

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY
Financial Statements
For the year ended 31 December 2019
Together with the Independent Auditor's Report

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY

Financial Statements for the year ended 31 December 2019

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AUDITOR'S REPORT

TO THE UNITHOLDERS
OSOOL & BAKHEET IPO FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **OSOOL & BAKHEET IPO FUND** ("the Fund"), being managed by **OSOOL & BAKHEET INVESTMENT COMPANY** (the "Fund Manager"), which comprise of the Financial Position as at 31 December 2019 and the statements of comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the year then ended and the attached notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements statement present fairly, in all material respects, the Financial Position of the Fund as at 31 December 2019, and it's financial performance and it's cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the fund financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA a and the Fund's Terms and Condition and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, fund management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance the Board of Directors, are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
OSOOL & BAKHEET IPO FUND

Report on the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "ISA" that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For and on behalf of
Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



Riyadh, Kingdom of Saudi Arabia

6 Sha'aban 1441
30 March 2020

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
Managed by Osool & Bakheet Investment Company

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(All amounts in Saudi Riyal)

	Note	31 December 2019	31 December 2018
ASSETS			
Investments measured at FVPL	7	103,482,836	108,377,106
Dividend receivable		--	177,292
Cash and cash equivalent		9,494,169	6,859,564
Total assets		112,977,005	115,413,962
LIABILITIES			
Accrued Management and custody fees	8	664,179	724,675
Accrued Board of directors' fee	8	120,000	120,000
Accrued expenses and other liabilities		138,558	101,476
Total liabilities		922,737	946,151
Net assets attributable to the Unit holders		112,054,268	114,467,811
Units in issue (number)		65,022,790	77,293,043
Net assets attributable to each unit		1.72	1.48

The accompanying notes 1 to 13 form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
Managed by Osool & Bakheet Investment Company

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(All amounts in Saudi Riyal)

	Note	31 December 2019	31 December 2018
<u>Income</u>			
Net Income / (loss) from investments measured at FVPL	9	16,129,747	(20,039,698)
Dividend income		3,214,504	5,871,642
Other income		16,199	365
Total profit / (loss)		19,360,450	(14,167,691)
<u>Expenses</u>			
Management fee	8	(2,101,754)	(2,955,552)
Custody fee	8	(525,510)	(738,888)
Board of Directors' fee	8	(120,000)	(120,000)
Other expenses		(222,785)	(262,714)
Total expenses		(2,970,049)	(4,077,154)
Net income / (loss) for the year		16,390,401	(18,244,845)
Other comprehensive income		--	--
Total comprehensive income / (loss) for the year		16,390,401	(18,244,845)

The accompanying notes 1 to 13 form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND**(Open-Ended Fund)****Managed by Osool & Bakheet Investment company****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS****For the year ended 31 December 2019****(All amounts in Saudi Riyal)**

	31 December 2019	31 December 2018
Net assets value at beginning of the year	114,467,811	217,388,285
Add: Subscriptions during the year	81,400	--
Less: Redemptions during the year	(18,885,344)	(84,675,629)
Net comprehensive income / (loss) loss for the year	16,390,401	(18,244,845)
Net assets value at end of the year	112,054,268	114,467,811

	Units number	
Units at beginning of the year	77,293,043	124,159,740
Add: Units subscribed during the year	50,556	--
Less: Units redeemed during the year	(12,320,809)	(46,866,697)
Net decrease in units during the year	(12,270,253)	(46,866,697)
Units at end of the year	65,022,790	77,293,043

The accompanying notes 1 to 13 form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
Managed by Osool & Bakheet Investment company

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(All Amounts in Saudi Riyal)

	31 December 2019	31 December 2018
Operating activities:		
Net income / (loss) for the year	16,390,401	(18,244,845)
Adjustments for:		
Net gain / (loss) from investments measured at FVPL	(16,129,747)	20,039,698
Changes in operating assets and liabilities:		
Purchase investments measured at FVPL	(114,130,149)	(208,884,651)
Proceeds from sale of investment measured at FVPL	135,154,166	297,829,969
Dividend receivable	177,292	(177,292)
Accrued Management and custody fee	(60,496)	(619,956)
Accrued expenses and other liabilities	37,082	41,476
Net cash from operating activities	21,438,549	89,984,399
Financing activities:		
Proceeds from subscription of units	81,400	--
Payments for Redemption of units	(18,885,344)	(84,675,629)
Net cash used in financing activities	(18,803,944)	(84,675,629)
Net change in cash and cash equivalent	2,634,605	5,308,770
Cash and cash equivalent at beginning of the year	6,859,564	1,550,794
Cash and cash equivalent at end of the year	9,494,169	6,859,564

The accompanying notes 1 to 13 form an integral part of these financial statements.

OSOOL & BAKHEET IPO FUND
(Open-Ended Fund)
Managed by Osool & Bakheet Investment Company

Notes to the financial statements
For The Year Ended 31 December 2019
(All Amounts in Saudi Riyal)

1. FUND AND ITS ACTIVITIES

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 its terms and condition which have been approved by the CMA on 3 Shaban 1440H (corresponding to 8 April 2019).

