

**Osool & Bakheet Investment Company  
( Saudi Closed Joint Stock Company )  
Kingdom of Saudi Arabia  
Financial Statements & Auditor's Report  
For the year ended 31 December 2015**

**Osool & Bakheet Investment Company  
Saudi Closed Joint Stock Company  
Kingdom of Saudi Arabia**

**Index**

**Exhibit**

Auditor's Report	--
Statement of Financial Position as of 31 December 2015	A
Statement of Income for the Year Ended 31 December 2015	B
Statement of Cash Flows for the Year Ended 31 December 2015	C
Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2015	D
Notes to the Financial Statements for the Year Ended 31 December 2015	--



The Shareholders  
Osool and Bakheet Investment Company  
Saudi Closed Joint Stock Company  
Kingdom of Saudi Arabia

**Auditor's report**

**Scope of Audit**

We have audited the accompanying statement of financial position of **Osool and Bakheet Investment Company – Saudi Closed Joint Stock Company** - as of 31 December 2015, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, together with accompanying notes from (1) to (29) which are an integral part of these financial statements. These financial statements are the responsibility of the company's management, and it have been prepared by the Company's management in accordance with the Saudi Company's regulations and presented to us together with all the necessary information and explanations that we requested, our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards applicable in the Kingdom of Saudi Arabia, which included examination of the accounting records and other audit procedures, that we considered necessary to obtain a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified Opinion**

In our opinion, the financial statements referred to above as a whole are:

- Present fairly, in all material respects, the financial position of **Osool and Bakheet Investment Company – Saudi Closed Joint Stock Company** as of 31 December 2015 and the results of its operations and its cash flows for the year then ended and on the basis of the presentation and disclosure of information and explanations contained in the financial statements are in accordance with generally accepted accounting standards applicable in the Kingdom of Saudi Arabia appropriate to the Company's circumstances.
- Comply with the requirements of the companies regulations and the Company's Articles of Association insofar as these relate to the preparation and presentation of the financial statements.

**Emphasis of matter**

We would like to draw attention that the opening balances was audited by another public accountant who issued **Unqualified Opinion** on it, dated 23 February 2015.

Rödl Al-Tuwaijry C.P.A



Othman M. Al-Tuwaijry  
License 184



14 Jumada II 1437  
23 March 2016

(3)



**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**Kingdom of Saudi Arabia**  
**Statement of Financial Position**  
**As of 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

	Note	31/12/2015	31/12/2014
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	27,423,014	58,992,514
Investments in portfolio , trading funds & Securities	4	13,942,806	4,050,344
Accounts receivables, net	5	3,691,334	4,080,030
Clients lending	6	45,679,575	18,111,000
Prepaid expenses and others	7	1,218,319	1,191,058
<b>Total Current Assets</b>		<b>91,955,048</b>	<b>86,424,946</b>
<b>Non-Current Assets</b>			
Available for sale investments	8	83,690	97,951
Fixed assets ,net	9	323,156	317,739
<b>Total Non Current Assets</b>		<b>406,846</b>	<b>415,690</b>
<b>Total Assets</b>		<b>92,361,894</b>	<b>86,840,636</b>
<b>Current liabilities</b>			
Short -term loans	10	10,000,000	0
Accounts payable	11	87,550	127,550
Accrued expenses	12	1,729,386	2,383,100
Due to shareholders	13	2,595,980	1,770,709
Estimated zakat provision	23	3,743,852	3,756,761
<b>Total Current liabilities</b>		<b>18,156,768</b>	<b>8,038,120</b>
<b>Non-Current liabilities</b>			
Provision for end of service benefits	14	1,132,492	1,121,914
<b>Total Non - Current liabilities</b>		<b>1,132,492</b>	<b>1,121,914</b>
<b>Shareholders' Equity</b>			
Capital	15	60,000,000	60,000,000
Statutory reserves	16	2,564,259	1,800,264
Proposed dividends	17	3,000,000	6,000,000
Unrealized (losses) on available for sale investment		(34,764)	(16,041)
Retained earnings		7,543,139	9,896,379
<b>Net Shareholders' Equity</b>		<b>73,072,634</b>	<b>77,680,602</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>92,361,894</b>	<b>86,840,636</b>

