

Osool & Bakheet IPO Trading Fund Sharia Compliant
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
Financial Statements
For the period from 16 December 2015
(Date of commencement of operations)
to 31 December 2015
together with the
Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

The Unitholders of Osool & Bakheet IPO Trading Fund Sharia Compliant Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Osool & Bakheet IPO Trading Fund Sharia Compliant** (the "Fund") managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprise the balance sheet as at 31 December 2015 and the related statements of income, cash flows and changes in net assets attributable to Unitholders for the period from 16 December to 31 December 2015 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.



**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

BALANCE SHEET

As at 31 December 2015

(Amounts in Saudi Arabian Riyals)

	<i><u>Note</u></i>	<u>2015</u>
<u>ASSETS</u>		
Cash and bank balances	6	11,177,518
Held for trading investments	7	<u>7,156,391</u>
Total assets		<u>18,333,909</u>
<u>LIABILITIES</u>		
Management and custody fees	9	20,918
Board of Directors' fee	9	1,672
Accrued expenses		<u>25,697</u>
Total liabilities		<u>48,287</u>
Net assets value attributable to unitholders		<u>18,285,622</u>
Units in issue (numbers)		<u>18,307,818</u>
Net assets value - per unit		<u>0.9988</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

STATEMENT OF INCOME

For the period from 16 December 2015 to 31 December 2015

(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>For the period from 16 December 2015 to 31 December 2015</u>
<u>INCOME</u>		
Trading gain, net	8	27,032
Total income		<u>27,032</u>
<u>EXPENSES</u>		
Management fee	9	16,734
Custody fee	9	4,184
Board of Directors' fee, net	9	1,672
Other operating expenses	10	25,711
Total expenses		<u>48,301</u>
NET LOSS		<u>(21,269)</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

STATEMENT OF CASH FLOWS

For the period from 16 December 2015 to 31 December 2015

(Amounts in Saudi Arabian Riyals)

	<u>For the period from 16 December 2015 to 31 December 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	(21,269)
<i>Adjustment for unrealised gain on held for trading investments</i>	(27,032)
Changes in operating assets and liabilities:	
Held for trading investments	(7,129,359)
Management and custody fees	20,918
Board of Directors' fee	1,672
Accrued expenses	25,697
Net cash used in by operating activities	<u>(7,129,373)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from subscription of units	<u>18,306,891</u>
Net cash generated by financing activities	<u>18,306,891</u>
Net increase in cash and bank balances	11,177,518
Cash and bank balances at beginning of the period	<u>--</u>
Cash and bank balances at end of the period	<u><u>11,177,518</u></u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS**

For the period from 16 December 2015 to 31 December 2015

**For the period
from 16
December
2015 to 31
December
2015**

Amounts in Saudi Arabian Riyals

Net assets value at beginning of the period	-
Add: Subscriptions during the period	18,306,891
Less: Redemptions during the period	-
Net loss	(21,269)
Net assets value at end of the period	<u>18,285,622</u>

In numbers

Units at beginning of the period	-
Add: Units subscribed	18,307,818
Less: Units redeemed	-
Net increase in units	18,307,818
Units at end of the period	<u>18,307,818</u>

The accompanying notes (1) through (13) form an integral part of these financial statements.

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 December 2015 to 31 December 2015

1. GENERAL

Osool & Bakheet IPO Fund Sharia Compliant (the "Fund") is an investment fund established through an agreement between the Osool & Bakheet Investment Company (the "Fund Manager") and the Fund Investors (the "Unitholders") by virtue of approval of the Capital Market Authority (the "CMA") dated 22 Dul Hajj 1436H (corresponding to 05 October 2015). The Fund commenced its operations on 16 December 2015.

The Fund will invest in the initial public offering shares of Saudi joint stock companies as well as in the shares of newly listed companies on the Saudi stock market during the first three years of their listing. The Fund Manager may also invest not more than 25% of the net asset value of the Fund in Small and Medium company shares. It has the power to invest in Saudi equity funds, money market funds, and Islamic deposits the units of which are publicly offered and licensed by CMA, provided that all investments are compliant with Sharia guidelines and approved by the Fund's Sharia Committee.

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 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

These financial statements are prepared for the first financial reporting period from 16 December 2015 to 31 December 2015; accordingly, no comparative information has been presented.

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 IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 December 2015 to 31 December 2015

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 Riyals (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 preparation of these financial statements 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 unit holders and is not provided for in these financial statements.

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 December 2015 to 31 December 2015

(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 in hand, 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 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>2015</u>
Cash at bank	2,118,093
Cash at brokerage investment account	9,059,425
	<u>11,177,518</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>2015</u>	
Retail	2,581,855	2,749,287	38.42
Cement	1,148,395	1,125,708	15.73
Transport	1,070,685	1,036,306	14.48
Hotel and tourism	829,673	767,627	10.73
Petrochemical Industries	460,165	404,726	5.66
Industrial investment	369,101	394,485	5.50
Real-estate	188,784	188,784	2.64
Insurance	289,743	308,905	4.32
Banks and financial services	190,958	180,563	2.52
	<u>7,129,359</u>	<u>7,156,391</u>	<u>100.00</u>

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 December 2015 to 31 December 2015

(Amounts in Saudi Arabian Riyals)

8. TRADING GAIN, NET

**For the period from
16 December 2015 to
31 December 2015**

Unrealized gain on investments, net	27,032
	<u>27,032</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 2% 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 unit holders' account at 31 December included units held as follows:

	2015
	Units (in numbers)
	Net assets value (SAR)
Held by the Fund Manager	10,000,000
Held by members of the Board of Directors of the Fund	120,000
Held by employees of the Fund Manager	10,000
	<u>10,130,000</u>
	<u>10,117,719</u>

During the period 2015, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 10.1 million and SR Nil, respectively.

Related party transactions for the period 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 period</u>	<u>Closing balance payable</u>
Osool & Bakheet Investment Company	Management fee	16,734	16,734
	Custody fee	4,184	4,184
	Brokerage fee	2,673	--
Board of Directors	Annual remuneration	1,672	1,672

**OSOOL & BAKHEET IPO TRADING FUND SHARIA COMPLIANT
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

NOTES TO THE FINANCIAL STATEMENTS

For the period from 16 December 2015 to 31 December 2015

(Amounts in Saudi Arabian Riyals)

10. OTHER OPERATING EXPENSES

**For the period from
16 December 2015 to
31 December 2015**

Audit fee	22,000
Shari'a Committee members fees	1,523
Benchmark calculation fee	1,125
CMA monitoring and reviewing fees	349
Other expenses	714
	<u>25,711</u>

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 since the cash balance is maintained with a local bank which has sound credit rating.

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 may encounter difficulty in arranging funds to meet its 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' fee and certain accrued expenses.

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

13. LAST VALUATION DAY

The last valuation day of the period was 31 December 2015.