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 five years of their listing or the last 20 companies listed on the Saudi stock market 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 net asset value in small and medium cap companies, invest by no more than 30% of its net asset value in REITs (including the funds' units that are managed by the Fund manager) also no more than 30% of the fund's net asset value in listed companies in the parallel market (Nomu).

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting 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)

3. SUBSCRIPTION/ REDEMPTION (DEALING AND VALUATION DAY)

The Fund is open for subscriptions/ redemptions on every business day (each being a "Dealing Day") of the Saudi Stock Exchange Market, the value of the Fund's portfolio is determined on each dealing day (each being 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
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Managed by Osool & Bakheet Investment Company

Notes to the financial statements
For The Year Ended 31 December 2019
(All Amounts in Saudi Riyal)

4. BASIS OF PREPARATION

4-1 statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in Saudi Arabia and other standards endorsed by the Saudi Organization for Certified Public Accountants.

4-2 Basis of measurement

The financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial assets measured at fair value through profit or loss.

4-3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”), These financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency and all financial information presented is rounded to the nearest Saudi riyal.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are evaluated continually on the basis of past experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As a result, judgments are made about the carrying amount of assets and liabilities from other sources. Actual results may differ from these estimates, Basic estimates and assumptions are examined based on an ongoing basis, An examination is included in the accounting estimates in the period in which the estimate is tested if the examination affects only that period or the period of the examination and future periods if the examination affects current and future periods.

In the process of applying the Fund’s accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Going Concern

The Fund's management has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future, Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund’s ability to continue as a going concern, Therefore, the financial statements have been prepared on a going concern basis.

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

6. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

Financial instruments

Initial recognition

The Fund records a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI");
- Amortized cost.

These classifications are on the basis of the business model of the Fund and how it manages the financial assets, and contractual cash flow characteristics.

The Fund measures financial assets at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

The Fund classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL.

The Fund designates a financial liability at FVTPL if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

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Notes to the financial statements
For the year ended 31 December 2019
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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership.

When the Fund has transferred nor retained substantially all of the risk rewards of the asset, nor transferred control of the asset, The Fund continues to recognize the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligation that the Fund has Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Fund takes the future view in assessing the expected credit loss associated with debt instruments measured at amortized cost and measured at fair value through other comprehensive income as well as financial guarantee contracts. The fund recognizes a loss provision at the date of each financial report.

The measurement of expected credit loss represents:

- An unbiased amount determined by evaluating a set of inevitable outcomes.
- The time value of money.
- Reasonable and proven information available without incurring any unnecessary cost or effort at the reporting date on past events, current conditions, forecasts for future events, and economic conditions.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosure, the Fund has classified the fair value hierarchy of investments at fair value through profit and loss within the first level.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes bank balances with a maturity of three months or less.

Provisions

Provisions are recognized when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unitholder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument. In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:
 - Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund
 - The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets attributable to the Unitholders, the Fund will reclassify them as equity instruments measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognized in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments

Management fees

Fund management fees are recognized on an accruals basis and charged to the statement of comprehensive income.

Fund management fees are charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

Revenue recognition

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

- a) Identify the contract
- b) Identify performance obligation
- c) Determine the transaction price
- d) Allocation of the transaction price
- e) Recognize revenue

Special commission income

Special commission income is recognized on an effective yield basis.

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6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net gains or losses on financial assets and liabilities at FVTPL

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude commission and dividend income and expenses. Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealized gains and losses for financial instruments, which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Dividend income

Dividend income is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognized in the statement of comprehensive income in a separate line item.

Expenses

Expenses are measured and recognized as expenses on an accrual's basis in the year in which they are incurred.

Zakat

Zakat at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

Foreign currencies

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognized in the statement of comprehensive income as net foreign exchange losses.

Net asset value per unit

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at year end.

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7. INVESTMENTS MEASURED AT FVPL

The following is a summary of the components of investments in FVTPL by sector:

Sector	31 December 2019		
	Cost	Market Value	%
Materials	23,045,226	26,145,668	25,27
Energy	20,918,119	22,564,754	21,81
Transportation	10,101,476	11,362,221	10,98
Health Care Equipment & Svc	11,086,908	10,686,201	10,33
Banks	6,921,576	6,626,970	6,40
Consumer Services	5,786,821	5,650,728	5,46
REITs	3,951,133	4,668,566	4,51
Real Estate Mgmt & Dev't	3,276,600	3,428,040	3,31
Retailing	4,067,822	3,418,177	3,30
Food & Beverages	3,325,171	3,241,260	3,13
Capital Goods	1,932,035	2,285,242	2,21
Commercial & Professional Svc	1,927,380	2,397,502	2,32
Insurance	995,013	1,007,508	0,97
	97,335,280	103,482,836	100

