

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
Financial Statements
For the year ended 31 December 2014
together with the
Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

The Unitholders of Osool & Bakheet Saudi Trading Equity Fund Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Osool & Bakheet Saudi Trading Equity Fund** (the "Fund") managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprise the balance sheet as at 31 December 2014 and the related statements of income, cash flows and changes in net assets attributable to Unitholders for the year then ended and the attached notes (1) through (13) which form an integral part of the financial statements.

Fund Manager's responsibility for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

For KPMG Al Fozan & Al Sadhan



Khalil Ibrahim Al Sedais
License No. 371

Date: 4 Jumada II 1436H
Corresponding to: 24 March 2015

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
BALANCE SHEET

As at 31 December 2014

(Amounts in Saudi Arabian Riyals)

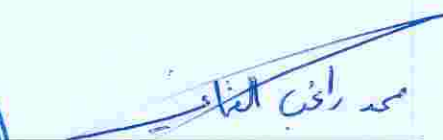
	<u>Note</u>	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>			
Cash and bank balances	6	6,987,407	440,770
Dividend receivables		150,075	--
Held for trading investments	7	22,348,569	32,264,872
Total assets		29,486,051	32,705,642
<u>LIABILITIES</u>			
Management and custody fees	9	167,747	176,949
Board of Directors' fee	9	64,222	55,254
Shari'a committee members' fee		17,500	17,500
Accrued expenses		26,016	20,230
Total liabilities		275,485	269,933
Net assets value attributable to unitholders		29,210,566	32,435,709
Units in issue (numbers)		12,559,114	15,710,364
Net asset value - per unit		2.3258	2.0646

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

These financial statements shown in the pages from 1 to 10 have been approved by the Board of Directors of the Fund on 24/03/2015 and signed on their behalf by:



Mohammed Zaki Salim Zakaria
Chief Executive Officer

Mohammed Ragheb Al Othmani
Division Head - Asset Management

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF INCOME

For the year ended 31 December 2014

(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2014</u>	<u>2013</u>
<u>INCOME</u>			
Trading gain, net	8	4,477,415	9,804,278
Dividend income		1,145,580	1,414,551
Other income		7,964	316
Total income		<u>5,630,959</u>	<u>11,219,145</u>
<u>EXPENSES</u>			
Management fee	9	515,714	511,571
Custody fee	9	200,000	200,000
Board of Directors' fee, net	9	64,222	48,628
Other operating expenses	10	111,149	116,984
Total expenses		<u>891,085</u>	<u>877,183</u>
NET INCOME		<u>4,739,874</u>	<u>10,341,962</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014
(Amounts in Saudi Arabian Riyals)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	4,739,874	10,341,962
<i>Adjustment for unrealised loss / (gain) on held for trading investments</i>	800,244	(3,919,554)
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	9,116,059	5,266,454
Dividend receivables	(150,075)	-
Management and custody fees	(9,202)	(20,956)
Board of Directors' fee	8,968	(4,746)
Accrued expenses	5,786	(17,382)
Net cash generated by operating activities	<u>14,511,654</u>	<u>11,645,778</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	14,518,204	4,344,781
Payments for redemption of units	(22,483,221)	(18,180,225)
Net cash used in financing activities	<u>(7,965,017)</u>	<u>(13,835,444)</u>
Net increase / (decrease) in cash and bank balances	6,546,637	(2,189,666)
Cash and bank balances at beginning of the year	440,770	2,630,436
Cash and bank balances at end of the year	<u>6,987,407</u>	<u>440,770</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
For the year ended 31 December 2014

	<u>2014</u>	<u>2013</u>
	Amounts in Saudi Arabian Riyals	
Net assets value at beginning of the year	32,435,709	35,929,191
Add: Subscriptions during the year	14,518,204	4,344,781
Less: Redemptions during the year	(22,483,221)	(18,180,225)
Net income	4,739,874	10,341,962
Net assets value at end of the year	29,210,566	32,435,709
	In numbers	
Units at beginning of the year	15,710,364	23,509,409
Add: Units subscribed	5,780,603	2,293,572
Less: Units redeemed	(8,931,853)	(10,092,617)
Net decrease in units	(3,151,250)	(7,799,045)
Units at end of the year	12,559,114	15,710,364

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. GENERAL

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

On a request made to Capital Market Authority ("CMA"), the CMA's Board of Commissioners on 15 Muharram 1435H corresponding to 18 November 2013 issued a resolution approving the merger of Bakheet Investment Group into Osool Capital Company and the change in the name of 'Osool Capital Company' to 'Osool & Bakheet Investment Company'. Consequently, the business of "Fund Manager", as defined in CMA's Authorized Persons Regulations, has been transferred from Bakheet Investment Group to Osool & Bakheet Investment Company. The unit holders have been notified of the change by a letter dated 13 Rajab 1435H (corresponding to 12 May 2014). The Fund has updated their terms and condition which have been approved by the CMA on 9 Rajab 1435H (corresponding to 8 May 2014).

