

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**Financial Statements**  
**For the year ended 31 December 2018**  
**Together with the Independent Auditor's Report to the Unitholders**

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**

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**Financial Statements**

**For the year ended 31 December 2018**

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## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS

### OSOOL & BAKHEET IPO FUND

### MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY

### RIYADH, KINGDOM OF SAUDI ARABIA

#### Opinion

We have audited the accompanying financial statements of Osool & Bakheet IPO Fund ("the Fund"), being managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprise of the statement of assets and liabilities as at 31 December 2018 and the related statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the year ended 31 December 2018 and the notes to the financial statements, comprising of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements taken as a whole, present fairly, in all material respects, the statement of asset and liabilities of the Fund as at 31 December 2018 and its financial performance and cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Funds' Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund's management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE UNITHOLDERS

### OSOOL & BAKHEET IPO FUND

### MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY

### RIYADH, KINGDOM OF SAUDI ARABIA

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "ISA" that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS  
OSOOL & BAKHEET IPO FUND  
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY  
RIYADH, KINGDOM OF SAUDI ARABIA

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

For and on behalf of  
Al-Bassam & Co.  
Allied Accountants

**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
Registration No. 337



1 April 2019  
25 Rajb 1440

**OSOOL & BAKHEET IPO FUND**  
**(Open-Ended Fund)**  
**Managed by Osool & Bakheet Investment Company**

**STATEMENT OF ASSETS AND LIABILITIES**

**As at 31 December 2018**

**(All amounts in Saudi Riyal)**

|  | Note | As at 31<br>December<br>2018 | As at 31<br>December<br>2017 | As at 1<br>January<br>2017 |
|--|------|------------------------------|------------------------------|----------------------------|
| <b>ASSETS</b>                                      |      |                              |                              |                            |
| Investments measured at FVPL                       | 8    | <b>108,377,106</b>           | 217,362,122                  | 179,299,266                |
| Dividend receivable                                |      | <b>177,292</b>               | --                           | --                         |
| Cash and cash equivalent                           |      | <b>6,859,564</b>             | 1,550,794                    | 86,133,158                 |
| <b>Total assets</b>                                |      | <b>115,413,962</b>           | 218,912,916                  | 265,432,424                |
| <b>LIABILITIES</b>                                 |      |                              |                              |                            |
| Management and custody fees                        | 9    | <b>724,675</b>               | 1,344,631                    | 1,628,280                  |
| Board of directors' fee                            | 9    | <b>120,000</b>               | 120,000                      | 85,158                     |
| Accrued expenses                                   |      | <b>101,476</b>               | 60,000                       | 61,961                     |
| <b>Total liabilities</b>                           |      | <b>946,151</b>               | 1,524,631                    | 1,775,399                  |
| <b>Net assets attributable to the Unit holders</b> |      | <b>114,467,811</b>           | 217,388,285                  | 263,657,025                |
| <br>Units in issue (number)                        |      | <br><b>77,293,043</b>        | <br>124,159,740              | <br>137,436,432            |
| <br><b>Net assets attributable to each unit</b>    |      | <br><b>1.48</b>              | <br>1.75                     | <br>1.92                   |

The accompanying notes 1 to 14 form an integral part of these financial statements.

**OSOOL & BAKHEET IPO FUND**  
**(Open-Ended Fund)**  
**Managed by Osool & Bakheet Investment Company**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**  
**(All amounts in Saudi Riyal)**

|  | Note | 31 December<br>2018 | 31 December<br>2017 |
|--|------|---------------------|---------------------|
| <b><u>Income</u></b>                         |      |                     |                     |
| Net loss from investments measured at FVPL   | 10   | (20,039,698)        | (23,799,284)        |
| Dividend income                              |      | 5,871,642           | 7,174,132           |
| Other income                                 |      | 365                 | 98                  |
| <b>Total profit / (loss)</b>                 |      | <b>(14,167,691)</b> | <b>(16,625,054)</b> |
| <b><u>Expenses</u></b>                       |      |                     |                     |
| Management fee                               | 9    | (2,955,552)         | (4,541,468)         |
| Custody fee                                  | 9    | (738,888)           | (1,135,367)         |
| Board of Directors' fee                      | 9    | (120,000)           | (120,000)           |
| Other expenses                               |      | (262,714)           | (77,750)            |
| <b>Total expenses</b>                        |      | <b>(4,077,154)</b>  | <b>(5,874,585)</b>  |
| <b>Total comprehensive loss for the year</b> |      | <b>(18,244,845)</b> | <b>(22,499,639)</b> |

The accompanying notes 1 to 14 form an integral part of these financial statements.

