

**Osool & Bakheet Investment Company
(Saudi Closed Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia**

**Financial Statements & Auditor's Report
For the year ended 31 December 2018**

INDEPENDENT AUDITOR'S REPORT

TO ,
Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company

Opinion:

We have audited the financial statements of **Osool & Bakheet Investment Company (Saudi Closed Joint Stock Company)** , which comprise the statement of financial position as at 31 December , 2018 and the statement of income, statement of changes in equity ,statement of cash flows and for the year then ended, and notes from (1) to (32) to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard IFRS as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion:

We conducted our audit in accordance with International Auditing Standards that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit matters:

The key audit matters	How the matter was addressed in our audit
<p>Adopt of International Financial Reporting Standards from 01 January 2018</p> <p>The Saudi Organization for Certified Public Accountants adopted the International Financial Reporting Standards (IFRS).</p> <p>For the non-populace company's the implementation started 01/01/2018.</p> <p>in accordance with this decision:</p> <ul style="list-style-type: none"> - Adjustments to establish and cancel certain items to meet the requirements of the IFRS. - Reclassification of certain items in the financial statements. - Adding a comprehensive income section that includes other comprehensive income items. - Add accounting policies that comply with international financial reporting standards. - Recognition of actuarial losses or gains from re-measuring the liability of employees. <p>This has been identified as a key consideration as there has been a significant change in the form and content of the financial statements in terms of presentation and accounting treatments.</p>	<p>We understand the Company's plan to transition from the accepted accounting standards to the adopted of IFRS and have also conducted review procedures for the changes that resulted from the transition process.</p> <ul style="list-style-type: none"> - We evaluated the key decisions taken by the company to complete the transformation - We obtained a report analyzing the differences in the application of the accepted accounting standards and the international standards for the financial report and we studied this report . - We have reviewed the completeness of the differences between the accepted accounting standards and the international standards for the financial report at the level of evidence, measurement and presentation disclosure. - We have reviewed the accuracy of the adjustments made as a result of the adoption of the International Financial Reporting Standards, which were recorded in the financial statements as at 01 January 2017 and as at 31 December 2017. - We have reviewed the adequacy of the disclosures in the financial statements about the implications of applying IFRS.



"INDEPENDENT AUDITOR'S REPORT" (Continued)

Other information included in the Company's annual report

Other information consists of the information included in the Company's annual report, other than the financial statement, and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon

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 Standard IFRS as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA), and the provisions of Companies' Law and [Company's By-laws or the Company's Articles of Association], 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, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 auditor's 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



"INDEPENDENT AUDITOR'S REPORT" (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued):

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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 a 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.

Report on Other Legal and Regulatory Requirements

- Comply with the requirements of the company's regulations insofar as these relate to the preparation and presentation of the financial statements, the financial statements matching with computer systems.

Rödl Al Tuwaijry
Certified Public Accountants



Othman M. Al Tuwaijry
License No. 184



Rajab 20, 1440H
March 27, 2019

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of Financial Position
As of 31 December 2018

"All amounts are express in Saudi Riyals"

	Note	31 Dec, 2018	31 Dec, 2017 (Restated)	01 Jan, 2017 (Restated)
Assets				
Current Assets				
Cash and cash equivalents	(5)	23,912,459	7,588,731	27,605,714
Investments in funds & Securities at fair value through profit or loss	(6)	7,677,449	5,735,971	10,402,406
Accounts receivables – net	(7)	4,332,840	3,917,421	445,419
Due from related party	(10)	1,773,979	3,669,758	7,889,840
Prepaid expenses and other debit balances	(8)	839,211	693,734	624,554
Clients lending	(9)	8,253,074	25,541,074	25,269,069
Total Current Assets		46,789,012	47,146,689	72,237,002
Non-Current Assets				
Investment in securities at fair value through other comprehensive income	(13)	76,953	77,692	80,810
Intangible assets	(12)	1,158,451	690,802	183,570
Property, plant and equipment	(11)	572,365	578,702	377,944
Investments in property	(14)	27,000,000	27,000,000	27,000,000
Total Non-Current Assets		28,807,769	28,347,196	27,642,324
Total Assets		75,596,781	75,493,885	99,879,326
Equity and liabilities				
Liabilities				
Current liabilities				
Accrued expenses and other credit balances	(15)	1,351,815	1,389,508	1,353,144
Due to related parties	(10)	398,000	280,000	180,000
Short term loans and bank facilities	(16)	-	-	22,000,000
Due to shareholders	(17)	-	348,749	23,000
Provision for zakat	(18)	2,775,729	2,869,764	2,871,627
Total Current liabilities		4,525,544	4,888,021	26,427,771
Non-Current liabilities				
Provision for employee benefits	(19)	2,114,908	1,733,209	1,636,081
Total Non-Current liabilities		2,114,908	1,733,209	1,636,081
Total liabilities		6,640,452	6,621,230	28,063,852
Shareholders' Equity				
Share Capital	(20)	60,000,000	60,000,000	60,000,000
Statutory reserves	(21)	3,020,126	2,989,315	2,736,632
Fair value reverse		(47,788)	(46,444)	(39,181)
Actuarial loss		(352,754)	(129,659)	(160,039)
Retained earnings		6,336,745	6,059,443	9,278,062
Total Shareholders' Equity		68,956,329	68,872,655	71,815,474
Total Liabilities and Shareholders' Equity		75,596,781	75,493,885	99,879,326



The Accompanying Notes from (1) to (32) constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of profit and loss
For the Year Ended 31 December 2018

"All amounts are express in Saudi Riyals"

	<u>Note</u>	<u>31 Dec, 2018</u>	<u>31 Dec, 2017)</u> <u>Restated)</u>
<u>Revenues</u>			
Portfolio Management fees		1,812,117	1,145,261
Fund Management fees		6,333,884	7,182,516
Custody fees		888,250	1,375,982
Brokerage revenues - net		755,309	832,667
Services fees		4,353	8,490
Revenues of special commissions		33,373	230,778
Revenue from Murabaha loans		1,194,667	2,284,736
Unrealized losses from investments in funds & Securities		(1,196,965)	(304,985)
Cash dividends received		349,938	13,796
Realized gains from investments in funds & securities		1,297,002	866,243
Funds establishment fees		-	200,000
Funds subscription fees		-	3,822,935
Total revenues		11,471,928	17,658,419
<u>Activities Expenses</u>			
Depreciation & amortization		(311,409)	(164,234)
General and administrative expenses	(23)	(14,599,673)	(15,138,106)
Net (loss) Income from Principal Activities		(3,439,154)	2,356,079
<u>Results from Other Activities:</u>			
Financing expenses		(5,250)	(408,611)
Gain from sale plant and equipment		1,600	9,000
Other revenues		4,881,489	2,302,203
Net Income for the year before Zakat		1,438,685	4,258,671
Estimated Zakat		(1,130,572)	(1,224,607)
Net Income for the year		308,113	3,034,064
Earnings per share for net income from principal activities		(0.57)	0.39
Earnings per share for Net Income for the year		0.05	0.51



