

OSOOL & BAKHEET IPO 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



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

REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

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

Scope of Review

We have reviewed the accompanying interim balance sheet of **Osool & Bakheet IPO 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 IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM BALANCE SHEET (UN-AUDITED)
As at 30 June 2016
(Saudi Arabian Riyals)

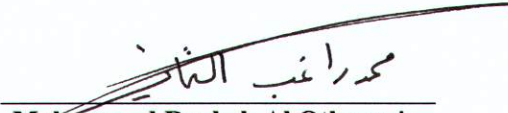
	<i>Note</i>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and bank balances	6	25,627,750	37,998,695
Dividend receivable		2,819,214	2,035,138
Held for trading investments	7	357,051,688	588,974,437
Total assets		<u>385,498,652</u>	<u>629,008,270</u>
<u>LIABILITIES</u>			
Management and custody fees	9	2,419,520	3,534,243
Board of Directors' fee	9	35,340	44,997
Accrued expenses		34,568	25,313
Total liabilities		<u>2,489,428</u>	<u>3,604,553</u>
Net assets value attributable to unitholders		<u>383,009,224</u>	<u>625,403,717</u>
Units in issue (numbers)		<u>200,311,323</u>	<u>233,039,847</u>
Net assets value - per unit		<u>1.9121</u>	<u>2.6837</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 ١٥/٦/٢٠١٦ and signed on their behalf by:


Mazin Al Dawood

Chief Executive Officer


Mohammed Ragheb Al Othmani

Division Head - Asset Management

OSOOL & BAKHEET IPO 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	(28,895,556)	70,677,657
Dividend income		8,437,102	8,014,417
Other income		264,347	1,166
Total income		<u>(20,194,107)</u>	<u>78,693,240</u>
<u>EXPENSES</u>			
Management fee	9	(3,767,756)	(5,246,600)
Custody fee	9	(941,939)	(1,311,650)
Board of Directors' fee	9	(35,340)	(44,997)
Other operating expenses	10	(81,334)	(31,997)
Total expenses		<u>(4,826,369)</u>	<u>(6,635,244)</u>
NET (LOSS) / INCOME FOR THE PERIOD		<u>(25,020,476)</u>	<u>72,057,996</u>

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

OSOOL & BAKHEET IPO FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
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	(25,020,476)	72,057,996
<i>Adjustment for unrealised loss on held for trading investments</i>	21,101,350	(41,052,882)
Changes in operating assets and liabilities:		
Held for trading investments	(41,738,025)	(165,787,672)
Dividend receivable	(2,700,217)	(961,468)
Other receivable	-	209,547
Management and custody fees	(636,746)	638,295
Board of Directors' fee	(54,660)	(29,805)
Accrued expenses	5,503	(6,722)
Net cash used in operating activities	<u>(49,043,271)</u>	<u>(134,932,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	15,430,504	102,432,471
Payments for redemption of units	(40,453,457)	(19,781,173)
Net cash (used in) / generated by financing activities	<u>(25,022,953)</u>	<u>82,651,298</u>
Net decrease in cash and bank balances	(74,066,224)	(52,281,413)
Cash and bank balances at beginning of the period	<u>99,693,974</u>	<u>90,280,108</u>
Cash and bank balances at end of the period	<u>25,627,750</u>	<u>37,998,695</u>

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

OSOOL & BAKHEET IPO 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	433,052,653	470,694,423
Add: Subscriptions during the period	15,430,504	102,432,471
Less: Redemptions during the period	(40,453,457)	(19,781,173)
Net (loss)/income	(25,020,476)	72,057,996
Net assets value at end of the period	<u>383,009,224</u>	<u>625,403,717</u>

	<i><u>In numbers</u></i>	
Units at beginning of the period	215,033,601	202,290,615
Add: Units subscribed	8,541,075	38,849,743
Less: Units redeemed	(23,263,353)	(8,100,511)
Net (decrease)/increase in units	(14,722,278)	30,749,232
Units at end of the period	<u>200,311,323</u>	<u>233,039,847</u>

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

OSOOL & BAKHEET IPO 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 IPO Fund (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"). The Fund commenced its operations on 16 March 2008.