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(Managed by Osool & Bakheet investment company)**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS**  
**For the year ended 31 December 2018**  
**(All amounts in Saudi Riyal)**

|  | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|
| <b>Net assets value at beginning of the year</b> | <b>217,388,285</b>          | 263,657,025                 |
| Add: Subscriptions during the year               | --                          | 127,000                     |
| Less: Redemptions during the year                | <b>(84,675,629)</b>         | (23,896,101)                |
| Total comprehensive loss for the year            | <b>(18,244,845)</b>         | (22,499,639)                |
| <b>Net assets value at end of the year</b>       | <b>114,467,811</b>          | 217,388,285                 |

|  | <b>Units number</b> |              |
|--|---------------------|--------------|
| <b>Units at beginning of the year</b>        | <b>124,159,740</b>  | 137,436,432  |
| Add: Units subscribed during the year        | --                  | 70,396       |
| Less: Units redeemed during the year         | <b>(46,866,697)</b> | (13,347,088) |
| <b>Net decrease in units during the year</b> | <b>(46,866,697)</b> | (13,276,692) |
| <b>Units at end of the year</b>              | <b>77,293,043</b>   | 124,159,740  |

The accompanying notes 1 to 14 form an integral part of these financial statements.



**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(Managed by Osool & Bakheet investment company)**

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**  
**(All Amounts in Saudi Riyal)**

|  | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|
| <b>Operating activities:</b>                         |                             |                             |
| Net income loss for the year                         | (18,244,845)                | (22,499,639)                |
| Adjustments for:                                     |                             |                             |
| Net gain / (loss) from investments measured at FVPL  | 20,039,698                  | 23,799,284                  |
| <b>Changes in operating assets and liabilities:</b>  |                             |                             |
| Purchase investments measured at FVPL                | (208,884,651)               | (333,377,876)               |
| Proceeds from sale of investment measured at FVPL    | 297,829,969                 | 271,515,736                 |
| Dividend receivable                                  | (177,292)                   | --                          |
| Management and custody fee                           | (619,956)                   | (283,649)                   |
| Board of directors' fee                              | --                          | 34,842                      |
| Accrued expenses                                     | 41,476                      | (1,961)                     |
| <b>Net cash from/ (used in) operating activities</b> | <b>89,984,399</b>           | <b>(60,813,263)</b>         |
| <b>Financing activities:</b>                         |                             |                             |
| Proceeds from subscription of units                  | --                          | 127,000                     |
| Payments for Redemption of units                     | (84,675,629)                | (23,896,101)                |
| <b>Net cash used in financing activities</b>         | <b>(84,675,629)</b>         | <b>(23,769,101)</b>         |
| <b>Net change in cash and cash equivalent</b>        | <b>5,308,770</b>            | <b>(84,582,364)</b>         |
| Cash and cash equivalent at beginning of the year    | 1,550,794                   | 86,133,158                  |
| <b>Cash and cash equivalent at end of the year</b>   | <b>6,859,564</b>            | <b>1,550,794</b>            |

The accompanying notes 1 to 14 form an integral part of these financial statements.

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(Managed by Osool & Bakheet investment company)**

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**1, FUND AND ITS ACTIVITIES**

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 its terms and condition which have been approved by the CMA on 16 Muharram 1440H (corresponding to 26 September 2018).

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 five years of their listing or the last 20 companies listed on the Saudi stock market 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 50% of the Fund's net asset value in small and medium cap companies, invest by no more than 30% of its net asset value in REITs (including the funds' units that are managed by the Fund manager) also no more than 30% of the fund's net asset value in listed companies in the parallel market (Nomu).

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting 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 ("the Regulations") published by the CMA on 3/12/1427 (corresponding to 24/12/2006) subsequently amended by Resolution of the Board of the Capital Market Authority Number 1-61-2016 Dated 16/8/1437 (corresponding to 23/5/2016) detailing requirements for all funds within the Kingdom of Saudi Arabia, During the year 2016, CMA issued new Investment Fund Regulations effective from 6 November 2016.