The Accompanying Notes from (1) to (32) Constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of other comprehensive income
For the Year Ended 31 December 2018

"All amounts are express in Saudi Riyals"

	31 Dec, 2018	31 Dec, 2017
Net income for the year	308,113	3,034,064
Other comprehensive items		
Fair value reserve	(1,344)	(7,263)
Actuarial loss	(223,095)	30,380
Total Comprehensive income for the year	83,674	3,057,181



Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of Changes in Shareholder's Equity
For the Year Ended 31 December 2018

"All amounts are express in Saudi Riyals"

	Share Capital	Statutory Reserve	Retained Earnings	Fair value reserve	Actuarial loss	Total
2017						
Balance as of 01 Jan 2017 (Restated)	60,000,000	2,736,632	9,278,062	(39,181)	(160,039)	71,815,474
Net income for the year	-	-	3,034,064	-	-	3,034,064
other comprehensive income	-	-	-	(7,263)	30,380	23,117
Total comprehensive income	-	-	3,034,064	(7,263)	30,380	3,057,181
Dividend	-	-	(6,000,000)	-	-	(6,000,000)
Transferred to statutory reserve	-	252,683	(252,683)	-	-	-
Balance as of 31 December 2017 (Restated)	60,000,000	2,989,315	6,059,443	(46,444)	(129,659)	68,872,655
2018						
Balance as of 01 Jan 2018	60,000,000	2,989,315	6,059,443	(46,444)	(129,659)	68,872,655
Net income for the year	-	-	308,113	-	-	308,113
Other comprehensive income	-	-	-	(1,344)	(223,095)	(224,439)
Total comprehensive income	-	-	308,113	(1,344)	(223,095)	83,674
Transferred to statutory reserve	-	30,811	(30,811)	-	-	-
Balance as of 31 December 2018	60,000,000	3,020,126	6,336,745	(47,788)	(352,754)	68,956,329



The Accompanying Notes from (1) to (32) Constitute an Integral Part of These Financial Statements

Statement of Cash Flows
For the Year Ended 31 December 2018

"All amounts are express in Saudi Riyals"

	<u>Note</u>	<u>31 Dec, 2018</u>	<u>31 Dec, 2017 (Restated)</u>
Cash Flows From Operating Activities:			
Net income for the year		308,113	3,034,064
Adjustments			
Depreciation of property, plant		201,260	164,234
Amortization of intangible assets	(12)	110,149	-
Capital gain from sale property, plant		(1,600)	(9,000)
Realized gain from sale investments in securities & fund at fair value through profit or loss		(1,297,002)	(866,243)
Unrealized losses from investments in securities & fund at fair value through profit or loss	(6)	1,196,965	304,985
Provision for employee benefits (end of service)	(19)	373,363	407,464
Provision for zakat	(18)	1,130,572	1,224,607
Operating income before change in working capital		2,021,820	4,260,111
Changes in working capital			
Accounts receivables		(415,419)	(3,472,002)
Clients lending		17,288,000	(272,005)
Due from related parties		1,895,779	4,220,082
Prepaid expenses and other debit balances		(143,698)	(69,180)
Accrued expenses and other credit balances		(37,693)	36,364
Due to related parties		118,000	100,000
End of service benefits paid		(214,759)	(279,953)
Zakat paid		(1,224,607)	(1,226,470)
Net cash from operating activities		19,287,423	3,296,947
Cash Flow From Investing Activities:			
Investments in securities & fund at fair value through profit or loss		(1,841,742)	5,227,689
Investments in securities at fair value through other comprehensive income		(2,083)	(4,145)
Purchases property , plant		(194,923)	(364,992)
Purchases intangible assets		(577,798)	(507,232)
Proceeds from sale property , plant		1,600	9,000
Net cash from/(used in) investing activities		(2,614,946)	4,360,320
Cash flows from Financing Activities:			
Dividends paid		(348,749)	(5,674,250)
Short term loans		-	(22,000,000)
Net cash (used in)/from financing activities		(348,749)	(27,674,250)
Net change in cash and cash equivalents		16,323,728	(20,016,983)
Cash and cash equivalents at beginning of the year		7,588,731	27,605,714
Cash and Cash Equivalents at End of the year	(5)	23,912,459	7,588,731

The Accompanying Notes from (1) to (32) constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2018

"All figures are stated in Saudi Riyals"

1- Formation and Nature of Business:

Osool & Bakheet Investment Company – Saudi Closed Joint Stock Company (referred to hereinafter as the "The Company") was established under the commercial registration No. 1010219805 issued in Riyadh on 02/05/1427H (26/05/2006). The activity of the company includes acting as principal and agent, managing investment funds, managing portfolios of clients and custody in securities business pursuant to the approval of the Capital Market Authority No. 07/08126 on 23/01/1435H(26/11/2013).

Funds investments:

The company is the manager of some investment funds their amount as of 31 December 2018:

	31/12/2018	31/12/2017
Osool & Bakheet Saudi Trading Equity Fund	13,738,112	14,385,189
Osool & Bakheet IPO Fund	114,467,811	217,388,285
Osool & Bakheet IPO Trading Funds Sharia	1,020,227	2,969,320
Osool & Bakheet Parallel market Funds	1,006,807	1,169,320
Amalga Hills Compound Fund	85,476,998	85,589,203
ALMA'ATHAR REIT Fund	636,664,801	624,259,379

2- Accounting Convention:

2-1) Statement of Compliance

These financial statements of the company have been prepared in compliance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia ("IFRS") and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended 31 December 2018, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). These are the first annual financial statements for the year ended 31 December 2018 in accordance with IFRS and other standards and pronouncements issued by SOCPA. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017 which is the Company's date of transition to IFRS, in compliance with IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Explanations of how the transition to IFRS has affected the reported amounts of financial statements of the company are provided in Note 4

2-2) Preparation Financial Statements

These financial statements are prepared under the historical cost convention except for the measurement of financial asset at fair value through other comprehensive income and employee benefit obligations as per present value with the credit expected unit as explained in the relevant accounting policies.