The Fund's primary objective is to maximize capital growth by achieving a positive return while minimizing potential risks through investing in Saudi Joint stock companies that are compliant with Shariah criteria and investing the Fund's available liquidity in low risk and highly liquid Saudi Riyal assets (such as Murabaha and Murabaha funds in Saudi Riyal).

In dealing with the Unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The address of the Fund Manager is as follows:

Osool & Bakheet Investment Company
P. O. Box 63762
Riyadh 11526
Kingdom of Saudi Arabia

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units on every business day (each a "Dealing Day") of the Saudi Stock Market. The value of the Fund's portfolio is determined on each dealing day (each a "Valuation Day"). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

These financial statements have been presented in accordance with the requirements of accounting standards on financial reporting issued by the Saudi Organization of Certified Public Accountants (the "SOCPA").

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

4. BASIS OF PREPARATION (CONTINUED)

4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for held for trading investments, that are measured at fair value, using accrual basis of accounting and the going concern concept.

4.3 Functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyal (SR), which is the functional currency of the Fund. All financial information presented in SR has been rounded to the nearest Saudi Arabian Riyal.

4.4 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting policies applied in the preparation of these financial statements are consistent with those used in the previous year and are set out below:

5.1 Held for trading investments

Investments which are purchased for trading are initially recognized at cost and are subsequently re-measured at their market values. The unrealized gains or losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

5.2 Revenue recognition

The realized gain or loss from a held for trading investments is calculated as the difference between its carrying amount at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its sale price.

The unrealized gain or loss is calculated as the difference between the carrying amount of a held for trading investment at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its carrying amount at the end of the reporting period.

Dividend income or other income is recognized when the right to receive payment is established.

5.3 Zakat / taxation

Zakat / taxation is the obligation of the unitholders and is not provided for in these financial statements.

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014
(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (CONTINUED)

5.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Fund without any restrictions.

5.5 Fund management fee and other fees

Fund management fee and other fees are charged at agreed rates with the Fund Manager. These charges are calculated on each valuation date at an annual percentage of the Fund's net assets value. These expenses are charged to the Statement of Income.

5.6 Net Assets Value

Net assets value per unit, as disclosed in balance sheet is calculated by dividing the net assets of the Fund by the numbers of Units in use at the year end.

5.7 Subscription / redemption of units

Units subscribed and redeemed are subscribed / redeemed at the net assets value (NAV) per unit on the valuation day for which the subscription request and redemption applications are received.

6. CASH AND BANK BALANCES

	<u>2014</u>	<u>2013</u>
Cash at bank	1,984,617	427,235
Cash at brokerage investment account	<u>5,002,790</u>	<u>13,535</u>
	<u>6,987,407</u>	<u>440,770</u>

7. HELD FOR TRADING INVESTMENTS

The sector-wise composition of investment held for trading is summarized as follows:

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		<u>2014</u>	
Agriculture and food industries	5,956,559	6,086,228	27.23
Retail	4,668,964	4,941,835	22.11
Transport	2,614,931	2,882,803	12.90
Petrochemical industries	2,945,486	2,422,752	10.85
Cement	2,549,351	2,347,094	10.50
Banks and financial services	2,637,540	2,343,743	10.49
Industrial Investment	1,775,982	1,324,114	5.92
Building and construction	--	--	--
Hotel and Tourism	--	--	--
Telecommunication and information technology	--	--	--
	<u>23,148,813</u>	<u>22,348,569</u>	<u>100.00</u>

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014
(Amounts in Saudi Arabian Riyals)

7. HELD FOR TRADING INVESTMENTS (CONTINUED)

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u> 2013	<u>% of market value</u>
Agriculture and food industries	2,988,149	3,700,048	11.47
Retail	--	--	--
Transport	1,397,349	1,444,830	4.48
Petrochemical industries	7,969,169	8,904,642	27.60
Cement	2,834,657	2,653,971	8.23
Banks and financial services	3,453,563	4,040,504	12.52
Industrial Investment	1,332,685	1,218,602	3.78
Building and construction	4,153,751	5,164,797	16.00
Hotel and Tourism	2,113,457	2,632,414	8.16
Telecommunication and information technology	2,102,538	2,505,064	7.76
	<u>28,345,318</u>	<u>32,264,872</u>	<u>100.00</u>