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements



**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**Kingdom of Saudi Arabia**  
**Statement of Income**  
**For the Year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

	Note	31/12/2015	31/12/2014
<b><u>Revenues</u></b>			
Fund Management fees		11,073,002	7,608,013
Performance fees		0	4,306,458
Brokerage revenues , net		2,000,305	3,087,702
Realized profit from investment in securities		497,029	5,726,491
Realized profit from investment in IPO & Qatari Trading Equity Fund		0	5,968,174
Portfolio Management fees		1,439,103	1,537,124
Custody fees		2,873,330	1,980,930
Services fees		9,794	5,990
Revenues of special commissions		237,464	88,946
Cash dividends received		3,794	713,565
Profit from murabaha loans& interests of overdrafts from clients		2,434,237	1,727,421
Unrealized gains(loss) from investments in Trading funds & Securities		(761,051)	674,702
<b>Total revenues</b>		<b>19,807,007</b>	<b>33,425,516</b>
<b><u>Principal Activities Expenses</u></b>			
Depreciation of fixed assets		(120,565)	(57,175)
Selling and marketing expenses		0	(1,019,780)
General and administrative expenses	18	(10,501,444)	(12,250,562)
<b>Net Income from Principal Activities</b>		<b>9,184,998</b>	<b>20,097,999</b>
<b><u>Results from Other Activities:</u></b>			
Gain on sale of fixed assets		0	5,000
Other revenues		532,901	11,248
<b>Net Income for the year before Zakat</b>		<b>9,717,899</b>	<b>20,114,247</b>
Estimated Zakat	23	(2,077,945)	(2,111,604)
<b>Net Income for the year</b>		<b>7,639,954</b>	<b>18,002,643</b>
<b>Earnings per share for net income from principal activities</b>	19	<b>1.53</b>	<b>3.35</b>
<b>Earnings per share for Net Income for the year</b>	19	<b>1.27</b>	<b>3.00</b>

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements





**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**Kingdom of Saudi Arabia**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

	31/12/2015	31/12/2014
<b>Cash Flows From Operating Activities:</b>		
Net income for the year	7,639,954	18,002,643
<b>Adjustments for :</b>		
Depreciation of fixed asset	120,565	57,175
(Gain) from sale of fixed assets	0	(5,000)
Unrealized (gains) losses from investments in Trading funds & Securities	761,051	(674,702)
Provision for end- of- service benefits charged to expenses	272,440	762,078
Provision for zakat	2,077,945	2,111,604
Adjustments to Zakat provision	20,750	0
Adjustments to Accumulated depreciation	144	0
Realized( profit) from investment in securities	0	(12,408,230)
	<b>10,892,849</b>	<b>7,845,568</b>
<b>Changes in Operating Assets and Liabilities:</b>		
Accounts receivables, net	388,696	(3,740,047)
Clients lending	(27,568,575)	10,834,000
Prepaid expenses and others	(27,261)	(1,059,148)
Accounts payables	(40,000)	86,242
Accrued expenses	(882,913)	1,641,848
Provision for end- of - service-paid	(261,862)	(97,069)
Zakat - paid	(2,111,604)	(704,937)
<b>Net cash (used in) from operating activities</b>	<b>(19,610,670)</b>	<b>14,806,457</b>
<b>Cash Flow From Investment Activities:</b>		
Investments in Securities and Mutual Funds	(10,639,252)	38,710,277
Fixed assets purchased	(126,126)	(374,914)
Change in the fair value of investments in securities	(18,723)	0
Proceeds from sale of fixed assets	0	5,000
<b>Net cash used in investing activities</b>	<b>(10,784,101)</b>	<b>38,340,363</b>
<b>Cash flows from Financing Activities:</b>		
Due to shareholders	825,271	(5,371,993)
Short -term loans	10,000,000	(2,839,000)
Cash dividends	(12,000,000)	0
<b>Net cash( used in) from financing activities</b>	<b>(1,174,729)</b>	<b>(8,210,993)</b>
Net Change in cash and cash equivalents	(31,569,500)	44,935,827
Cash and cash equivalents, beginning of the year	58,992,514	14,056,687
<b>Cash And Cash Equivalents , End of The year</b>	<b>27,423,014</b>	<b>58,992,514</b>
<b>Supplementary Information For Non - Cash Activities:</b>		
Proposed dividends	3,000,000	6,000,000
Board of directors' remunerations	229,199	306,000