- Saudi Riyal The presentation currency of this financial statements
- The figures included in the financial statements are rounded to the nearest Saudi Riyal.



2- Accounting Convention:

2-3) Fair Value Measurement

- Fair value represents the amount may be collected from the asset sale or a boost to convert commitment between knowledgeable parties on the same terms and dealing with others and depends on the fair value measurement of the following conditions:
- In the principal market for the asset or liability, or the most advantageous market for the asset or liability in the absence of a principal market the company should be able to handle through the most advantageous market.
 When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible.
 Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
 - Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
- The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
- Management believes that its estimates and judgments are reasonable and adequate.

3- Accounting Polices:

Revenue Accounting Polices

Principals of Measurement

Revenue from sales is recognized when the goods are delivered and the services rendered to the customers. Revenue from the sale of the goods is recognized based on a five step model as set out in IFRS 15:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. than one performance obligation, the Company will allocate the transaction price to each performance obligation.



3- Accounting Policies (continued)

in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

- Revenue Recognition

- The revenue from stock brokerage service is recorded in the period where they are realized.
- The revenue of services rendered to clients, such as the internet services and consulting services, is recognized when these services are provided.
- The revenue from bank commissions on deposits at banks is recorded by calculating the term of such deposits on accrual basis.
- The revenue realized on client's bank overdrafts is recognized pursuant to the concluded contract and for the period specified therein.
- As for Murabaha revenue, they are realized according to the terms and conditions of the contracts concluded with clients on the basis of Murabaha amounts and term.
- the revenue from portfolio and funds management fees is recorded at the date of realization according to the agreements concluded with the owners of those portfolios. The revenue resulting from consulting and financial information fees are recorded upon completion.

The fees related to portfolio positive performance are calculated at the end of each calendar quarter, and the company sends an invoice to the client according to the contract concluded with each client where the value of portfolio positive performance is determined

Financial Instruments

Investments and Other Financial Assets:

The classification depends on business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial Assets at Fair value Through Profit or Loss :

investments in equity instruments that are held for trading measured at fair value, gains and losses will either be recorded in profit or loss

dividends from equity investment at fair value through profit or loss recorded when company has rights to receiving it according to IFRS 15 .



3- Accounting policies (continued)

Financial Instruments (continued)

Investments and other financial assets (continued):

Financial Assets at Fair Value Through OCI:

Initial measurement: depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Subsequent measurement measured at fair value and profit or loss from changes in fair value will be recognized through OCI (other reserve) and not permitted to reclassify to profit or loss statement.

De recognition Financial Assets

De recognition is the removal of a previously recognized financial instrument from an entity's statement of

Financial position. An entity should derecognize a financial asset when:

- (a) The contractual rights to the cash flows from the financial asset expire, or
- (b) The entity transfers the financial asset or substantially all the risks and rewards of ownership of The financial asset to another party.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is de recognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a de recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit or loss.

Accrued Expenses and Other Credit Balances:

Liabilities are recognized for amounts to be paid in future for goods or services received whether billed by the supplier or not.

Financial Instruments:

IFRS (9) largely retains the existing requirements in IAS (39) for the classification and measurement of financial Liabilities. However, it eliminates the previous IAS (39) categories for financial assets of held to maturity, loans and receivables available for sale. The adoption of IFRS (9) has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS (9) on the classification and measurement of financial assets is set out below.



3- Accounting policies (continued)

Financial Instruments (continued) :

- Classification and measurement

Under IFRS (9), on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financing as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS (9).

Cash and Cash Equivalents:

Cash and Cash equivalents comprise cash in hand, cash at banks and short term deposits with original maturities of three months or less that is Available for the company without any restricted after deducted the bank overdraft (if any) .

Provision for Zakat

Zakat is provided and recognized in the income statement for each financial period separately in accordance with the Saudi Arabian Department of Zakat and Income Tax (DZIT) regulations. Variances between the Zakat provision and final assessment of DZIT are charged to the income statement in the period when the final Zakat assessment is received.

Property, plant and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within "other expense" in the statement of profit or loss.

Subsequent costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in statement of profit or loss as incurred.



3- Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation

Items of property and equipment are depreciated on a straight-line basis in statement of income over the estimated useful lives of each component. Land is not depreciated. Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease whichever is shorter.

The depreciations rate of property and equipment for the current and previous year are as follows:

Equipment	20%
Furniture	15%
Vehicles	25%
Computers	33%
Telecommunication devices	25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money are material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Investment properties

Investment properties comprise of property held for capital appreciation, long-term rental yields or both rather than for:

Use in the production or supply of goods or services or for administrative purposes, or Sale in the ordinary course of business An investment property should be measured initially at its cost, including transaction costs which is directly attribute to acquisition / development the property.

Derecognize (eliminate from the statement of financial position) an investment property on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss on disposal is the difference between the net disposal proceeds and the carrying amount of the asset. It should generally be recognized as income or expense in profit or loss.

Intangible assets

Intangible assets which is internally development, the company amortizing it on a straight-line basis in statement of income over 5 years start from the date of using .Intangible assets which is brought recording by cost and less by amortizing and impairment (if any) . The amortization on a straight-line basis in statement of income over the estimated useful lives or the rights of using expires. An intangible asset should be eliminated from the statement of financial position when it is disposed of or when there is no further expected economic benefit from its future use



3- Accounting policies (continued)

Related Parties Transactions:

Transactions with related parties are carried out at the same terms and conditions with external parties.

Clients lending

Client lending recognized when the company paid cash to borrowers and derecognized when borrowers paid the debt or selling disposed this lending or transferring all risks and equity return. Initial recognition measured at fair value (included all cost related to these transactions). The company lending the their clients for invest in company 's fund and portfolios , the company always seeking to studying the market value of these fund and portfolios to control the related risks .

Impairment

Financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference

between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against financing and receivable. interest on the impaired asset continues to be recognized. when an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non- Financial assets

The carrying amounts of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax Discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the Smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash Inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the Recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is Recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.