**3, SUBSCRIPTION/ REDEMPTION (DEALING AND VALUATION DAY)**

The Fund is open for subscriptions/ redemptions on every business day (each being a "Dealing Day") of the Saudi Stock Exchange Market, the value of the Fund's portfolio is determined on each dealing day (each being 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.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
**(Managed by Osool & Bakheet Investment Company)**

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**Notes to the financial statements**  
**For The Year Ended 31 December 2018**  
**(All Amounts in Saudi Riyal)**

#### **4. BASIS OF PREPARATION**

##### **4-1 statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that is endorsed in Kingdom of Saudi Arabia.

The Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants ("SOCPA") for all periods up to the year ended 31 December 2017

The financial statements for the year ended 31 December 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS (Note 7).

These financial statements have been prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards', The Fund has applied the same accounting policies consistently for all periods presented, as if such policies were in force.

##### **4-2 Basis of measurement**

The financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial assets measured at fair value through profit or loss.

##### **4-3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"), These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

#### **5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are evaluated continually on the basis of past experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. As a result, judgments are made about the carrying amount of assets and liabilities from other sources. Actual results may differ from these estimates, Basic estimates and assumptions are examined based on an ongoing basis, An examination is included in the accounting estimates in the period in which the estimate is tested if the examination affects only that period or the period of the examination and future periods if the examination affects current and future periods.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

##### **Going Concern**

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future, Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern, Therefore, the financial statements have been prepared on a going concern basis.

##### **Expected credit loss**

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;

**OSOOL & BAKHEET IPO FUND**  
**Open-Ended Fund**  
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**Notes to the financial statements**

**For the year ended 31 December 2018**

**(All Amount in Saudi Riyal)**

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

**6. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements as follows:

**6-1 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consists bank balance, Cash and cash equivalents are carried at amortized cost in the statement of assets and liabilities.

**6-2 Financial instruments**

**6-2-1 Change in accounting policies**

The Fund has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies, As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 7), Adjustments to the carrying amounts of financial assets and liabilities at the date of transition, if any, were recognized in the opening net assets of current year.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Fund, Further details of the IFRS accounting policies applied in the current period (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in below notes.

**Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA and IFRS 9 as at 1 January 2018 are compared as follows:

|                                 | SOCPA                                     |                        | IFRS 9                  |                        |
|---------------------------------|---|------------------------|-------------------------|------------------------|
|                                 | Measurement category                      | Carrying amount<br>SAR | Measurement<br>category | Carrying amount<br>SAR |
| <b>Financial assets</b>         |   |                        |                         |                        |
| Cash and Cash equivalent        | Amortized cost<br>(Loans and receivables) | 1,550,794              | Amortized<br>cost       | 1,550,794              |
| Investments measured at<br>FVPL | FVPL<br>(Held for trading)                | 217,362,122            | FVPL                    | 217,362,122            |
| <b>Total financial assets</b>   |   | <b>218,912,916</b>     |                         | <b>218,912,916</b>     |

There were no changes to the classification and measurement of financial liabilities,

**OSOOL & BAKHEET IPO FUND**  
**(Open-Ended Fund)**  
**Managed by Osool & Bakheet Investment Company**

**Notes to the financial statements**  
**For the year ended 31 Decmber 2018**  
**(All Amount in Saudi Riyal)**

**6, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-2 financial instruments (continued)**

**6-2-1 Change in accounting policies (continued)**

**Reconciliation of statement of assets and liabilities balances from SOCPA to IFRS 9**

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. please refer to Note 6-2-2 for more detailed information regarding the new classification requirements of IFRS 9,

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with SOCPA to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

|   | Ref | SOCPA<br>amount 1<br>January<br>2018 | Reclassifications | Remeasurement | IFRS 9<br>amount<br>1 January<br>2018 |
|---|-----|--------------------------------------|-------------------|---------------|---------------------------------------|
| <b>Amortized cost:</b>                    |     |                                      |                   |               |                                       |
| Cash and Cash equivalent                  |     | 1,550,794                            | --                | --            | 1,550,794                             |
| <b>Fair value through profit or loss:</b> |     |                                      |                   |               |                                       |
| <b>Held for trading investments</b>       | A   | 217,362,122                          | (217,362,122)     | --            | --                                    |
| Investments measured at FVPL              | A   | --                                   | 217,362,122       | --            | 217,362,122                           |

The following notes explain how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Fund as shown in the tables above.