The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements



Osool & Bakheet Investment Company  
Saudi Closed Joint Stock Company  
Kingdom of Saudi Arabia  
Statement of Changes in Shareholders' Equity  
For the Year Ended 31 December 2015  
All Figures are Stated in Saudi Riyals

	Capital	Statutory Reserve	Proposed Dividends	Unrealized (loss) from Available for Sale Investments	Retained Earnings	Total
<b>2014</b>						
Capital after merger	60,000,000	0	0	0	0	60,000,000
Net income for the year					18,002,643	18,002,643
Unrealized (loss) from Available for sale investments				(16,041)		(16,041)
Proposed dividends			6,000,000		(6,000,000)	0
Board of directors remuneration					(306,000)	(306,000)
Transferred to statutory reserve	0	1,800,264	0	0	(1,800,264)	0
<b>Balance as of 31 Dec 2014</b>	<b>60,000,000</b>	<b>1,800,264</b>	<b>6,000,000</b>	<b>(16,041)</b>	<b>9,896,379</b>	<b>77,680,602</b>
<b>2015</b>						
<b>Balance as of 01 Jan 2015</b>	<b>60,000,000</b>	<b>1,800,264</b>	<b>6,000,000</b>	<b>(16,041)</b>	<b>9,896,379</b>	<b>77,680,602</b>
* Dividends paid during the year	0	0	0	0	(6,000,000)	(6,000,000)
Paying Proposed Dividends of last year	0	0	(6,000,000)	0	0	(6,000,000)
Net income for the year					7,639,954	7,639,954
Unrealized (losses) from Available for sale				(18,723)		(18,723)
Proposed dividends	0	0	3,000,000	0	(3,000,000)	0
Board of directors remuneration		0			(229,199)	(229,199)
Transferred to statutory reserve	0	763,995	0	0	(763,995)	0
<b>Balance as of 31 December 2015</b>	<b>60,000,000</b>	<b>2,564,259</b>	<b>3,000,000</b>	<b>(34,764)</b>	<b>7,543,139</b>	<b>73,072,634</b>

\* This amount represent the dividends paid during the year according to the decision of Board of Directors NO(13) dated 30/9/2015 .



The Accompanying Notes from (1) to (29) Constitute an Integral Part of These Financial Statements  
(7)



**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**Kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31December 2015**  
**All Figures are stated in Saudi Riyals**

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**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 register No. 1010219805 issued in Riyadh on 02/05/1427H. 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.

**2- Summary of Significant Accounting policies:**

The financial statements are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. The significant accounting policies applied consistently by the company in the preparation of these financial statements:

**A. Accounting Convention:**

These accounting statements have been prepared under the historical cost basis (except for investments in securities which are valued at fair value) using the accrual basis and going concern assumption.

**B. Use of Estimates :**

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual result ultimately may differ from those estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

**C. 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.





**D. Accounts Receivable:**

Accounts receivable are carried at original invoice amount less provision for doubtful debts. The provision for doubtful debts is estimated based on an analysis of the collectability of individual receivable. Accounts receivable are considered uncollectible when all collection efforts are exhausted and are written-off against the provision for doubtful debts.

**E. Fixed Assets:**

Fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. The cost of fixed assets less estimated residual value of fixed assets, except land, is depreciated on a straight line basis over their estimated useful lives using the following annual rates:

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

The cost and accumulated depreciation of sold or disposed assets are eliminated from the accounts upon its sale or disposal, any resulting gains or losses are included in the statement of income.

Repair and maintenance expenses that do not materially increase the asset's useful life or its production capacity are included in the income statement. Material improvements and replacements are capitalized when incurred. The replaced assets are eliminated from the records.

**F. Impairment of Non-Currents Assets:**

The company periodically reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit estimated to be less than its carrying, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount impairment loss is recognized as an expense immediately.

