

**OSOOL & BAKHEET SAUDI TRADING EQUITY FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**Financial Statements**  
**For the year ended 31 December 2015**  
**together with the**  
**Independent Auditor's Report**



**KPMG Al Fozan & Partners**  
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Licence No. 46/11/323 issued 11/3/1992

## **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 2015 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 **Osool & Bakheet Saudi Trading Equity Fund** as at 31 December 2015 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 & Partners**  
**Certified Public Accountants:**

  
Khalil Ibrahim Al Sedais  
License No. 371

Date: 21 Jumada II 1437H  
Corresponding to 30 March 2016



**OSOOL & BAKHEET SAUDI TRADING EQUITY FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**BALANCE SHEET**  
As at 31 December 2015  
*(Amounts in Saudi Arabian Riyals)*

	<i><u>Note</u></i>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>ASSETS</u></b>			
Cash and bank balances	6	<b>2,851,380</b>	6,987,407
Dividend receivables		<b>99,086</b>	150,075
Held for trading investments	7	<b>16,469,557</b>	22,348,569
<b>Total assets</b>		<b><u>19,420,023</u></b>	<b><u>29,486,051</u></b>
<b><u>LIABILITIES</u></b>			
Management and custody fees	9	<b>134,041</b>	167,747
Board of Directors' fee	9	<b>63,399</b>	64,222
Shari'a committee members' fee		<b>17,500</b>	17,500
Accrued expenses		<b>22,867</b>	26,016
<b>Total liabilities</b>		<b><u>237,807</u></b>	<b><u>275,485</u></b>
<b>Net assets value attributable to unitholders</b>		<b><u>19,182,216</u></b>	<b><u>29,210,566</u></b>
<b>Units in issue (numbers)</b>		<b><u>9,671,082</u></b>	<b><u>12,559,114</u></b>
<b>Net asset value - per unit</b>		<b><u>1.9835</u></b>	<b><u>2.3258</u></b>

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

**OSOOL & BAKHEET SAUDI TRADING EQUITY FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**STATEMENT OF INCOME**  
For the year ended 31 December 2015  
*(Amounts in Saudi Arabian Riyals)*

	<i><u>Note</u></i>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>INCOME</u></b>			
Trading (loss) / gain, net	8	<b>(3,574,750)</b>	4,477,415
Dividend income		<b>787,470</b>	1,145,580
Other income		<b>11,228</b>	7,964
<b>Total (loss) / income</b>		<b><u>(2,776,052)</u></b>	<b><u>5,630,959</u></b>
<b><u>EXPENSES</u></b>			
Management fee	9	<b>422,670</b>	515,714
Custody fee	9	<b>200,000</b>	200,000
Board of Directors' fee, net	9	<b>63,399</b>	64,222
Other operating expenses	10	<b>110,838</b>	111,149
<b>Total expenses</b>		<b><u>796,907</u></b>	<b><u>891,085</u></b>
<b>NET (LOSS) / INCOME</b>		<b><u>(3,572,960)</u></b>	<b><u>4,739,874</u></b>

The accompanying notes (1) through (13) 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 2015  
*(Amounts in Saudi Arabian Riyals)*

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) / income	<b>(3,572,960)</b>	4,739,874
<i>Adjustment for unrealised loss on held for trading investments</i>	<b>4,076,350</b>	800,244
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments	<b>1,802,662</b>	9,116,059
Dividend receivables	<b>50,989</b>	(150,075)
Management and custody fees	<b>(33,706)</b>	(9,202)
Board of Directors' fee	<b>(823)</b>	8,968
Accrued expenses	<b>(3,149)</b>	5,786
<b>Net cash generated by operating activities</b>	<b><u>2,319,363</u></b>	<u>14,511,654</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from subscription of units	<b>5,166,805</b>	14,518,204
Payments for redemption of units	<b>(11,622,195)</b>	(22,483,221)
<b>Net cash used in financing activities</b>	<b><u>(6,455,390)</u></b>	<u>(7,965,017)</u>
<b>Net (decrease) / increase in cash and bank balances</b>	<b>(4,136,027)</b>	6,546,637
Cash and bank balances at beginning of the year	<b><u>6,987,407</u></b>	<u>440,770</u>
<b>Cash and bank balances at end of the year</b>	<b><u>2,851,380</u></b>	<u>6,987,407</u>

