11. RISK MANAGEMENT POLICIES

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates may affect future profitability or the fair value of the financial instruments.

The Fund is not subject to significant special commission rate risk on bank balance as the balances are in current account.

Credit risk

Credit risk is the risk that the counter party to a financial instrument may fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk for its cash balance only. The exposure is not significant since the cash balance is maintained with a local bank which has sound credit rating.

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NOTES TO THE FINANCIAL STATEMENTS
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11. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in arranging funds to meet its commitments associated with settlement of financial liabilities and redemption of units. The Fund's securities are considered to be readily realizable as investments are made in quoted equities and can easily be realized at any time. The Fund Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

Managing the risk of Net Assets attributable to Unitholders

The objective of the Fund Manager when managing the net assets attributable to the unitholders is to secure the Fund's ability to continue in order to provide unitholders with the highest returns and ensure that reasonable protection are given to the net assets attributable to the unitholders.

The Fund Manager manages its investment portfolio and other assets through monitoring revenue generated from net assets and making required adjustments in accordance with market changes.

Equity price risk

Equity price risk is the risk that the fair value of an equity investment may fluctuate as a result of changes in market prices. The Fund is exposed to equity price risk arising from its held for trading investments. The Fund Manager endeavours to minimize this risk including concentration risk through continuous monitoring of market conditions and diversification of its investments across various sectors of Saudi Arabian equity market.

12. 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 consist mainly of held for trading investments and financial liabilities consist of management and custody fees, Board of Directors' fee and certain accrued expenses.

For investments traded in an active market, fair value is determined by reference to quoted market prices. The fair values of other financial instruments are not materially different from their carrying values. Fluctuations in stock market can cause fluctuation in the investment portfolio as well.

13. LAST VALUATION DAY

The last valuation day of the year was 29 December 2016 (2014: 31 December 2015).