**G. Investment In securities :**

**Available for Sale Investment:**

Investments that are not held for trading nor maturity are classified as investments available for sale. These investments are initially recoded at fair value in addition to direct transaction costs and are subsequently stated at fair value. Unrealized gain or loss from changes in fair value is recognized in the statement of changes in equity until the investment is derecognized or the investment is determined to be impaired. On de-recognition or impairment the cumulative gains or losses previously reported in equity are included in the statement of income. Fair value is determined based on the market value if an open market exists or by using alternative revaluation methods. Otherwise cost is considered to be fair value. Dividends from these investments are recognized in the income statement when the right of receipt is established.

**Investment Held for Trading:**

Investments held for trading purposes are stated initially at cost and are subsequently measured at fair value. These investments are classified in the financial position under current assets. Realized gains or losses from trading and unrealized gains or losses resulting from changes in fair values are included in the income statement.

**H. Account Payable and Accruals:**

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

**I. Provision for End-of-Service Benefits :**

End-of-service benefits, payable to employees upon their termination, are provided in the financial statements in accordance with labor regulation in Kingdom of Saudi Arabia.





**J. 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.

In addition, 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.

**K. 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.

**L. 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.

**M. Transactions in Foreign Currency :**

Transactions in foreign currencies are translated in Saudi Riyals at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position's date are translated to Saudi Riyals at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the income statement as gains or losses.



**Osool & Bakheet Investment Company**  
**Saudi Joint Stock Company**  
**kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

**3- Cash and Cash Equivalents**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Cash on hand	1,541	9,941
Unused cash in investment portfolio	1,541,592	2,192
Current accounts at local banks in Saudi Riyal	5,879,881	33,927,968
Bank deposit - Note (3/1)	20,000,000	25,052,413
	<u>27,423,014</u>	<u>58,992,514</u>

(3/1) Not : The bank deposit indicated above has a maturity period less than three months.

**4- Investments portfolio , trading funds**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Osool & Bakheet Qatari Trading Equity Funds (QTEF)	4,050,344	3,375,642
Osool & Bakheet IPO Trading Funds Sharia Compliant	10,000,000	0
Investment portfolio (managed by the company)	653,514	0
<b>Total of Investment in Securities &amp; Trading Funds</b>	<u>14,703,858</u>	<u>3,375,642</u>
Unrealized (losses) gain from investments portfolio and trading funds	<u>(761,052)</u>	<u>674,702</u>
	<u>13,942,806</u>	<u>4,050,344</u>

**5- Accounts Receivable,Net:**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Receivables related to portfolios and funds	6,407,058	7,625,754
provision for doubtful debts - Note (5/1)	<u>(2,715,724)</u>	<u>(3,545,724)</u>
	<u>3,691,334</u>	<u>4,080,030</u>

**(5/1) Provision for Doubtful Debts :**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Provisions for Doubtful Debts at the Beginning of the Year	3,545,724	830,000
Created During the Year	0	2,715,724
Used During the Year	<u>(313,219)</u>	<u>0</u>
* Transferred to Osool Capital	<u>(516,781)</u>	<u>0</u>
	<u>2,715,724</u>	<u>3,545,724</u>

\*The amount Transferred to Osool Capital Company's Shareholders represents the provision that has been created by Osool Capital Company before the merger. It has been transferred to Osool capital company's shareholders as due as per the Board decision in the fourth meeting for 2015 dated 06/01/2016 based on decision of Committee for the Resolution of Securities Disputes No. (1456/L/D1/2015) for 1436 Hijri for appeal No. (34/149).





**6- Clients Lending:**

a) This item represents lending to clients in the form of credit facilities and Murabaha loans. The facilities and loans are extended based on an evaluation and documentation for each client individually according to the information disclosed by the client and based on the company's conclusion on the appropriateness of the loan amount and terms to the client and in accordance with his prior written approval to the loan and in related conditions such as a promissory note for the loan amount, borrowing limits ,terms and related fees. The loans and facilities granted to customers are due for collection within the year ended 31 December 2016 as per the individual agreement with each customer.

b) The outstanding balance of client lending in balance sheet is SAR 45,679,575 which includes balance of four clients amounting to SAR 34,600,000 constituting 76% of the total client lending

c) The client lending in the balance sheet includes SAR 3,073,135.85 represents as a letter of guarantee issued to one of the company client which is fully covered from company's bank account according to the signed agreement between the company and the client dated 04/11/1436 Hijri equivalent to 19/08/2016 and will expire on 18/08/2016.