3- Accounting policies (continued)

Provision for End of Service Benefits

Provision for employee's end of service benefits is deducted from their periods of service at the financial position date. Provision for employees' end of service benefits is made according to the expected unit method in accordance with IAS 19 Employee Benefits, taking into account Saudi Labor Law. The provision is recognized based on the present value of the defined benefit obligation.

The present value of the defined benefit obligation is calculated using assumptions for the average annual salary increase ratio, the average work period of employees and an appropriate discount rate. The probabilities used are calculated on a constant basis for each period and reflect the best management estimates. The discount rate is determined based on the best available market returns estimates available at the reporting date.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Expenses:

Selling and marketing expenses are those that specifically relate to the selling and marketing functions of the company. All other expenses, except cost of revenues and finance expenses are classified as general and administrative expenses. Expenses are recognized in the income statement on the accrual basis in the period in which they are incurred. Allocations between selling, marketing and general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year should be transferred to the statutory reserve, The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, the reserve is not available for dividend distribution.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions, at financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at the exchange rates prevailing on that date, Gains and losses arising on settlement and translation of foreign currency transactions are recognized in the statement of comprehensive income.

4- First time adoption of IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA), collectively hereafter referred to as "IFRS".

For all years up to and including the year ended 31 December 2017, the company prepared its financial statements in accordance with generally accepted accounting standards as issued by SOCPA ("Saudi GAAP"). These are the company's first financial statements prepared in accordance with IFRS. Accordingly, IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.



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Impact of IFRS transition on the statement of financial position as at 1 January 2017 (date of transition)

	Balances as SOCPA	Impact of transition to IFRS	Balances as per IFRS
Assets			
Current Assets			
Cash and cash equivalents	27,605,714	-	27,605,714
Investments in funds & Securities at fair value through profit or loss	10,402,406	-	10,402,406
Accounts receivables – net	445,419	-	445,419
Due from related party	7,889,840	-	7,889,840
Prepaid expenses and other debit balances	624,554	-	624,554
Clients lending	25,269,069	-	25,269,069
Total Current Assets	72,237,002	-	72,237,002
Non-Current Assets			
Investment in securities at fair value through other comprehensive income	80,810	-	80,810
Intangible assets	183,570	-	183,570
Property ,plant and equipment	377,944	-	377,944
Investments in property	27,000,000	-	27,000,000
Total Non-Current Assets	27,642,324	-	27,642,324
Total Assets	99,879,326	-	99,879,326
liabilities			
Current liabilities			
Accrued expenses and other credit balances	1,353,144	-	1,353,144
Due to related parties	180,000	-	180,000
Short term loans and bank facilities	22,000,000	-	22,000,000
Due to shareholders	23,000	-	23,000
Provision for zakat	2,871,627	-	2,871,627
Total Current liabilities	26,427,771	-	26,427,771
Non-Current liabilities			
Provision for employee benefits	1,476,042	160,039	1,636,081
Total Non-Current liabilities	1,476,042	160,039	1,636,081
Total liabilities	27,903,813	160,039	28,063,852
Equity and liabilities			
Shareholders' Equity			
Share Capital	60,000,000	-	60,000,000
Statutory reserves	2,736,632	-	2,736,632
Fair value reverse	(39,181)	-	(39,181)
Actuarial loss	-	(160,039)	(160,039)
Retained earnings	9,278,062	-	9,278,062
Net Shareholders' Equity	71,975,513	(160,039)	71,815,474
Total Liabilities and Shareholders' Equity	99,879,326	-	99,879,326



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Impact of IFRS transition on the statement of financial position as at 31 December 2017 (date of transition)

	Balances as SOCPA	Impact of transition to IFRS	Balances as per IFRS
Assets			
Current Assets			
Cash and cash equivalents	7,588,731	-	7,588,731
Investments in funds & Securities at fair value through profit or loss	5,735,971	-	5,735,971
Accounts receivables - net	3,917,421	-	3,917,421
Due from related party	3,669,758	-	3,669,758
Prepaid expenses and other debit balances	693,734	-	693,734
Clients lending	25,541,074	-	25,541,074
Total Current Assets	47,146,689	-	47,146,689
Non-Current Assets			
Investment in securities at fair value through other comprehensive income	77,692	-	77,692
Intangible assets	690,802	-	690,802
Property ,plant and equipment	578,702	-	578,702
Investments in property	27,000,000	-	27,000,000
Total Non-Current Assets	28,347,196	-	28,347,196
Total Assets	75,493,885	-	75,493,885
liabilities			
Current liabilities			
Accrued expenses and other credit balances	1,389,508	-	1,389,508
Due to related parties	280,000	-	280,000
Short term loans and bank facilities	-	-	-
Due to shareholders	348,749	-	348,749
Provision for zakat	2,869,764	-	2,869,764
Total Current liabilities	4,888,021	-	4,888,021
Non-Current liabilities			
Provision for employee benefits	1,603,550	129,659	1,733,209
Total Non-Current liabilities	1,603,550	129,659	1,733,209
Total liabilities	6,491,571	129,659	6,621,230
Equity and liabilities			
Shareholders' Equity			
Share Capital	60,000,000	-	60,000,000
Statutory reserves	2,989,315	-	2,989,315
Fair value reverse	(46,444)	-	(46,444)
Actuarial loss	-	(129,659)	(129,659)
Retained earnings	6,059,443	-	6,059,443
Net Shareholders' Equity	69,002,314	(129,659)	68,872,655
Total Liabilities and Shareholders' Equity	75,493,885	-	75,493,885



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Impact of IFRS transition on the statement of income and other comprehensive income at 31 December 2017 (date of transition)