- A) Previously classified held for trading investments under SCOPA have been reclassified as investments measured at fair value through profit or loss, with no changes to measurement basis,

## **6, SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **6-2 financial instruments (continued)**

#### **6-2-2 Classification and measurement of financial assets through profit or loss**

*Policy applicable from 1 January 2018.*

##### **Equity instruments**

The Fund classifies its financial assets at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, dividends from these investments are recognized in the statement of profit and loss as other income when the right to receive payment is established. There is no requirement for impairment of equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets are recognized as profit or loss in the statement of profit and loss.

#### **6-2-3 Derecognition**

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

#### **6-2-4 Financial liabilities**

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVPL. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### **6-2-5 Impairment of financial assets**

The Fund assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial instrument assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **6-3 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of assets and liabilities when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **6-4 Accrued expenses and other Payable**

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission rate method.

#### **6-5 Provisions**



**OSOOL & BAKHEET IPO TRADING FUND**  
**Open-Ended Fund**  
**(Managed by Osool & Bakheet Investment Company)**

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**Notes to the financial statements**

**For the year ended 31 December 2018**

**(All Amount in Saudi Riyal)**

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made, Provision is not recognized for future operating loss.

**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-6 Income tax / zakat**

Income tax / zakat is the obligation of the Unit Holders and therefore, no provision for such liability is made in these financial statements.

**6-7 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made, Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Dividend income is recognized when the Fund's right to receive dividends is established.

**7. FIRST-TIME ADOPTION OF IFRS**

The financial statements for the year ended 31 December 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS that are endorsed by the Kingdom of Saudi Arabia, For periods up to the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants ("SOCPA"),

Accordingly, the Fund has prepared the financial statements that comply with IFRS applicable as at 31 December 2018, together with the comparative periods as at 1 January 2017 and as at 31 December 2017, this note explains the principal adjustments made by the Fund in restating its previous statements of assets and liabilities as at 1 January 2017 and 31 December 2017 which had been prepared in accordance with the requirements of SOCPA.

**Exemptions applied**

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Fund has applied the following exemption:

The Fund has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of 1 January 2018, which resulted in adjustments to the amounts previously recognized in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures, Adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition, if any, were recognized in the opening retained earnings (1 January 2018) of current year, Accordingly, the information presented in comparative periods reflect the requirements under SOCPA and therefore is not comparable to the information provided under the requirements of IFRS 9 for the year ended 31 December 2018.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current year.

The following assessment have been made on the basis of the facts and circumstances that existed at the date of transition to IFRS 9:

- Determination of the business model within which a financial asset is held.
- Designation and revocation of previous designations of certain financial assets as measured at fair value through profit or loss.

**Estimates**

**OSOOL & BAKHEET IPO TRADING FUND**  
**(Open-Ended Fund)**  
**Managed by Osool & Bakheet Investment Company**

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**(All Amount in Saudi Riyal)**

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA.

**7, FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

**The reconciliation of net assets values as at 1 January 2017 and 31 December 2017:**

|  | <b>SOCPA<br/>1 January<br/>2017</b> | <b>Effect of<br/>transition to<br/>IFRS</b> | <b>IFRS<br/>1 January<br/>2017</b> |
|--|-------------------------------------|---|------------------------------------|
| <b>ASSETS</b>                                      |                                     |   |                                    |
| Cash and cash equivalent                           | 86,133,158                          | -   | 86,133,158                         |
| Investments measured at FVPL                       | 179,299,266                         | -   | 179,299,266                        |
| <b>Total assets</b>                                | <b>265,432,424</b>                  | <b>-</b>                                    | <b>265,432,424</b>                 |
| <b>LIABILITIES</b>                                 |                                     |   |                                    |
| Management and custody fee                         | 1,628,280                           | -   | 1,628,280                          |
| Board of directors' fee                            | 85,158                              | -   | 85,158                             |
| Accrued expenses                                   | 61,961                              | -   | 61,961                             |
| <b>Total liabilities</b>                           | <b>1,775,399</b>                    | <b>-</b>                                    | <b>1,775,399</b>                   |
| <b>Net assets attributable to the Unit holders</b> | <b>263,657,025</b>                  |   | <b>263,657,025</b>                 |

