

OSOOL & BAKHEET SAUDI TRADING EQUITY 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



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REVIEW REPORT
ON THE INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **Osool & Bakheet Saudi Trading Equity 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 SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM BALANCE SHEET (UN-AUDITED)

As at 30 June 2017
(Saudi Arabian Riyals)

	<i>Note</i>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Cash and bank balances	6	2,142,787	906,210
Dividend receivables		-	25,102
Held for trading investments	7	13,305,070	17,034,398
Total assets		<u>15,447,857</u>	<u>17,965,710</u>
<u>LIABILITIES</u>			
Management and custody fees	9	97,222	118,094
Board of Directors' fee	9	21,708	15,759
Shari'a committee members' fee		7,616	6,300
Accrued expenses		22,836	20,665
Total liabilities		<u>149,382</u>	<u>160,818</u>
Net assets value attributable to unitholders		<u>15,298,475</u>	<u>17,804,892</u>
Units in issue (numbers)		<u>7,613,090</u>	<u>8,975,055</u>
Net asset value - per unit		<u>2.0095</u>	<u>1.9838</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY 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)

	<i>Note</i>	<u>2017</u>	<u>2016</u>
<u>INCOME / (LOSS)</u>			
Trading loss, net	8	(71,651)	(306,278)
Dividend income		316,401	510,602
Other income		64	17,583
Total income		<u>244,814</u>	<u>221,907</u>
<u>EXPENSES</u>			
Management fee	9	(108,533)	(131,226)
Custody fee	9	(96,154)	(99,970)
Board of Directors' fee	9	(21,708)	(15,759)
Other operating expenses	10	(38,872)	(27,080)
Total expenses		<u>(265,267)</u>	<u>(274,035)</u>
Net loss for the period		<u>(20,453)</u>	<u>(52,128)</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM STATEMENT OF CASH FLOWS
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	(20,453)	(52,128)
<i>Adjustment for unrealised loss /(gain) on held for trading investments</i>	(267,872)	571,491
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	(1,945,662)	(1,136,332)
Dividend receivables	--	73,984
Management and custody fees	(11,453)	(15,947)
Shari'a committee members' fee	(14,406)	--
Board of Directors' fee	(634)	(47,640)
Accrued expenses	(9,125)	(13,403)
Cash used in operating activities	<u>(2,269,605)</u>	<u>(619,975)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	277,000	439,356
Payments for redemption of units	(1,137,126)	(1,764,551)
Net cash used in financing activities	<u>(860,126)</u>	<u>(1,325,195)</u>
Net decrease in cash and bank balances	(3,129,731)	(1,945,170)
Cash and bank balances at beginning of the period	<u>5,272,518</u>	<u>2,851,380</u>
Cash and bank balances at end of the period	<u><u>2,142,787</u></u>	<u><u>906,210</u></u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY 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>
Net assets value at beginning of the period	16,179,054	19,182,216
Add: Subscriptions during the period	277,000	439,356
Less: Redemptions during the period	(1,137,126)	(1,764,551)
Net loss for the period	(20,453)	(52,129)
Net assets value at end of the period	<u>15,298,475</u>	<u>17,804,892</u>

	<u>In numbers</u>	
Units at beginning of the period	8,049,441	9,671,082
Add: Units subscribed	143,459	224,832
Less: Units redeemed	(579,810)	(920,859)
Net decrease in units	(436,351)	(696,027)
Units at end of the period	<u>7,613,090</u>	<u>8,975,055</u>

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

**OSOOL & BAKHEET SAUDI TRADING EQUITY 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 Saudi Trading Equity Fund (the "Fund") is an investment fund established through an agreement between Osool & Bakheet Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Fund commenced its operations on 7 May 2007.

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 Saudi Joint stock companies that are compliant with Shariah criteria and investing the Fund's available liquidity in low risk and highly liquid Saudi Riyal assets (such as Murabaha and Murabaha funds in Saudi Riyal).

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 SAUDI TRADING EQUITY 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 Riyal (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	198,538	260,868
Cash at brokerage investment account	1,944,249	645,342
	<u>2,142,787</u>	<u>906,210</u>

OSOOL & BAKHEET SAUDI TRADING EQUITY 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>
		2017	
Materials	3,615,268	3,772,388	28.35
Banks & Financial Services	2,812,927	3,062,817	23.02
Food & Beverages	1,208,825	1,369,769	10.30
Health Care	889,362	997,488	7.50
Telecommunication	848,274	879,268	6.61
Real Estate Management	747,233	769,997	5.79
Consumer Services	763,739	621,680	4.67
Transport	720,346	519,846	3.91
Energy	543,480	473,239	3.56
Insurance	444,847	390,274	2.93
Capital Goods	294,216	279,128	2.10
Retail	148,681	169,176	1.27
	13,037,198	13,305,070	100

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		2016	
Petrochemical Industries	3,152,013	3,426,297	20.11
Retail	3,083,141	3,298,550	19.36
Agriculture & Food Industries	4,019,824	3,283,871	19.28
Banks & Financial Services	2,096,860	2,196,760	12.90
Transport	2,239,787	2,049,694	12.03
Hotel & Tourism	1,298,161	997,635	5.86
Industrial Investment	846,200	936,764	5.50
Cement	601,800	564,147	3.31
Insurance	268,103	280,680	1.65
	17,605,889	17,034,398	100.00

8. TRADING GAIN, NET

	<u>2017</u>	<u>2016</u>
Realized gain / (loss) on investments, net	(339,523)	265,213
Unrealised gain / (loss) on investments, net	267,872	(571,491)
	(71,651)	(306,278)

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.

OSOOL & BAKHEET SAUDI TRADING EQUITY 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 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 1.5% 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 unitholders' account at 30 June included units held as follows:

	2017		2016	
	<u>Units</u> <i>(in numbers)</i>	<u>Net Asset</u> <u>Value</u>	<u>Units</u> <i>(in numbers)</i>	<u>Net Asset</u> <u>Value</u>
Held by the Fund Manager			--	--
Held by members of the Board of Directors of the Fund	64,857	130,331	91,604	181,725
Held by employees of the Fund Manager	56,063	112,658	61,303	121,613
	120,920	242,989	152,907	303,338

During the period 2017, the above-mentioned unitholders' have subscribed and redeemed units amounting to SR 120,000 (2016: SR Nil) and SR 100,180 (2016: SR 94,044), respectively.

Related party transactions for the 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</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Osool & Bakheet Investment Company	Management fee	108,533	131,226	51,068	68,109
	Investment account	(3,336,117)	(1,239,969)	1,944,249	645,342
	Custody fee	96,154	99,970	46,154	49,985
	Brokerage fee	9,673	2,850	--	--
Board of Directors	Annual remuneration	21,708	15,759	21,708	15,759

OSOOL & BAKHEET SAUDI TRADING EQUITY 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)

10. OTHER OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
Professional fee	16,828	15,900
Shari'a Committee members fees	15,865	6,300
CMA monitoring and reviewing fees	3,606	3,640
Shari'a cleansing	--	174
Tadawul listing fees	2,404	950
Other expenses	169	116
	<u>38,872</u>	<u>27,080</u>

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, Shari'a committee members fees and certain accrued expenses.

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

12. LAST VALUATION DATE

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