**7- Prepaid Expenses and Others:**

	31/12/2015	31/12/2014
Rent	626,166	644,019
Medical insurance	215,458	140,293
Licensing fees	19,197	114,237
Advanced payments	98,325	65,450
Employees receivables	20,827	66,664
Professional Indemnity Insurance	54,247	0
Others	184,099	160,395
	<u>1,218,319</u>	<u>1,191,058</u>

**8- Available for Sale Investments**

	31/12/2015	31/12/2014
Portfolio managed by company	118,454	113,992
Unrealized (losses) on available for sale investments	(34,764)	(16,041)
	<u>83,690</u>	<u>97,951</u>

Osool & Bakheet Investment Company  
Saudi Closed Joint Stock Company  
Kingdom of Saudi Arabia  
Notes to the Financial Statements  
For the Year Ended 31 December 2015  
All Figures are Stated in Saudi Riyals

9- Fixed Assets Net:

	Equipment	Furniture	Vehicles	Computers	Telecommunication Devices	Total
<b>Cost :</b>						
The cost of the assets as of January 1, 2015	538,112	3,024,676	123,000	2,470,780	2,389,995	8,546,563
Additions during the year	0	0	0	126,126	0	126,126
Adjustments during the year	1,040	1961	0	(28,795)	25,794	0
<b>The cost of the assets as of December 31, 2015</b>	<b>539,152</b>	<b>3,026,637</b>	<b>123,000</b>	<b>2,568,111</b>	<b>2,415,789</b>	<b>8,672,689</b>
<b>Less: Accumulated depreciation :</b>						
Accumulated depreciation as of January 1, 2015	538,112	3,024,676	123,000	2,450,341	2,092,695	8,228,824
Depreciation for the year	0	0	0	28,482	92,083	120,565
Adjustments during the year	(8,376)	1,961	0	2,443	4,116	144
<b>Accumulated depreciation as of December 31, 2015</b>	<b>529,736</b>	<b>3,026,637</b>	<b>123,000</b>	<b>2,481,266</b>	<b>2,188,894</b>	<b>8,349,533</b>
<b>Net book value :</b>						
As of December 31, 2015	9,416	0	0	86,845	226,895	323,156
As of December 31, 2014	0	0	0	20,439	297,300	317,739





10- **Bank Facilities:**

a) The Company has renewed facilities agreement with local bank amounting 125,000,000 SAR The facilities has been categorized into short term loan and overdraft as the following details :

1-	<u>Item</u>	<u>Explanation</u>
	Finance Type	Short Term Loan
	Finance Limit	100,000,000 SAR
	Guarantee	Joint guarantee of finance value from Mr . Abdulrahman Yahya Abdullah AL-Yahya and Mr . Beshr Bin Mohammed Bin Borhan Bakheet
2-	<u>Item</u>	<u>Explanation</u>
	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.

b) Note : The company borrowed as a short term loan with amount of 10,000,000SAR .

11- **Accounts Payable**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Suppliers	87,550	127,550
	<u>87,550</u>	<u>127,550</u>

Among the accounts payable amounting 87,550 SAR , one supplier represents100% of the total accounts payable .

12- **Accrued Expenses**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Accrued expenses	421,888	874,196
Professional fees	209,618	203,041
Bonus and remunerations	1,097,880	1,305,863
	<u>1,729,386</u>	<u>2,383,100</u>

13- **Due to Shareholders:**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Due to Osool company shareholders	549,978	33,197
Due to Osool&Bakhet investment company shareholders	0	97,739
Unpaid dividend to shareholders	106,229	0
Other due to shareholders (13/1)	1,939,773	1,639,773
	<u>2,595,980</u>	<u>1,770,709</u>

(13/1)This item represents the amounts due to shareholders resulting from the merger, as the capital of the company was decreased, losses were closed in the accounts of shareholders in proportion to their share and the remaining surplus was credited to the accounts of the shareholders in addition to dividends paid during 2015.

