

**OSOOL & BAKHEET IPO FUND**  
(Managed By Osool & Bakheet Investment Company)  
**Interim Condensed Financial Statements (un-audited)**  
**For the six month period ended 30 June 2017**  
**together with the**  
**Review Report to the Unitholders**



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
KPMG Tower  
Salahudeen Al Ayoubi Road  
P O Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 874 8500  
Fax +966 11 874 8600  
Internet www.kpmg.com

Licence No. 46/11/323 issued 11/3/1992

**REVIEW REPORT**  
**ON THE INTERIM FINANCIAL STATEMENTS**

**To: The Unitholders of  
Osool & Bakheet IPO Fund  
Riyadh, Kingdom of Saudi Arabia**

***Introduction***

We have reviewed the accompanying interim condensed financial statements of **Osool & Bakheet IPO Fund** (the "Fund"), managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprises the interim balance sheet as at 30 June 2017, the related interim statements of income, cash flows and changes in net assets attributable to the Unitholders for the six-month period then ended and the notes from (1) to (12) for the interim condensed financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

***Scope of review***

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements the Fund are not prepared, in all material respects, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

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

**Khalil Ibrahim Al Sedais**  
License No. 371



**Date: 17 Dhul-Qa'dah 1438H**  
**Corresponding to: 09 August 2017**

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**INTERIM BALANCE SHEET (UN-AUDITED)**

As at 30 June 2017  
(Saudi Arabian Riyals)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>			
Cash and bank balances	6	<b>31,181,695</b>	25,627,750
Dividend receivable		<b>1,007,721</b>	2,819,214
Held for trading investments	7	<b>197,235,233</b>	357,051,688
<b>Total assets</b>		<b><u>229,424,649</u></b>	<u>385,498,652</u>
<b><u>LIABILITIES</u></b>			
Management and custody fees	9	<b>1,305,050</b>	2,419,520
Board of Directors' fee	9	<b>57,639</b>	35,340
Accrued expenses		<b>37,260</b>	34,568
<b>Total liabilities</b>		<b><u>1,399,949</u></b>	<u>2,489,428</u>
<b>Net assets value attributable to unitholders</b>		<b><u>228,024,700</u></b>	<u>383,009,224</u>
Units in issue (numbers)		<b><u>124,466,393</u></b>	<u>200,311,323</u>
<b>Net assets value - per unit</b>		<b><u>1.8320</u></b>	<u>1.9121</u>

The accompanying notes (1) through (12) form an integral part of these interim financial statements.

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**INTERIM STATEMENT OF INCOME (UN-AUDITED)**

For the six month period ended 30 June 2017

(Saudi Arabian Riyals)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b><u>INCOME / (LOSS)</u></b>			
Trading loss	8	<b>(15,337,138)</b>	(28,895,556)
Dividend income		<b>5,866,113</b>	8,437,102
Other income		<b>63</b>	264,347
<b>Total loss</b>		<b><u>(9,470,962)</u></b>	<b><u>(20,194,107)</u></b>
<b><u>EXPENSES</u></b>			
Management fee	9	<b>(2,275,514)</b>	(3,767,756)
Custody fee	9	<b>(568,879)</b>	(941,939)
Board of Directors' fee	9	<b>(57,639)</b>	(35,340)
Other operating expenses	10	<b>(37,436)</b>	(81,334)
<b>Total expenses</b>		<b><u>(2,939,468)</u></b>	<b><u>(4,826,369)</u></b>
<b>Net loss for the period</b>		<b><u>(12,410,430)</u></b>	<b><u>(25,020,476)</u></b>

The accompanying notes (1) through (12) form an integral part of these interim financial statements.

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(Saudi Arabian Riyals)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(12,410,430)	(25,020,476)
Adjustment for unrealised loss on held for trading investments	7,487,236	21,101,350
<b>Changes in operating assets and liabilities:</b>		
Held for trading investments	(25,423,203)	(41,738,025)
Dividend receivable	(1,007,721)	(2,700,217)
Management and custody fees	(323,230)	(636,746)
Board of Directors' fee	(27,519)	(54,660)
Accrued expenses	(24,701)	5,503
<b>Net cash used in operating activities</b>	<u>(31,729,568)</u>	<u>(49,043,271)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscription of units	127,000	15,430,504
Payments for redemption of units	(23,348,895)	(40,453,457)
<b>Net cash used in financing activities</b>	<u>(23,221,895)</u>	<u>(25,022,953)</u>
<b>Net decrease in cash and bank balances</b>	<b>(54,951,463)</b>	<b>(74,066,224)</b>
Cash and bank balances at beginning of the period	<u>86,133,158</u>	<u>99,693,974</u>
<b>Cash and bank balances at end of the period</b>	<u><b>31,181,695</b></u>	<u><b>25,627,750</b></u>

The accompanying notes (1) through (12) form an integral part of these interim financial statements.

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO UNITHOLDERS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(Saudi Arabian Riyals)

	<u>2017</u>	<u>2016</u>
<b>Net assets value at beginning of the period</b>	<b>263,657,025</b>	433,052,653
Add: Subscriptions during the period	<b>127,000</b>	15,430,504
Less: Redemptions during the period	<b>(23,348,895)</b>	(40,453,457)
Net loss for the period	<b>(12,410,430)</b>	(25,020,476)
<b>Net assets value at end of the period</b>	<b><u>228,024,700</u></b>	<u>383,009,224</u>

	<u>In numbers</u>	
<b>Units at beginning of the period</b>	<b>137,436,432</b>	215,033,601
Add: Units subscribed	<b>70,396</b>	8,541,075
Less: Units redeemed	<b>(13,040,435)</b>	(23,263,353)
Net decrease in units	<b>(12,970,039)</b>	(14,722,278)
<b>Units at end of the period</b>	<b><u>124,466,393</u></b>	<u>200,311,323</u>

The accompanying notes (1) through (12) form an integral part of these interim financial statements.