The Fund has updated their terms and condition which have been approved by the CMA on 14 Rabi' 2 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 the Initial Public Offerings of shares of Saudi joint stock companies, in addition to newly listed companies in the Saudi stock market during the first three years of their listing and investing the Fund's available liquidity in low risk and highly liquid Saudi Riyal assets such as money market funds and bank deposits. In addition, the Fund is allowed to invest up to 25% of the Fund's assets in small and medium cap companies.

In dealing with the Unitholders, 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.

OSOOL & BAKHEET IPO 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 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 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	5,686,505	28,943,744
Cash at brokerage investment account	19,941,245	9,054,951
	<u>25,627,750</u>	<u>37,998,695</u>

OSOOL & BAKHEET IPO 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			
Retail	151,693,408	138,796,158	38.87
Transport	54,228,900	52,297,670	14.65
Banks & Financial Services	75,401,643	52,598,939	14.73
Cement	7,352,609	3,368,809	0.94
Hotel and tourism	65,846,259	45,593,813	12.77
Petrochemical industries	17,877,841	17,998,488	5.04
Real estate development	12,765,299	12,966,215	3.63
Insurance	3,531,393	11,748,423	3.29
Industrial investment	9,890,448	6,617,060	1.85
Building and construction	15,648,588	15,066,113	4.22
	<u>414,236,388</u>	<u>357,051,688</u>	<u>100.00</u>
2015			
Retail	176,884,064	181,505,931	30.82
Transport	61,315,865	84,535,176	14.35
Banks and financial services	74,102,764	79,242,181	13.45
Cement	66,598,534	66,414,221	11.28
Hotel and tourism	48,615,295	53,641,886	9.11
Petrochemical Industries	43,536,906	39,966,553	6.79
Agriculture and food industries	39,760,051	37,633,550	6.39
Insurance	12,325,453	17,319,922	2.94
Industrial investment	10,286,238	14,366,360	2.44
Building and construction	14,496,385	14,348,657	2.43
	<u>547,921,555</u>	<u>588,974,437</u>	<u>100.00</u>

8. TRADING GAIN, NET

	<u>2016</u>	<u>2015</u>
Realized (loss) / gain on investments, net	(7,794,206)	29,624,775
Unrealized gain on investments, net	<u>(21,101,350)</u>	<u>41,052,882</u>
	<u>(28,895,556)</u>	<u>70,677,657</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.

OSOOL & BAKHEET IPO 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 unit holders' account at 30 June included units held as follows:

	2016		2015	
	Units (in numbers)	Net Asset Value	Units (in numbers)	Net Asset Value
Held by members of the Board of Directors of the Fund	114,663	219,247	1,704,452	4,574,198
Held by employees of the Fund Manager	192,706	368,473	6,293,752	16,890,398
	307,369	587,720	7,998,204	21,464,596

During the period 2016, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 15.28 million (2015: SR 15.71 million) and 15 million (2015: SR Nil million), respectively.

Related party transactions for the six month 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 / Balance</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Interest paid	46,667	--	--	--
	Investment account	(60,387,509)	(44,020,539)	19,941,245	9,054,951
Osool & Bakheet Investment Company	Management fee	3,767,756	5,246,600	1,935,616	2,827,394
	Custody fee	941,939	1,311,650	483,904	706,849
	Brokerage fee	87,748	249,487	--	--
Board of Directors	Annual remuneration	35,340	44,997	35,340	44,997

Interest paid relates to loan from Osool & Bakheet Investment Company for SAR 32,000,000 at an interest rate of 3.5% repaid on 17 March 2016.

10. OTHER OPERATING EXPENSES

	<u>2016</u>	<u>2015</u>
Interest paid	46,667	-
Audit fee	15,900	15,000
Benchmark calculation fee	14,078	13,125
CMA monitoring and reviewing fees	3,640	3,750
Tadawul listing fees	950	-
Other expenses	99	122
	81,334	31,997

OSOOL & BAKHEET IPO 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)

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 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.

12. LAST VALUATION DAY

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