Sector	31 December 2018		
	Cost	Market Value	%
Materials	20,085,353	17,600,197	16,24
Energy	3,900,147	3,979,249	3,67
Transportation	8,969,291	7,527,775	6,95
Health Care Equipment & Svc	20,400,017	15,106,003	13,94
Banks	20,505,765	22,115,414	20,40
Consumer Services	5,735,475	6,020,510	5,56
REITs	1,526,041	1,539,609	1,42
Real Estate Mgmt & Dev't	6,270,191	4,813,203	4,44
Retailing	5,861,098	5,568,912	5,14
Food & Beverages	3,996,586	3,821,003	3,53
Capital Goods	10,791,434	8,774,139	8,10
Commercial & Professional Svc	2,647,860	2,257,227	2,08
Insurance	4,365,307	4,163,278	3,84
Utilities	2,282,667	2,377,313	2,19
Telecommunication Services	1,146,218	1,108,522	1,02
Food & Staples Retailing	1,152,464	1,070,201	0,99
Pharma, Biotech & Life Science	545,850	534,551	0,49
	120,181,765	108,377,106	100

OSOOL & BAKHEET IPO FUND
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8. TRANSACTIONS AND BALANCE WITH RELATED PARTY

In the ordinary course of its activities, the Fund transacts with its related parties, The Fund Manager and custodian are related parties.

The Fund Manager charges the Fund with a management fee of 2% per annum and custody fee of 0.5% 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 a maximum of SR 30,000 per member.

The Fund Manager charges each investor an early redemption fee at the rate of 1.75% of the value of the redeemed Fund units.

The related party transactions for the years ended 31 December 2019 and 31 December 2018, respectively:

Related Party	Nature of transactions	Amount of transaction during the period	
		31 December 2019	31 December 2018
Osool & Bakheet Investment company	Management fee	2,101,754	2,955,552
	Custody fee	525,510	738,888
Board of Directors	Annual remuneration	120,000	120,000

Related party balances consist of:

Related Party	Nature of transactions	Ending balance (payable)	
		31 December 2019	31 December 2018
Osool & Bakheet Investment Company	Management fee	531,343	579,740
	Custody fee	132,836	144,935
	investment account	13,625,367	6,857,331
Board of Directors	Annual remuneration	120,000	120,000

Custody fees include administrative expenses for the Fund operations and amount due to the custodian (Alinma Investment).

9. NET GAIN / (LOSS) FROM INVESTMENTS MEASURED AT FVPL

	31 December 2019	31 December 2018
Realized gain / loss from sale of Investments measured at FVPL	9,982,191	(8,235,039)
Unrealized gain / loss from revaluation of Investments measured at FVPL	6,147,556	(11,804,659)
	16,129,747	(20,039,698)

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10. FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2019	Amortized cost	FVPL
Assets as per statement of financial position		
Cash and cash equivalent	9,494,169	--
Investments measured at FVPL	--	103,482,836
Total	9,494,169	103,482,836
31 December 2018	Amortized cost	FVPL
Assets as per statement of financial position		
Cash and cash equivalent	6,859,564	--
Investments measured at FVPL	--	108,377,106
Dividend receivable	177,292	--
Total	7,036,856	108,377,106

All financial liabilities as at 31 December 2019 and 31 December 2018 were classified as financial liabilities measured at amortized cost category.

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11. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk,

The Fund Manager is responsible for identifying and controlling risks, The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund,

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board, The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines,

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below,

(a) Market risk

Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements,

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds, The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments, As of the statement of financial position date, Fund has equity investments,

The effect on the net asset value (as a result of changes in the fair value of investments as of 31 December 2019) and the return due to a possible change in the unit's holder NAV indices based on industry concentration, with all other variables held constant as follows:

	31 December 2019		31 December 2018	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Materials	1%	261,457	1%	176,002
Health Care Equipment & Svc	1%	106,862	1%	151,060
Real Estate Mgmt & Dev't	1%	34,280	1%	48,132
Transportation	1%	113,622	1%	75,278
Insurance	1%	10,075	1%	41,633
Consumer Services	1%	56,507	1%	60,205
Retailing	1%	34,182	1%	55,689
Banks	1%	66,270	1%	221,154
Capital Goods	1%	22,852	1%	87,741
Energy	1%	225,648	1%	39,792
Commercial & Professional Svc	1%	23,975	1%	22,572
Food & Beverages	1%	32,413	1%	38,210
Food & Staples Retailing	1%	--	1%	10,702
Utilities	1%	--	1%	23,773
REITs	1%	46,686	1%	15,396
Telecommunications Services	1%	--	1%	11,085
Pharma, Biotech & Life Science	1%	--	1%	5,346

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, The Fund is exposed to credit risk for its investment portfolio, dividends and bank balances.

It is Fund's policy to enter into financial instrument contracts with reputable counterparties, The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units every business day, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days, The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

12. LAST VALUATION DAY

The last valuation day of the year was 31 December 2019 (2018: 31 December 2018).

13. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 2 Shaban 1441H (Corresponding to 26 March 2020G).