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(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 05 Ramadan 1438H (corresponding to 31 May 2017).

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 CMA on 3 Dhul Hijjah 1427 H (corresponding to 24 December 2006) thereafter amended ("the Amended Regulation") on 16 Sha'ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulation came into effect from 6 Safar 1438 H (corresponding to 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 INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the six month period ended 30 June 2017

(Saudi Arabian Riyals)

**4. BASIS OF PREPARATION**

**4.1 Statement of compliance**

These interim 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").

These are interim financial statements of the fund and do not include all the information presented in the annual financial statement. These financial statements should be read along with the annual financial statements of the Fund for the year ended 31 December 2016.

**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 (SAR), which is the functional currency of the Fund. All financial information presented in SAR 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 used in the preparation of these interim financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2016. Risk management policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2016.

**6. CASH AND BANK BALANCES**

	<u>2017</u>	<u>2016</u>
Cash at bank	60,255	5,686,505
Cash at brokerage investment account	<u>31,121,440</u>	<u>19,941,245</u>
	<u>31,181,695</u>	<u>25,627,750</u>



**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(Saudi Arabian Riyals)

**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>2017</u>	
Health Care	45,493,292	46,465,024	23.56
Banks and financial services	27,232,193	32,929,467	16.70
Transport	34,699,549	26,744,942	13.56
Consumer Services	23,263,227	20,335,050	10.31
Retail	11,261,175	13,263,914	6.72
Real Estate Development	11,535,304	12,744,402	6.46
Insurance	13,790,353	12,391,317	6.28
Energy	11,255,122	9,695,443	4.92
Capital Goods	8,649,720	7,192,772	3.65
Food & Beverages	7,269,991	6,326,564	3.21
Materials	6,700,944	5,846,440	2.96
Consumer Durables	3,571,599	3,299,898	1.67
	<u>204,722,469</u>	<u>197,235,233</u>	<u>100.00</u>
		<u>2016</u>	
Retail	138,381,791	138,796,158	38.87
Banks & Financial Services	63,187,209	52,598,939	14.73
Transport	50,645,874	52,297,670	14.65
Hotel & Tourism	61,271,714	45,593,814	12.77
Petrochemical Industries	13,792,221	17,998,488	5.04
Building & Construction	15,648,588	15,066,113	4.22
Real Estate Development	12,765,299	12,966,215	3.63
Insurance	9,620,413	11,748,423	3.29
Industrial Investment	9,130,683	6,617,060	1.85
Cement	3,709,246	3,368,808	0.94
	<u>378,153,038</u>	<u>357,051,688</u>	<u>100.00</u>

**8. TRADING LOSS, NET**

	<u>2017</u>	<u>2016</u>
Realized loss on investments, net	(7,849,902)	(7,794,206)
Unrealized loss on investments, net	(7,487,236)	(21,101,350)
	<u>(15,337,138)</u>	<u>(28,895,556)</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 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.

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(Saudi Arabian Riyals)

**9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

The unit holders' account at 30 June included units held as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Units (in numbers)</u>	<u>Net Asset Value</u>	<u>Units (in numbers)</u>	<u>Net Asset Value</u>
Held by members of the Board of Directors of the Fund	<b>129,626</b>	237,478	114,663	219,247
Held by employees of the Fund Manager	<b>128,222</b>	234,905	192,706	368,473
	<b><u>257,848</u></b>	<u>472,383</u>	<u>307,369</u>	<u>587,720</u>

During the period 2017, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 117,000 (2016: SR 15.28 million) and SR nil (2016: SR 15 million), respectively.

Related party transactions for the six month period ended 30 June and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance payable / Balance</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	Interest paid	--	46,667		--
	Investment account	<b><u>(55,774,735)</u></b>	<u>(60,387,509)</u>	<b><u>31,121,440</u></b>	<u>19,941,245</u>
Osool & Bakheet Investment Company	Management fee	<b><u>2,275,514</u></b>	<u>3,767,756</u>	<b><u>1,044,040</u></b>	<u>1,935,616</u>
	Custody fee	<b><u>568,879</u></b>	<u>941,939</u>	<b><u>261,010</u></b>	<u>483,904</u>
	Brokerage fee	<b><u>149,977</u></b>	<u>87,748</u>	<u>--</u>	<u>--</u>
Board of Directors	Annual remuneration	<b><u>57,639</u></b>	<u>35,340</u>	<b><u>57,639</u></b>	<u>35,340</u>

Interest paid relates to loan from Osool & Bakheet Investment Company for SAR 32 million at an interest rate of 3.5%. The loan was repaid on 17 March 2016.

**10. OTHER OPERATING EXPENSES**

	<u>2017</u>	<u>2016</u>
Interest paid	--	46,667
Professional fee	<b>16,828</b>	15,900
Benchmark calculation fee	<b>14,423</b>	14,078
CMA monitoring and reviewing fees	<b>3,606</b>	3,640
Tadawul listing fees	<b>2,404</b>	950
Other expenses	<b>175</b>	99
	<b><u>37,436</u></b>	<u>81,334</u>

**OSOOL & BAKHEET IPO FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
For the six month period ended 30 June 2017  
(Saudi Arabian Riyals)

**11. 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.

**12. LAST VALUATION DAY**

For the purpose of preparation of these financial statements, last valuation date was 22 June 2017 (2016: 30 June 2016).