	Balances as SOCPA	Impact of transition to IFRS	Balances as per IFRS
Revenues			
Portfolio Management fees	1,145,261	-	1,145,261
Fund Management fees	7,182,516	-	7,182,516
Custody fees	1,375,982	-	1,375,982
Brokerage revenues - net	832,667	-	832,667
Services fees	8,490	-	8,490
Revenues of special commissions	230,778	-	230,778
Profit from Murabaha loans	2,284,736	-	2,284,736
Unrealized losses from investments in funds & Securities	(304,985)	-	(304,985)
Cash dividends received	13,796	-	13,796
Realized gains from investments in funds & securities	866,243	-	866,243
Funds establishment fees	200,000	-	200,000
Funds subscription fees	3,822,935	-	3,822,935
Total revenues	17,658,419	-	17,658,419
Activities Expenses			
Depreciation & amortization	(164,234)	-	(164,234)
General and administrative expenses	(15,138,106)	-	(15,138,106)
Net Profit Income from Principal Activities	2,356,079	-	2,356,079
Results from Other Activities:			
Financing expenses	(408,611)	-	(408,611)
Gain from sale plant and equipment	9,000	-	9,000
Other revenues	2,302,203	-	2,302,203
Net Income for the year before Zakat	4,258,671	-	4,258,671
Estimated Zakat	(1,224,607)	-	(1,224,607)
Net Income for the year	3,034,064	-	3,034,064
Other comprehensive items			
Fair value reserve	-	(7,263)	(7,263)
Actuarial loss	-	30,380	30,380
Total other Comprehensive income for the year	-	23,117	23,117
Total Comprehensive income for the year	3,034,064	23,117	3,057,181



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5- Cash and Cash Equivalents	31/12/2018	31/12/2017	01/01/2017
Cash in hand	8,833	6,936	5,857
Unused cash in investment portfolio	2,631,857	1,955,614	2,016,328
Current accounts at local banks in Saudi Riyal	6,271,769	5,626,181	583,529
Bank deposit - Note	15,000,000	-	25,000,000
	<u>23,912,459</u>	<u>7,588,731</u>	<u>27,605,714</u>
 6- Investments in funds & Securities at fair value through profit or loss	 31/12/2018	 31/12/2017	 01/01/2017
Osool & Bakheet IPO Trading Funds Sharia Compliant		-	9,987,876
Investment in Parallel Fund	1,581	-	-
Investment in Real Estate fund	3,248,584	3,578,354	-
Investment in Parallel market portfolio (NOMU)	802,480	836,550	-
Investment Marketable securities	4,821,769	1,626,052	-
Total of Investment in Securities & Trading Funds	<u>8,874,414</u>	<u>6,040,956</u>	<u>9,987,876</u>
Unrealized (losses)/gains from investments portfolio and trading funds	(1,196,965)	(304,985)	414,530
	<u>7,677,449</u>	<u>5,735,971</u>	<u>10,402,406</u>
 7- Accounts Receivable - Net:	 31/12/2018	 31/12/2017	 01/01/2017
Clients portfolio management	1,207,378	3,152,287	2,960,723
Provision for doubtful debts - Note (7/1)	-	(2,715,724)	(2,715,724)
Clients portfolio management - Net	<u>1,207,378</u>	<u>436,563</u>	<u>244,999</u>
Accrued income from Murabaha clients	102,738	1,317,642	-
Accrued rent from Real estate investments	2,126,250	2,025,000	-
Others	896,474	138,216	200,420
	<u>4,332,840</u>	<u>3,917,421</u>	<u>445,419</u>

(7/1) Provision for Doubtful Debts:

During the year the provision has been refunded to accounts receivable , more ever one the customers paid 2,715,724 SAR represented the provision amount and its recorded as other revenues .



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8- Prepaid Expenses and Other debits:

	31/12/2018	31/12/2017	01/01/2017
Rent	100,375	71,795	76,913
Medical insurance	263,671	299,767	243,601
Licensing fees	93,982	101,907	84,317
Professional indemnity insurance	44,338	44,333	46,681
Employees loans	23,866	7,147	4,000
Others	312,979	168,785	169,042
	<u>839,211</u>	<u>693,734</u>	<u>624,554</u>

9- Clients Lending:

	31/12/2018	31/12/2017	01/01/2017
Margin financing	5,114,486	22,071,000	22,042,000
Al-maather Reit fund financing*	-	272,286	-
Financing (Bank guarantee covered)	3,138,588	3,197,788	3,227,069
	<u>8,253,074</u>	<u>25,541,074</u>	<u>25,269,069</u>



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10- Transactions with Related Parties:

The related parties are represented in the Company's share holders, and senior management of the company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

10/1:The following is a summary of significant transactions, included at Statement of Financial Position, concluded during 2018:

	Type of Transaction	Transaction during the year	Balance as at Jan 01, 2017	Balance as at Dec 31, 2017	Balance as at Dec 31, 2018
		Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)	Debit/ (Credit)
Osool & Bakheet Investment Funds	Fund Management, Custody & others	(1,895,779)	2,382,758	3,669,758	1,773,979
Board of Directors	Attendance Allowance	(18,000)	(180,000)	(180,000)	(198,000)
Al-maather Reit fund	Board of Directors benefits	(100,000)	-	(100,000)	(200,000)
Board of Directors	Murabaha Facilities and Commissions	5,044,616	5,507,082	-	-



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10- Transactions with Related Parties: (Continued)

10/2: The following is a summary of significant transactions, included at Statement of Income, concluded during 2018

Statement of Income

	31/12/2018	31/12/2017
Income from Osool & Bakheet Investment Funds	7,372,951	8,998,133
Murabaha Commission Income (Board of Directors)	44,616	247,011
Murabaha Commission Income (Shareholders)	-	72,543
Murabaha Commission Income (Relatives of Board of Directors)	-	124,372
Murabaha Commission Income (Executive Directors)	-	1,750
Benefits of BODs of ALMA'ATHAR REIT Fund	(200,000)	(100,000)
Expenses charged on behalf of Investment Funds managed by company	182,011	(166,345)
Benefits for Top management		
Attendance allowances of members of the Board of Directors	(198,000)	(180,000)



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11- Fixed Assets - Net:

	Equipment	Furniture	Vehicles	Computers	Telecommunication Devices	Total
Cost:						
The cost of the assets as of 01 January 2018	562,722	3,122,337	95,000	2,907,843	2,416,988	9,104,890
Additions during the year	23,981	11,700	-	55,392	103,850	194,923
Cost of the assets as of 31 December 2018	586,703	3,134,037	95,000	2,963,235	2,520,838	9,299,813
Less: Accumulated depreciation:						
Accumulated depreciation as of 01 January 2018	534,768	2,894,253	95,000	2,659,648	2,342,519	8,526,188
Depreciation for the year	10,511	37,290	-	114,869	38,590	201,260
Accumulated depreciation as of 31 December 2018	545,279	2,931,543	95,000	2,774,517	2,381,109	8,727,448
Net book value:						
As of December 31, 2018	41,424	202,494	-	188,718	139,729	572,365
As of December 31, 2017	27,954	228,084	-	248,195	74,469	578,702
As of January 01, 2017	6,483	7,806	-	234,526	129,129	377,944