14- **Provision of End-of- Service Benefits:**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Opening balance	1,121,914	948,062
Charged to expenses for the year	272,440	270,921
paid during the year	(261,862)	(97,069)
	<u>1,132,492</u>	<u>1,121,914</u>

15- **CAPITAL:**

Capital was determined to be 60,000,000 SAR divided into 6,000,000 equal cash shares, the value of each is 10 SAR . They are all ordinary shares. The founders have subscribed in all the shares of capital as follows:





**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**Kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

	Nationality	Share value	Ownership Percentage	Total
Beshr bin Mohammed Borhan bin Yasin Bakheet	saudi	10	30.95%	18,572,250
Saleh Mohammed Saleh Al-Hajjaj	saudi	10	12,50%	7,500,000
Abdullah Yahia Abdullah Al-Yahya	saudi	10	7,25%	4,350,000
Abdul -Rahman Yahia Abdullah Al-Yahya	saudi	10	7.00%	4,200,000
Sultan Yahia Abdullah AL-Yahya	saudi	10	5,75%	3,450,000
Mansour Yahia Abdullah AL-Yahya	saudi	10	5,75%	3,450,000
Khalid Abdul-Rahman Mohammed Al-Mousa	saudi	10	3,63%	2,175,000
Abdual-Mohsen Abdul-Rahman Al-Mousa	saudi	10	3,13%	1,875,000
Mohammed Abdullah Abdul-Aziz Al-Rowaished	saudi	10	2.50%	1,500,000
Raad Abdul -Aziz Mohammed Al Abdul-Qader	saudi	10	2.00%	1,200,000
Mansour Abdullah Abdul- Aziz Al-Rajhi	saudi	10	1,86%	1,115,420
Jamil Abdul- Rahman Mohammed Al-Qonaibet	saudi	10	1,70%	1,022,500
Saud bin Abdul-Allah bin Solaiman Al-Rajhi	saudi	10	1,02%	609,290
Khaled Suleiman Hamad Al-Saeed	saudi	10	0,84%	506,130
Al-Touq Holding Company	saudi	10	0,84%	506,130
Ammar Abdul-Wahed Faleh Al- Khodhari	saudi	10	0,84%	506,130
Abdullah bin Faisal bin Turki Al-Abdulla Al Saud	saudi	10	0,77%	460,000
Al-Fozan Holding Company	saudi	10	0,77%	460,000
Tareq Motlaq Abdullah AL Motlaq	saudi	10	0,77%	460,000
Hamed Hamad Suleiman Al-Hamidi	saudi	10	0,77%	460,000
Abdullah Abdual-Rahman Abdullah Al-Khodhari	saudi	10	0,69%	412,610
Ahmed Suleiman Abdul-Qadar Banajeh	saudi	10	0,69%	412,610
Fahed Mohammed Abdul-Aziz bin Zarah	saudi	10	0,69%	412,610
Abual- Aziz Abdul -Latif Bakr Jazzar	saudi	10	0,66%	393,350
Ibrahim Saad Ebrahim Abu- Muti	saudi	10	0,66%	393,350
Samra Abdullah Ebrahim Al-Qweez	saudi	10	0,50%	300,000
Abdul-Rahman Abdul-Latif Ali Al- Issa	saudi	10	0,41%	247,570
Ahmed Mohammed Salem Al-Sirri	saudi	10	0,34%	206,310
Abdullah Abdul-Aziz Abdullah Al-Fallaj	saudi	10	0,34%	206,310
Mutaz Talaat Mohammed Bakheet	saudi	10	0,34%	206,310
Abdul-Hadi Ali Saif Shayef	saudi	10	0,34%	206,310
Abdul- Elah Ahmad Abdul -Elah- Al Darweesh	saudi	10	0,34%	206,310
Aamer Afif Mohammed Al-Mahmasani	saudi	10	0,34%	206,310
Raed Mosaed Khaled Al-Sdairi	saudi	10	0,34%	206,310
Hassan Shkib Murad Al-Jabiri	saudi	10	0,34%	206,310
Abdul- Rahman Mohammed Abdul-Aziz bin Zarah	saudi	10	0,34%	206,310
Omar Abdul-Qader Mohammed Bajamal	saudi	10	0,34%	206,310
Mohammed Abdul-Karim Ali Al-lhaidan	saudi	10	0,31%	187,500
Mohammed Abdullah Abdul-Rahman Al-Shoail	saudi	10	0,31%	187,500
Abdul-Rahman Amin Hasan Jawa	saudi	10	0,31%	187,500
Khaled Mohamed Abdullah Al-haqil	saudi	10	0,17%	103,160
Khaled bin Abdul-Haffiz bin Mohamed Feda	saudi	10	0,15%	91,910
Nasser bin Saeed bin Ali Kedssa	saudi	10	0,17%	103,150
Mosad bin Mohammed bin Hammad bin Aniq	saudi	10	0,08%	48,220
Saud bin Abdul-Aziz bin Mohammed bin Jadid	saudi	10	0,05%	30,340
Nezar bin Abdul-Rahman bin Abdul-Aziz Al -Mugren	saudi	10	0,02%	10,000
Abdul-Wahab bin Abdul-karem bin Abdul-Rahman Al -Betairi	saudi	10	0,02%	10,000
Khaled Saud Abdul-Aziz Al-Doghaither	saudi	10	0,02%	10,000
Gaber bin Mohamed bin Mohamed Majrashi	saudi	10	0,01%	7,170
Fahad Abdullah Abdul-Aziz Al -Rajhi	saudi	10	0,01%	5,500
Hany Samy Ali Halwany	saudi	10	0,01%	5,000
			<b>100.00%</b>	<b>60,000,000</b>