8. TRADING GAIN, NET

	<u>2014</u>	<u>2013</u>
Realized gain on investments, net	5,277,659	5,884,724
Unrealised (loss) / gain on investments, net	<u>(800,244)</u>	<u>3,919,554</u>
	<u>4,477,415</u>	<u>9,804,278</u>

9. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its related parties. The Fund Manager, its employees and the Fund's Board of Directors are considered to be related parties of the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund. The Fund Manager charges the Fund with a management fee of 1.5% per annum of the Fund's net assets, calculated on a daily basis. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fee, board compensation and other similar charges. The board compensation is calculated as 5% of the Fund's annual management fee subject to a maximum of SR 30,000 per member.

The unitholders' account at 31 December included units held as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Units</u> <u>(in numbers)</u>	<u>Net Asset Value</u> <u>SAR</u>	<u>Units</u> <u>(in numbers)</u>	<u>Net Asset Value</u> <u>SAR</u>
Held by the Fund Manager	--	--	--	--
Held by members of the Board of Directors of the Fund	213,729	497,100	756,183	1,561,220
Held by employees of the Fund Manager	74,551	173,394	59,800	123,464
	<u>288,280</u>	<u>670,494</u>	<u>815,983</u>	<u>1,684,684</u>

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Amounts in Saudi Arabian Riyals)

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the year 2014, the above-mentioned unitholders' have subscribed and redeemed units amounting to SR 2.54 million (2013: SR 0.14 million) and SR 3.92 million (2013: SR 7.68 million), respectively.

Related party transactions for the year ended 31 December and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance payable</u>	
		<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Osool & Bakheet Investment Company	Management fee	<u>515,714</u>	<u>511,571</u>	<u>117,747</u>	<u>126,949</u>
	Custody fee	<u>200,000</u>	<u>200,000</u>	<u>50,000</u>	<u>50,000</u>
	Brokerage fee	<u>59,065</u>	<u>--</u>	<u>--</u>	<u>--</u>
Board of Directors	Annual remuneration	<u>64,222</u>	<u>48,628</u>	<u>64,222</u>	<u>55,254</u>

10. OTHER OPERATING EXPENSES

	<u>2014</u>	<u>2013</u>
Shari'a Committee members fees	<u>70,000</u>	<u>70,000</u>
Audit fee	<u>30,000</u>	<u>30,000</u>
Shari'a cleansing (note 10.1)	<u>3,046</u>	<u>8,762</u>
CMA monitoring and reviewing fees	<u>7,500</u>	<u>7,500</u>
Other expenses	<u>603</u>	<u>722</u>
	<u>111,149</u>	<u>116,984</u>

Note 10.1: Shari'a cleansing amount for the year has been donated to Saudi Cancer Society.

11. RISK MANAGEMENT POLICIES

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates may affect future profitability or the fair value of the financial instruments.

The Fund is not subject to significant special commission rate risk on bank balance as the balances are in current account.

Credit risk

Credit risk is the risk that the counter party to a financial instrument may fail to discharge an obligation and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk for its cash balance only. The exposure is not significant as the cash balance is maintained with a local bank which has sound credit rating.

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

(Amounts in Saudi Arabian Riyals)

11. RISK MANAGEMENT POLICIES (CONTINUED)

Equity price risk

Equity price risk is the risk that the fair value of an equity investment may fluctuate as a result of changes in market prices. The Fund is exposed to equity price risk arising from its held for trading investments.

The Fund Manager endeavours to minimize this risk including concentration risk through continuous monitoring of market conditions and diversification of its investments across various sectors of Saudi Arabian equity market.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in arranging funds to meet commitments associated with settlement of financial liabilities and redemption of units.

The Fund's securities are considered to be readily realizable as investments are made in quoted equities and can easily be realized at any time. The Fund Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

Managing the risk of Net Assets attributable to Unitholders

The objective of the Fund Manager when managing the net assets attributable to the unitholders is to secure the Fund's ability to continue in order to provide unitholders with the highest returns and ensure that reasonable protection are given to the net assets attributable to the unitholders.

The Fund Manager manages its investment portfolio and other assets through monitoring revenue generated from net assets and making required adjustments in accordance with market changes.

12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Financial instruments consist of financial assets and financial liabilities. The Fund's financial assets consist mainly of held for trading investments and financial liabilities consist of management and custody fees, Board of Directors' fee, Shari'a committee members fees and certain accrued expenses.

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

13. LAST VALUATION DATE

The last valuation day of the year was 31 December 2014 (2013: 31 December 2013).