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12- Intangible assets:

<u>Cost:</u>	31/12/2018	31/12/2017	01/01/2017
Opining balance as of 01 January	690,802	183,570	-
Addition during the year	577,798	507,232	183,570
Closing balance as of 31 December	1,268,600	690,802	183,570
<u>Impairment:</u>			
Opining balance as of 01 January	-	-	-
Addition during the year	110,149	-	-
Closing balance as of 31 December	110,149	-	-
Net book value	1,158,451	690,802	183,570

13- Investment in securities at fair value through other comprehensive income

	31/12/2018	31/12/2017	01/01/2017
Portfolios managed by company	78,297	84,955	85,227
Unrealized losses from available for sale investments	(1,344)	(7,263)	(4,417)
	76,953	77,692	80,810

14- Real Estate Investments

The real estate investments consist of land purchased with a total amount of SAR 27,000,000 (SAR 27 million) under the contract signed on 29/03/1438H corresponding to 28/12/2016, ownership has been transferred in pursuant to ownership deed No. 411908000110 dated 04/04/1438H(02 Jan 2017), for the purpose of leasing back and has been re-leased it back to the seller under the contract signed with him on 30 December 2016 with a total value of 2,025,000 SAR per annually. Whereby, the contract grants the right to re-lease the land to seller at the purchase price in addition to any costs or fees incurred by the company. The company measurement the fair value of their real estate investment by MAKEN global and his partner (Saudi authorized) for real state revaluation fair value amounted 31,950,000(SAR) dated 09/09/2018 .

15- Accrued Expenses and Other Credit Balances

	31/12/2018	31/12/2017	01/01/2017
Suppliers	672,934	294,957	157,364
Accrued Expenses	446,417	826,551	947,158
Professional Fees	156,670	268,000	248,622
Accrued VAT	75,794	-	-
	1,351,815	1,389,508	1,353,144



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16- Short Term Loans & Bank Facilities:

The Company has renewed facilities agreement with local bank amounting 75,000,000 SAR The facilities has been categorized into short term loan and overdraft as the following details:

1-	Item	Explanation
	Finance Type	Short Term Loan
	Finance Limit	50,000,000 SAR
	Guarantee	Joint guarantee of finance value from Mr. Abdulrahman Yahya Abdullah AL-Yahya and Mr. Beshr Bin Mohammed Bin Borhan Bakheet
2-	Item	Explanation
	Finance Type	Overdraft
	Finance Limit	25,000,000 SAR
	Guarantee	- Portfolio mortgage for shares acceptable for Saudi French Bank with coverage 150% of the general amount of Facility. Or - Cash deposit mortgage with coverage of 100% of total facilities amount.

Note: The company borrowed as a short term loan with amount of 6,000,000 SAR during the year 2018 and paid the full up to 31 December 2018.

17- Due to Shareholders:

	<u>31/12/2018</u>	31/12/2017	01/01/2017
Unpaid dividend to shareholders	-	348,749	23,000
	<u>-</u>	<u>348,749</u>	<u>23,000</u>



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18- Provision for Zakat :

	31/12/2018	31/12/2017	31/12/2016
Balance at the beginning of the year	2,869,764	2,871,627	3,743,852
Provided during the year (18/1)	1,130,572	1,224,607	1,226,470
Paid during the year	(1,224,607)	(1,226,470)	(2,005,182)
Adjustments during the year	-	-	(93,513)
	<u>2,775,729</u>	<u>2,869,764</u>	<u>2,871,627</u>

Zakat potion:

-The outstanding balance of Zakat Provision includes SAR 1,645,157. This amount represents the dispute between Osool Capital Company and the Department of Zakat and Income Tax. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet.
 - The company presented the return of zakat until 31 December 2017, and there is no final assessment from zakat.

Tax potion:

The company regards to VAT from 01 January 2018 , and its submitted their reports Quarterly And pay the accruals that matching with their quarterly reports , and there is no final assessment.

(18/1) Provided during the year:

	31/12/2018	31/12/2017	01/01/2017
Net income for the year	1,438,685	4,258,671	3,133,766
Add:			
Non Deducted expense	235,537		
End of service benefits charged to expenses	373,364	407,463	449,510
Adjusted net income for the year	2,047,586	4,666,134	3,583,276
Add:			
Share capital	60,000,000	60,000,000	60,000,000
Statutory reserve at the beginning of the year	2,989,315	2,736,632	2,564,259
Retained earnings	6,059,447	9,278,062	7,543,139
Due to OBIC shareholders	-	348,749	23,000
Provision for end of service benefits at the beginning of the year after deducting the payments.	1,741,546	1,325,745	1,186,571
Provision of Zakat at the beginning of the period	1,645,157	1,645,157	1,645,157
Accrued Employee Bonuses	249,098	396,167	577,033
Provision of doubtful debts at the beginning of the year after deducting the payments.	-	2,715,724	2,715,724
Total amounts subject to Zakat	74,732,149	83,112,370	79,838,159
Less:			
Net book value of fixed assets	(572,365)	(578,702)	(377,944)
Intangible assets	(1,158,451)	(690,802)	(183,570)
Real Estate Investments	(27,000,000)	(27,000,000)	(27,000,000)
Dividend during the year	(348,749)	(5,651,250)	(2,977,000)
Actuarial loss	(352,754)	(129,659)	(160,039)
Investment available for sales	(76,953)	(77,690)	(80,810)
Net amounts subject to Zakat	45,222,877	48,984,267	49,058,796
Estimated provision of Zakat 2.5 %	1,130,572	1,224,607	1,226,470



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19- Provision for End of Service Benefits:

The below tables as summery of continents of provision of end of service benefits that recognized at profit or losses statements and other comprehensive statements and statement of financial Position:

A. amounts recognized at statement of financial Position:

	31/12/2018	31/12/2017	31/12/2016
The present value of benefit liability	2,114,908	1,733,209	1,636,081