**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

**16- 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 one half of the company's capital.

**17- Proposed Dividends :**

At the date of 29/2/2016 the Board of Directors proposed dividends amounting 3000,000SAR representing half Riyal per share .

**18- General and Administrative Expenses:**

	<u>31/12/2015</u>	<u>31/12/2014</u>
Salaries, wages and others	5,554,717	4,705,754
Rents	937,298	841,209
Costs of information service	1,557,681	1,504,887
Doubtful debts	0	2,715,724
Professional and medical insurance	396,654	373,284
Professional and legal fees	289,224	153,788
Bonuses	868,681	1,000,000
Advertising	20,720	0
Others	876,469	955,916
	<u>10,501,444</u>	<u>12,250,562</u>

**19- Earning per Share:**

Earning per share from net income, principal activities, and net income for the period, are calculated of dividing net income from principal activities and net income for the period respectively the number of outstanding share at end of the year.

**20- Segment Information:**

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

**21- Investment funds:**

The company manages investment funds represented in :

- a) Osool & Bakheet Saudi trading Equity Fund which invests in Saudi stocks with net asset value of 19,182,216 SAR on 31/12/2015.
- b) Osool & Bakheet IPO Fund with net asset value of 433,052,653 SAR on 31/12/2015.
- c) Osool & Bakheet Qatari Trading Equity Fund with net asset value of 6,289,569 SAR on 31/12/2015.
- d) Osool & Bakheet IPO Trading Funds Sharia Compliant with net asset value of 18,285,621 SAR on 31/12/2015.

**22- 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 (Saudi French Bank ) with balances, as at 31December 2015 , amounting to 137,938,116.01 SAR represented in investment accounts, currents accounts, clients deposits, as well as account of fees & subscriptions of clients.



**Osool & Bakheet Investment Company**  
**Saudi Closed Joint Stock Company**  
**kingdom of Saudi Arabia**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2015**  
**All Figures are Stated in Saudi Riyals**

**23- Provision for Zakat :**

	<b>31/12/2015</b>	<b>31/12/2014</b>
Balance at the beginning of the year	3,756,761	2,350,094
Created during the year (23/1)	2,077,945	2,111,604
Paid during the year	(2,111,604)	(704,937)
Adjustments during the year	20,750	0
	<b>3,743,852</b>	<b>3,756,761</b>

The outstanding balance of Zakat Provision includes SAR 1,645,175. 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 31December 2014,and there is no final assessment from zakat .

