

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(Managed By Osool & Bakheet Investment Company)
Interim Financial Statements (un-audited)
For the six month period ended 30 June 2016
together with the
Review Report to the Unitholders



KPMG Al Fozan & Partners
Certified Public Accountants

KPMG Tower
Salahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com

Licence No. 46/11/323 issued 11/3/1992

REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim balance sheet of **Osool & Bakheet Saudi Trading Equity Fund** (the "Fund") managed by Osool & Bakheet Investment Company (the "Fund Manager") as at 30 June 2016 and the related interim statements of income, cash flows and changes in net assets attributable to unitholders for the six month period ended 30 June 2016 and the attached notes from (1) to (12) for the six month period then ended which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Fund Manager and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371



Date: 11 Dhual Qa'dah 1437H
Corresponding to: 14 August 2016

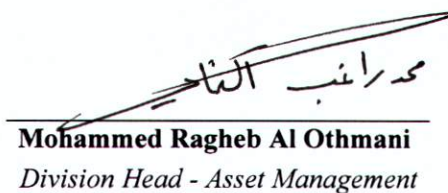
OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 June 2016
(Saudi Arabian Riyals)

	<i>Note</i>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and bank balances	6	906,210	774,909
Dividend receivables		25,102	153,246
Held for trading investments	7	17,034,398	30,920,160
Total assets		<u>17,965,710</u>	<u>31,848,315</u>
<u>LIABILITIES</u>			
Management and custody fees	9	118,094	169,743
Board of Directors' fee	9	15,759	35,439
Shari'a committee members' fee		6,300	17,500
Accrued expenses		20,665	21,477
Total liabilities		<u>160,818</u>	<u>244,159</u>
Net assets value attributable to unitholders		<u>17,804,892</u>	<u>31,604,156</u>
Units in issue (numbers)		<u>8,975,055</u>	<u>12,090,239</u>
Net asset value - per unit		<u>1.9838</u>	<u>2.6140</u>

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

These interim financial statements shown in the pages from 1 to 9 have been approved by the Board of Directors of the Fund on 14/8/2016 and signed on their behalf by:


Mazin Al Dawood
Chief Executive Officer


Mohammed Ragheb Al Othmani
Division Head - Asset Management

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM STATEMENT OF INCOME (UN-AUDITED)
For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>INCOME</u>			
Trading (loss) / gain, net	8	(306,278)	3,483,524
Dividend income		510,602	530,412
Other income		17,583	7,522
Total income		<u>221,907</u>	<u>4,021,458</u>
<u>EXPENSES</u>			
Management fee	9	(131,226)	(236,269)
Custody fee	9	(99,970)	(100,000)
Board of Directors' fee	9	(15,759)	(35,439)
Other operating expenses	10	(27,080)	(56,570)
Total expenses		<u>(274,035)</u>	<u>(428,278)</u>
Net (loss)/income for the period		<u>(52,128)</u>	<u>3,593,180</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(52,128)	3,593,180
<i>Adjustment for unrealised loss /(gain) on held for trading investments</i>	571,491	(1,969,392)
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	(1,136,332)	(6,602,199)
Dividend receivables	73,984	(3,171)
Management and custody fees	(15,947)	1,996
Board of Directors' fee	(47,640)	(28,783)
Accrued expenses	(13,403)	(4,539)
Cash used in operating activities	<u>(619,975)</u>	<u>(5,012,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	439,356	4,605,147
Payments for redemption of units	(1,764,551)	(5,804,737)
Net cash used in financing activities	<u>(1,325,195)</u>	<u>(1,199,590)</u>
Net decrease in cash and bank balances	(1,945,170)	(6,212,498)
Cash and bank balances at beginning of the period	<u>2,851,380</u>	<u>6,987,407</u>
Cash and bank balances at end of the period	<u>906,210</u>	<u>774,909</u>

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

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS (UN-AUDITED)
For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
Net assets value at beginning of the period	19,182,216	29,210,566
Add: Subscriptions during the period	439,356	4,605,147
Less: Redemptions during the period	(1,764,551)	(5,804,737)
Net (loss)/income	(52,129)	3,593,180
Net assets value at end of the period	<u>17,804,892</u>	<u>31,604,156</u>

	<u>In numbers</u>	
Units at beginning of the period	9,671,082	12,559,114
Add: Units subscribed	224,832	1,867,713
Less: Units redeemed	(920,859)	(2,336,588)
Net decrease in units	(696,027)	(468,875)
Units at end of the period	<u>8,975,055</u>	<u>12,090,239</u>

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

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

For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

1. GENERAL

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

The Fund has updated their terms and condition which have been approved by the CMA on 14 Rabi' II 1437H (corresponding to 24 January 2016).