B. the transactions The present value of benefit liability:

	31/12/2018	31/12/2017	31/12/2016
Opining balance of The present value of benefit liability	1,733,209	1,636,081	1,132,492
amounts recognized at profit or losses statements	348,019	382,009	449,510
Amounts recognized as contents of intangible assets	25,344	25,455	-
Actuarial loss (profit) recognized at other comprehensive statements	223,095	(30,383)	160,039
Benefits paid	(214,759)	(279,953)	(105,960)
Closing balance of The present value of benefit liability	2,114,908	1,733,209	1,636,081



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20- SHARE CAPITAL:

Share capital was determined to be 60,000,000 SAR divided into 6,000,000 equal cash shares. The value of each share is 10 SAR and all are ordinary shares. The founders had subscribed to all the shares of capital as follows:

	2018		2017	
	Ownership Percentage	Total	Ownership Percentage	Total
Beshr bin Mohammed Borhan bin Yasin Bakheet	24.56%	14,734,970	24.56%	14,734,970
Abdul -Rahman Yahya Abdullah Al-Yahya	16.78%	10,069,740	13.96%	8,375,990
Saleh Mohammed Saleh Al-Hajjaj	12.50%	7,500,000	12.50%	7,500,000
Sultan Yahya Abdullah AL-Yahya	5.75%	3,450,000	5.75%	3,450,000
Mansour Yahya Abdullah AL-Yahya	5.75%	3,450,000	5.75%	3,450,000
Maazan Mohammed Nasir Al-Dawood	5.16%	3,093,750	5.00%	3,000,000
Khalid Abdul-Rahman Mohammed Al-Mousa	3.63%	2,175,000	3.63%	2,175,000
Abdual-Mohsen Abdul-Rahman Al-Mousa	3.13%	1,875,000	3.13%	1,875,000
Raad Abdul -Aziz Mohammed Al Abdul-Qader	2.00%	1,200,000	2.00%	1,200,000
Mohammed Abdullah Abdul-Aziz Al-Rowaished	1.88%	1,125,000	1.88%	1,125,000
Mansour Abdullah Abdul- Aziz Al-Rajhi	1.86%	1,115,420	1.86%	1,115,420
Jamil Abdul- Rahman Mohammed Al-Qonaibet	1.70%	1,022,500	1.70%	1,022,500
Saud Abdul-Allah Solaiman Al-Rajhi	1.02%	609,290	1.02%	609,290
Khaled Suleiman Hamad Al-Saeed	0.84%	506,130	0.84%	506,130
Al-Touq Holding Company	0.84%	506,130	0.84%	506,130
Abdullah Faisal Turki Al-Abdulla Al Saud	0.77%	460,000	0.77%	460,000
Tareq Motlaq Abdullah AL Motlaq	0.77%	460,000	0.77%	460,000
Hamed Hamad Suleiman Al-Hamidi	0.77%	460,000	0.77%	460,000
Samya Bint Yahya Abdullah AL-Yahya	0.75%	450,000	0.75%	450,000
Abdullah Abdual-Rahman Abdullah Al-Khodhar	0.69%	412,610	0.69%	412,610
Ahmed Suleiman Abdul-Qadar Banajeh	0.69%	412,610	0.69%	412,610
Fahed Mohammed Abdul-Aziz bin Zarah	0.69%	412,610	0.69%	412,610
Abdullah Yahya Abdullah Al-Yahya	0.67%	400,000	3.33%	2,000,000
Abual- Aziz Abdul -Latif Bakr Jazzar	0.66%	393,350	0.66%	393,350
Ibrahim Saad Ebrahim Abu- Muti	0.66%	393,350	0.66%	393,350
Samra Abdullah Ebrahim Al-Qweez	0.50%	300,000	0.50%	300,000
Rajhi Real Estate Company	0.50%	300,000	0.50%	300,000
Ahmed Mohammed Salem Al-Sirri	0.34%	206,310	0.34%	206,310
Abdullah Abdul-Aziz Abdullah Al-Fallaj	0.34%	206,310	0.34%	206,310
Mutaz Talaat Mohammed Bakheet	0.34%	206,310	0.34%	206,310
Abdul-Hadi Ali Saif Shayef	0.34%	206,310	0.34%	206,310
Abdul- Elah Ahmad Abdul -Elah- Al Darweesh	0.34%	206,310	0.34%	206,310
Aamer Afif Mohammed Al-Mahmasani	0.34%	206,310	0.34%	206,310
Raed Mosaed Khaled Al-Sdairi	0.34%	206,310	0.34%	206,310
Hassan Shkib Murad Al-Jabiri	0.34%	206,310	0.34%	206,310
Abdul- Rahman Mohammed Abdul-Aziz bin Zarah	0.34%	206,310	0.34%	206,310
Omar Abdul-Qader Mohammed Bajamal	0.34%	206,310	0.34%	206,310
Mohammed Abdul-Karim Ali Al-luhidan	0	0	0.31%	187,500
Mohammed Abdullah Abdul-Rahman Al-Shoail	0.31%	187,500	0.31%	187,500
Khaled Mohamed Abdullah Al-haqil	0.17%	103,160	0.17%	103,160
Nasser Saeed bin Ali Kedssa	0.17%	103,150	0.17%	103,150
Khaled Abdul-Haffiz Mohamed Fada	0.15%	91,910	0.15%	91,910
Saleh Abdulaziz Babkr and Sons Trading and Pledges Company	0.13%	75,000	0.13%	75,000
Mosad Mohammed Hammad bin Aniq	0.08%	48,220	0.08%	48,220
Nezar Abdul-Rahman Abdul-Aziz Al -Mugren	0.02%	10,000	0.02%	10,000
Abdul-Wahab Abdul-karem Abdul-Rahman Al - Betairi	0.02%	10,000	0.02%	10,000
Khaled Saud Abdul-Aziz Al-Doghaither	0.02%	10,000	0.02%	10,000
Fahad Abdullah Abdul-Aziz Al-Rajhi	0.01%	5,500	0.01%	5,500
Hany Samy Ali Halwany	0.01%	5,000	0.01%	5,000
	100.00%	60,000,000	100.00%	60,000,000



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21- Statutory Reserve :

According to the Saudi Companies' Regulations, the company retains 10% of its annual net income as statutory reserve. This deduction could be discontinued if the reserve reached 30% of the company's capital, although this reserve is not available for distribution.

