

Osool & Bakheet IPO Trading Fund Sharia Compliant
(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



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

REVIEW REPORT
ON THE INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **Osool & Bakheet IPO Trading Fund Sharia Compliant** (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 (13) 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 TRADING FUND SHARIA COMPLIANT
(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>
<u>ASSETS</u>			
Cash and bank balances	6	7,648,167	1,606,058
Held for trading investments	7	3,013,773	13,226,627
Dividends receivable		26,418	127,136
Total assets		<u>10,688,358</u>	<u>14,959,821</u>
<u>LIABILITIES</u>			
Management and custody fees	10	75,794	94,933
Board of Directors' fee	10	26,136	17,840
Accrued expenses		42,757	46,255
Redemption payable	8	6,000,000	
Total liabilities		<u>6,144,687</u>	<u>159,028</u>
Net assets value attributable to unitholders		<u>4,543,671</u>	<u>14,800,793</u>
Units in issue (numbers)		<u>4,839,902</u>	<u>14,535,564</u>
Net assets value - per unit		<u>0.9388</u>	<u>1.0182</u>

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

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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>
<u>INCOME / (LOSS)</u>			
Trading loss, net	9	(1,650,364)	(662,969)
Dividend income		281,764	313,345
Other income		49	1,519
Total loss		<u>(1,368,551)</u>	<u>(348,105)</u>
<u>EXPENSES</u>			
Management fee	10	(130,690)	(148,283)
Custody fee	10	(32,672)	(37,071)
Board of Directors' fee	10	(26,136)	(17,840)
Other operating expenses	11	(51,131)	(53,291)
Total expenses		<u>(240,629)</u>	<u>(256,485)</u>
Net loss for the period		<u>(1,609,180)</u>	<u>(604,590)</u>

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

OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(1,609,180)	(604,590)
Adjustment for unrealised loss, net on held for trading investments	160,343	(92,247)
Changes in operating assets and liabilities:		
Held for trading investments	6,699,041	(5,977,989)
Management and custody fees	(8,599)	74,015
Board of Directors' fee	(14,655)	16,168
Dividend receivables	(26,418)	(127,136)
Accrued expenses	(25,916)	20,552
Net cash provided by / (used in) operating activities	<u>5,174,616</u>	<u>(6,691,227)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	152,000	4,196,513
Payments for redemption of units	(2,833,594)	(7,076,752)
Net cash used in financing activities	<u>(2,681,594)</u>	<u>(2,880,239)</u>
Net increase/(decrease) in cash and bank balances	2,493,022	(9,571,460)
Cash and bank balances at beginning of the period	<u>5,155,145</u>	<u>11,177,518</u>
Cash and bank balances at end of the period	<u><u>7,648,167</u></u>	<u><u>1,606,058</u></u>

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

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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>
Net assets value at beginning of the period	14,834,445	18,285,622
Add: Subscriptions during the period	152,000	4,196,513
Less: Redemptions during the period	(8,833,594)	(7,076,752)
Net loss for the period	(1,609,180)	(604,590)
Net assets value at end of the period	<u>4,543,671</u>	<u>14,800,793</u>

	<u>(in numbers)</u>	
Units at beginning of the period	14,260,590	18,307,818
Add: Units subscribed	156,803	4,224,075
Less: Units redeemed	(9,577,491)	(7,996,329)
Net decrease in units	(9,420,688)	(3,772,254)
Units at end of the period	4,839,902	14,535,564

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

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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 Sharia Compliant (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") by virtue of approval of the Capital Market Authority (the "CMA") dated 22 Dul Hajj 1436H (corresponding to 05 October 2015). The Fund commenced its operations on 16 December 2015.

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 will invest in the initial public offering shares of Saudi joint stock companies as well as in the shares of newly listed companies on the Saudi stock market during the first three years of their listing. The Fund Manager may also invest not more than 50% of the net asset value of the Fund in Small and Medium company shares. It has the power to invest in Saudi equity funds and money market funds, the units of which are publicly offered and licensed by CMA, provided that all investments are compliant with Sharia guidelines and approved by the Fund's Sharia Committee.

In dealing with the Unit holders, 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 TRADING FUND SHARIA COMPLIANT
(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 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 used in the preparation of these interim condensed 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	4,514,492	70,691
Cash at brokerage investment account	3,133,675	1,535,367
	<u>7,648,167</u>	<u>1,606,058</u>

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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>
		2017	
Health care	890,205	907,848	30.12
Capital Goods	433,043	400,410	13.29
Transport	352,426	273,992	9.09
Real Estate Development	213,200	234,407	7.78
Retail	154,824	182,638	6.06
Energy	199,657	173,911	5.77
Banks & Financial Services	140,852	160,771	5.33
Materials	164,767	153,816	5.10
Consumer Services	175,232	147,035	4.88
Consumer Durables	175,812	144,281	4.79
Insurance	148,138	129,402	4.29
Food & Beverages	125,960	105,262	3.49
	3,174,116	3,013,773	100.00

<u>Sector</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
		2016	
Retail	5,636,134	5,739,130	43.39
Transport	2,995,261	3,182,060	24.06
Hotel & Tourism	2,340,332	1,894,767	14.33
Petrochemical Industries	598,024	794,458	6.01
Real Estate Development	688,687	650,966	4.92
Insurance	399,302	506,347	3.83
Building & Construction	476,640	458,899	3.47
	13,134,380	13,226,627	100.00

8. REDEMPTION PAYABLE

As at 30 June 2017, amount payable on account of units redeemed amounted to SR 6 million (2016: SR Nil). This was fully settled on 5 July 2017.

9. TRADING LOSS, NET

	<u>2017</u>	<u>2016</u>
Unrealized (loss) / gain on investments	(160,343)	92,247
Realized loss on investments, net	(1,490,021)	(755,216)
	(1,650,364)	(662,969)

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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)

10. 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.

The unit holders' account at 30, June 2017 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 the Fund Manager	--	--	10,000,000	10,182,469
Held by members of the Board of Directors of the Fund	175,231	164,505	120,000	122,190
Held by employees of the Fund Manager	238,985	224,358	116,882	119,015
	414,216	388,863	10,236,882	10,423,674

During the period 2017, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 125,000 (2016: SR 100,000) and SR 100,369 (2016: SR Nil), respectively.

Related party transactions for the period ended 30 June 2017 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>
	Investment account	(2,122,098)	(7,524,058)	3,133,675	1,535,367
	Management fee	130,690	148,283	60,635	75,946
Osool & Bakheet Investment Company	Custody fee	32,672	37,071	15,159	18,987
	Brokerage fee	15,658	7,625	--	--
	Annual remuneration	26,136	17,840	26,136	17,840

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(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. OTHER OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
Professional fee	16,828	17,550
Shari'a Committee members fees	15,865	16,510
Benchmark calculation fee	11,719	12,220
CMA monitoring and reviewing fees	3,606	3,770
Tadawul listing fees	2,404	2,470
Other expenses	709	771
	51,131	53,291

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, Shari'a Committee members' 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

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