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.

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

For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

4. BASIS OF PREPARATION

4.1 Statement of compliance

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

These are interim financial statements of the fund and do not include all the information presented in the annual financial statement. These financial statements should be read along with the annual financial statements of the Fund for the year ended 31 December 2015.

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 used in the preparation of these interim financial statements are consistent with those used and disclosed in the annual financial statements for the year ended 31 December 2015. Risk management policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2015.

6. CASH AND BANK BALANCES

	<u>2016</u>	<u>2015</u>
Cash at bank	260,868	774,261
Cash at brokerage investment account	645,342	648
	<u>906,210</u>	<u>774,909</u>

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

For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

7. HELD FOR TRADING INVESTMENTS

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

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		2016	
Banks & Financial Services	2,719,601	2,196,761	12.90
Petrochemical Industries	4,210,191	3,426,297	20.11
Cement	1,106,161	564,147	3.31
Retail	3,641,949	3,298,549	19.36
Agriculture & Food Industries	5,017,811	3,283,870	19.28
Insurance	268,103	280,680	1.65
Industrial Investment	1,008,078	936,764	5.50
Transport	2,210,194	2,049,695	12.03
Hotel & Tourism	1,307,158	997,635	5.86
	<u>21,489,246</u>	<u>17,034,398</u>	<u>100.00</u>

<u>Sector</u>	<u>Cost</u>	<u>Market Value</u>	<u>% of market value</u>
		2015	
Agriculture and food industries	7,086,995	7,222,956	23.36
Petrochemical industries	6,253,739	5,957,752	19.27
Retail	4,901,113	4,990,240	16.14
Transport	3,508,473	4,476,582	14.48
Banks and financial services	2,932,214	3,234,714	10.46
Industrial investment	1,797,127	2,309,367	7.47
Cement	1,555,976	1,519,902	4.92
Real estate development	915,131	1,208,647	3.90
	<u>28,950,768</u>	<u>30,920,160</u>	<u>100.00</u>

8. TRADING GAIN, NET

	<u>2016</u>	<u>2015</u>
Realized (loss) / gain on investments, net	265,213	1,514,132
Unrealised (loss) / gain on investments, net	<u>(571,491)</u>	<u>1,969,392</u>
	<u>(306,278)</u>	<u>3,483,524</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.

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

For the six month period ended 30 June 2016

(Saudi Arabian Riyals)

9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

The unitholders' account at 30 June included units held as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Units</u> <u>(in numbers)</u>	<u>Net Asset</u> <u>Value</u>	<u>Units</u> <u>(in numbers)</u>	<u>Net Asset</u> <u>Value</u>
Held by the Fund Manager	--	--	--	--
Held by members of the Board of Directors of the Fund	91,604	181,725	206,991	541,080
Held by employees of the Fund Manager	61,303	121,613	119,565	312,546
	<u>152,907</u>	<u>303,338</u>	<u>326,556</u>	<u>853,626</u>

During the period 2016, the above-mentioned unitholders' have subscribed and redeemed units amounting to SR Nil (2015: SR 115,000) and SR 94,044 (2015: SR Nil), respectively.

Related party transactions for the period ended 30 June and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance payable</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Osool & Bakheet Investment Company	Management fee	<u>131,226</u>	<u>236,269</u>	<u>68,109</u>	<u>119,743</u>
	Investment account	<u>(1,239,969)</u>	<u>(5,002,142)</u>	<u>645,342</u>	<u>648</u>
	Custody fee	<u>99,970</u>	<u>100,000</u>	<u>49,985</u>	<u>50,000</u>
	Brokerage fee	<u>2,850</u>	<u>12,268</u>	<u>--</u>	<u>--</u>
Board of Directors	Annual remuneration	<u>15,759</u>	<u>35,439</u>	<u>15,759</u>	<u>35,439</u>

OSOOL & BAKHEET SAUDI TRADING EQUITY FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
For the six month period ended 30 June 2016
(Saudi Arabian Riyals)

10. OTHER OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
Audit fee	15,900	15,000
Shari'a Committee members fees	6,300	35,000
CMA monitoring and reviewing fees	3,640	3,750
Shari'a cleansing	174	2,727
Tadawul listing fees	950	-
Other expenses	116	93
	<u>27,080</u>	<u>56,570</u>

11. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

12. LAST VALUATION DATE

For the purpose of preparation of these financial statements, last valuation date was 30 June 2016 (2015: 30 June 2015).