The accompanying notes (1) through (13) 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 2015

	<u>2015</u>	<u>2014</u>
	<b>Amounts in Saudi Arabian Riyals</b>	
<b>Net assets value at beginning of the year</b>	<b>29,210,566</b>	32,435,709
Add: Subscriptions during the year	<b>5,166,805</b>	14,518,204
Less: Redemptions during the year	<b>(11,622,195)</b>	(22,483,221)
Net (loss) / income	<b>(3,572,959)</b>	4,739,874
<b>Net assets value at end of the year</b>	<b><u>19,182,217</u></b>	<u>29,210,566</u>
	<b>In numbers</b>	
<b>Units at beginning of the year</b>	<b>12,559,114</b>	15,710,364
Add: Units subscribed	<b>2,130,251</b>	5,780,603
Less: Units redeemed	<b>(5,018,283)</b>	(8,931,853)
Net decrease in units	<b>(2,888,032)</b>	(3,151,250)
<b>Units at end of the year</b>	<b><u>9,671,082</u></b>	<u>12,559,114</u>

The accompanying notes (1) through (13) 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 2015

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**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") by virtue of approval of the Capital Market Authority (the "CMA") dated 31 March 2007. 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 20 Jumada II 1436H (corresponding to 9 April 2015).

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").

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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*(Amounts in Saudi Arabian Riyals)*

**5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (CONTINUED)**

**5.3 Zakat / taxation**

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

**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>2015</u>	<u>2014</u>
Cash at bank	966,069	1,984,617
Cash at brokerage investment account	1,885,311	5,002,790
	<u>2,851,380</u>	<u>6,987,407</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>	
Agriculture and food industries	5,199,028	4,132,816	25.09
Retail	4,277,807	3,411,168	20.71
Petrochemical industries	4,200,422	3,030,391	18.40
Transport	2,158,435	2,033,536	12.35
Banks and financial services	2,041,602	1,601,783	9.73
Industrial Investment	861,392	899,272	5.46
Hotel and Tourism	571,193	562,196	3.41
Cement	971,716	534,083	3.24
Real Estate Development	264,312	264,312	1.60
	<u>20,545,907</u>	<u>16,469,557</u>	<u>100.00</u>

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**7. HELD FOR TRADING INVESTMENTS (CONTINUED)**

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

**8. TRADING (LOSS) / GAIN, NET**

	2015	2014
Realized gain on investments, net	501,601	5,277,659
Unrealised loss/gain on investments, net	<u>(4,076,350)</u>	<u>(800,244)</u>
	<u>(3,574,750)</u>	<u>4,477,415</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:

	2015		2014	
	Units	Net Asset Value	Units	Net Asset Value
	<u>(in numbers)</u>	<u>SAR</u>	<u>(in numbers)</u>	<u>SAR</u>
Held by members of the Board of Directors of the Fund	112,825	223,784	213,729	497,100
Held by employees of the Fund Manager	96,366	191,138	74,551	173,394
	<u>209,191</u>	<u>414,922</u>	<u>288,280</u>	<u>670,494</u>

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*(Amounts in Saudi Arabian Riyals)*

**9. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

During the year 2015, the above-mentioned unitholders' have subscribed and redeemed units amounting to SR 175,957 (2014: SR 2.54 million) and SR 357,880 (2014: SR 3.92 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Osool & Bakheet Investment Company	Management fee	422,670	515,714	84,041	117,747
	Custody fee	200,000	200,000	50,000	50,000
	Brokerage fee	18,639	59,065	--	--
Board of Directors	Annual remuneration	63,399	64,222	63,399	64,222

**10. OTHER OPERATING EXPENSES**

	<u>2015</u>	<u>2014</u>
Shari'a Committee members fees	70,000	70,000
Audit fee	30,000	30,000
Shari'a cleansing	3,094	3,046
CMA monitoring and reviewing fees	7,500	7,500
Other expenses	244	603
	<u>110,838</u>	<u>111,149</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 as the cash balance is maintained with a local bank which has sound credit rating.

**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 2015 (2014: 31 December 2014).