22- Contingent Assets and Liabilities

<u>Subject</u>	<u>Contingent Asset</u>
<u>Amount</u>	SAR 1,009,211
<u>Description</u>	<ul style="list-style-type: none"> SAR 1,009,211 represents the value of appeal registered by Bakheet Investment Group to the Department of Zakat and Income for the period from 2007 to 2013. Bakheet Investment Group paid this amount in order to complete the merger process by cancelling commercial register. This case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Bakheet Investment Group's shareholders according to article numbers (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.
<u>Subject</u>	<u>Contingent Liability</u>
<u>Amount</u>	1,645,157
<u>Description</u>	<ul style="list-style-type: none"> SAR 1,645,175 represents the amount has been provisioned due to dispute between Osool Capital Company and the Department of Zakat and Income Tax relating to the years 2012 and 2013 before merger. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Osool Capital Company's shareholders according to article number (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.
<u>Subject</u>	<u>Contingent Liability</u>
<u>Amount</u>	86,334
<u>Description</u>	<ul style="list-style-type: none"> SAR 86,334 represents amounts of cases against company from some of their clients according the consultant lawyer the chance for the company have a good position to Win the cases.



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23- General and Administrative Expenses:

	<u>31/12/2018</u>	<u>31/12/2017</u>
Salaries & wages	7,790,697	7,193,164
Service and data provider expenses	1,294,566	1,314,253
Rents	922,370	864,258
Insurance expenses	558,938	528,614
End of service benefit	348,019	382,004
Market registration expenses	433,667	-
Audit and consultancy expenses	488,626	1,063,148
GOSI	572,246	414,120
Funds expenses	182,011	166,353
Performance rewards	122,480	992,064
Advertising expenses	-	290,962
Others	1,886,053	1,929,166
	<u>14,599,673</u>	<u>15,138,106</u>

24- Earnings per Share:

Earnings per share is calculated by dividing net income from principal activities over the weighted average No. of outstanding shares at the end of the year. the below tables explain the income figures that based on collected the earning per share from the operation income and net income as :

31 December 2018

	Amount (SAR)	Average No. of shares	Earnings per Share
Net income from principal activities	(3,439,154)	6,000,000	(0.57)
Net income for the year	308,113	6,000,000	0.05

31 December 2017

	Amount (SAR)	Average No. of shares	Earnings per Share
Net income from principal activities	2,356,079	6,000,000	0.39
Net income for the year	3,034,064	6,000,000	0.51

25- Funds held in client money bank account:

According to the requirement of Capital Market Authority (Article 78) of the Authorized Persons List, the bank accounts held by the Company, included local bank accounts (Samba Financial Group) and (Banque Saudi Fransi) with balances, as of 31 December 2018, amounting to SAR 102,257,919(2017: SAR 70,014,216) represented in investment accounts, currents accounts, clients deposits and as well as account of fees & subscriptions of clients.



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26- Capital Adequacy

The capital adequacy prepared by management is according to the requirements of capital market authority, is presented as follows:

	31/12/2018	31/12/2017
Capital Basis		
Tier -1 of Capital	66,601	68,007
Tier -2 of Capital	-	-
Total	66,601	68,007
Minimum Capital requirement		
Credit Risks	22,437	25,991
Market Risks	1,329	968
Operational Risks	4,012	4,360
Total	27,778	31,319
Capital Adequacy Ratio	2.40	2.17
Surplus	38,823	36,688

Pillar 3 will be published on OBIC website.

27- Management of Risk & Financial Instruments :

a- Credit Risk :

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The company seeks to limit its credit risk with respect to accounts receivable by setting credit limits for individual accounts and monitoring outstanding receivable.

b- Interest Rate Risk :

Interest rate risk arises from the possibility of the fluctuation of interest rates that may affect future profitability or the fair value of financial instrument. The company is subject to interest rate risk on assets and liabilities that bear interest.

c- Currency risk :

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuation as the company primarily deals in Saudi riyals and US dollar which is pegged to Saudi riyals.

d- Liquidity Risk :

Liquidity risk is the risk that the company will not be able to meet its commitments associated with the financial liabilities when they fall due.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

- Fair Values:

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. Since these financial statements have been prepared under the historical cost convention, differences between the carrying values and fair values may occur.

Management believes that the fair values of the company's financial instruments are not materially different from their carrying values.



28 New Standards and Interpretations Not Yet Adopted

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning on or after January 1, 2019, and have not been applied in preparing these financial Statements. Management is still in the process of assessing the potential impacts of the application of the new Standards.

New standards

• IFRS (16) Leases (effective from 1 January 2019).

IFRS (16) was issued in January 2016 and IFRS (16) replaces existing leases guidance including IAS (17) Leases, IFRIC (4) Determining whether an Arrangement contains a Lease, SIC-(15) Operating Leases-Incentives and SIC- (27) Evaluating the Substance of Transactions Involving the legal Form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-statement of financial position model similar to the accounting for finance leases under IAS (17). The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to premeasures the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS (16) is substantially unchanged from today's accounting under IAS (17). Lessors will continue to classify all leases using the same classification principle as in IAS (17) and distinguish between two types of leases: operating and finance leases.

IFRS (16) also requires lessees and lessors to make more extensive disclosures than under IAS (17). IFRS (16) is effective for annual periods beginning on or after 01 January 2019. Early application is permitted, but not before an entity applies IFRS (15). A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.



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29-previous years adjustments

The company capitalized intangible assets that has been internally generated it was calcified as expenses included to the profit or losses statement the effected from restated this issue adjusted to the statement of financial position and statement of profits and losses as follow:

	<u>Balance before Adjustment</u>	<u>Adjustment amount</u>	<u>Balance After adjustment</u>
A. statement of financial position			
31 December 2016			
Intangible assets	-	183,570	183,570
Retaining earnings	(9,094,492)	(183,570)	(9,278,062)
31 December 2017			
Intangible assets	-	690,802	690,802
Retaining earnings	(5,368,641)	(690,802)	(6,059,443)
B. statement of profits and losses			
31 December 2017			
General and administration expenses	15,645,338	(507,232)	15,138,106
Net profit	2,526,832	507,232	3,034,064

30- Segment Information:

The company does not have separate business segments and most of its activities are based inside the Saudi Arabia , accordingly segment information is inapplicable.

31- Subsequent matters:

The management assumes that no subsequent important matters effected on the financial statements.

32- Approval of Financial Statements:

Company board of directors approved the financial statements on March 26, 2019.