**23/1 - Created during the period :**

	<b>31/12/2015</b>	<b>31/12/2014</b>
Net income for the year	9,717,899	20,114,247
<b>Add :</b>		
Doubtful debts charged to expenses	0	2,715,724
End of service benefits charged to expenses	272,440	270,921
<b>Adjusted net income for the year</b>	<b>9,990,339</b>	<b>23,100,892</b>
<b>Add :</b>		
Capital	60,000,000	60,000,000
Statutory provision at the beginning of the year	1,800,264	0
Retained earning	9,896,379	0
Due to Osool company shareholders	2,595,980	0
Provision end of service benefits at the beginning of the year after deduct the paid	860,052	850,993
Provision of Zakat at the beginning of the period	1,665,907	0
Provision of doubtful debts at the beginning of the year after deduct the paid	2,715,724	830,000
<b>Total amounts subject to Zakat</b>	<b>89,524,645</b>	<b>84,781,885</b>
<b>Less:</b>		
Net book value of fixed assets	(323,156)	(317,739)
Dividend during the year	(6,000,000)	0
Investment available for sales	(83,690)	0
<b>Net amounts subject to Zakat</b>	<b>83,117,799</b>	<b>84,464,146</b>
<b>Estimated provision of Zakat of 2.5 %</b>	<b>2,077,945</b>	<b>2,111,604</b>





24- Transactions with Related Parties:

<u>Related party</u>	<u>Transactions type</u>	<u>transaction amount</u>
Osool& Bakheet Investment Funds	Fund Management & Custody	13,946,332
Board of Directors	Bonuses & Attendance allowance	400,199
Abdul -Rahman Yahia Abdullah Al-Yahya (Member of the Board of Directors)	Facilities ( Existing )	5,000,000
Beshr bin Mohammed Borhan bin Bakheet(Member of the Board of Directors)	Facilities ( Paid )	5,543,250
Shareholders	Salaries & Bonuses	313,167

25 - Capital Adequacy

	<u>31/12/2015</u>	<u>31/12/2014</u>
	<u>SR.000</u>	<u>SR.000</u>
<u>Capital Basis</u>		
Tier -1 of Capital	72,312	77,680
Tier -2 of Capital	0	0
<b>Total</b>	<b>72,312</b>	<b>77,680</b>
<u>Minimum Capital requirement</u>		
Credit Risks	12,034	7,930
Market Risks	2,310	747
Operational Risks	3,992	5,014
<b>Total</b>	<b>18,336</b>	<b>13,691</b>
Capital Adequacy Ratio	3.94	5.67
Surplus	53,976	63,989

Note :

- The Pillar Three annual report will be published on the company website [www.obic.com.sa](http://www.obic.com.sa)
- External Auditor has prepared a separate report to confirm the accuracy of the calculation for Minimum Capital Requirements.

26- Potential assets & liabilities

<u>Subject</u>	<u>Contingent Asset</u>
<u>Amount</u>	<b>6,687,619</b>
<u>Description</u>	<ul style="list-style-type: none"> <li>• SAR 5,678,408 represents the value of complaints filed by Bakheet Investment Group to the Committee for the Resolution of Securities Disputes against its clients and the case has not been resolved yet.</li> <li>• 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 2012. Bakheet Investment Group paid this amount in order to complete the merger process by cancelling commercial register. This case has not been resolved yet.</li> <li>• 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 (1/1/13), (2/1/1/3), (1/8) in the merger contract.</li> </ul>

<u>Subject</u>	<u>Contingent Liability</u>
<u>Amount</u>	<b>1,645,157</b>
<u>Description</u>	<ul style="list-style-type: none"> <li>• 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. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet.</li> <li>• 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 (1/1/13), (2/1/1/3), (1/8) in the merger contract.</li> </ul>



Osool & Bakheet Investment Company

Saudi Joint Stock Company

kingdom of Saudi Arabia

Notes to the financial statements

For the year Ended 31 December 2015

All Figures are stated in Saudi Riyals

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**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.

**28- 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.

**29- General :**

The figures included in the financial statements are rounded to the nearest Saudi Riyal except the earnings per share.

Certain comparative figures have been reclassified to conform with current year presentation.