**The reconciliation of net assets as at 31 December 2017:**

|  | <b>SOCPA<br/>31 December<br/>2017</b> | <b>Effect of<br/>transition to<br/>IFRS</b> | <b>IFRS<br/>31 December<br/>2017</b> |
|--|---------------------------------------|---|--------------------------------------|
| <b>ASSETS</b>                                      |                                       |   |                                      |
| Cash and cash equivalent                           | 1,550,794                             | --  | 1,550,794                            |
| Investments measured at FVPL                       | 217,362,122                           | --  | 217,362,122                          |
| <b>Total assets</b>                                | <b>218,912,916</b>                    | <b>--</b>                                   | <b>218,912,916</b>                   |
| <b>LIABILITIES</b>                                 |                                       |   |                                      |
| Management and custody fees                        | 1,344,631                             | --  | 1,344,631                            |
| Board of directors' fee                            | 120,000                               | --  | 120,000                              |
| Accrued expenses                                   | 60,000                                | --  | 60,000                               |
| <b>Total liabilities</b>                           | <b>1,524,631</b>                      | <b>--</b>                                   | <b>1,524,631</b>                     |
| <b>Net assets attributable to the Unit holders</b> | <b>217,388,285</b>                    | <b>--</b>                                   | <b>217,388,285</b>                   |

**- Note of reclassification of NAV as at 1 January 2017 and 31 December 2017**

According to SOCPA, the Fund classified net assets attributable to the unit holders as liability. In accordance to IFRS, as required in IAS 32, the net assets attributable to unit holders has been classified as equity.



**OSOOL & BAKHEET IPO FUND**  
**(Open-Ended Fund)**  
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**7. FIRST-TIME ADOPTION OF IFRS (CONTINUED)**

**The reconciliation of net comprehensive income of the Fund for the year ended 31 December 2017**

|   | <b>SOCPA<br/>31 December<br/>2017</b> | <b>Effect of<br/>transition<br/>to IFRS</b> | <b>IFRS<br/>31 December<br/>2017</b> |
|---|---------------------------------------|---|--------------------------------------|
| <b>Income</b>                                     |                                       |   |                                      |
| loss from sale of investments measured at FVPL    | (11,840,060)                          | --  | (11,840,060)                         |
| Unrealized loss from investments measured at FVPL | (11,959,224)                          | --  | (11,959,224)                         |
| Dividend income                                   | 7,174,132                             | --  | 7,174,132                            |
| Other income                                      | 98                                    | --  | 98                                   |
| <b>Total Income</b>                               | <b>(16,625,054)</b>                   | <b>--</b>                                   | <b>(16,625,054)</b>                  |
| <b>Expenses</b>                                   |                                       |   |                                      |
| Management fee                                    | (4,541,468)                           | --  | (4,541,468)                          |
| Custody fee                                       | (1,135,367)                           | --  | (1,135,367)                          |
| Board of Directors' fee                           | (120,000)                             | --  | (120,000)                            |
| Other expenses                                    | (77,750)                              | --  | (77,750)                             |
| <b>Total expenses</b>                             | <b>(5,874,585)</b>                    | <b>--</b>                                   | <b>(5,874,585)</b>                   |
| <b>Net comprehensive income for year end</b>      | <b>(22,499,639)</b>                   | <b>--</b>                                   | <b>(22,499,639)</b>                  |

The Fund's operating, investing and financing cash flows reported under SOCPA did not significantly differ from IFRS.

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**(Open-Ended Fund)**  
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**Notes to the financial statements**  
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**8. INVESTMENTS MEASURED AT FVPL**

The following is a summary of the components of investments in FVTPL by sector:

| <b>Sector</b>                  | <b>31 December 2018</b> |                     |            |
|--------------------------------|-------------------------|---------------------|------------|
|                                | <b>Cost</b>             | <b>Market Value</b> | <b>%</b>   |
| Banks                          | 20,352,327              | 22,115,414          | 20.40      |
| Materials                      | 20,127,515              | 17,600,197          | 16.24      |
| Health Care Equipment & Svc    | 21,601,682              | 15,106,003          | 13.94      |
| Capital Goods                  | 10,791,434              | 8,774,139           | 8.10       |
| Transportation                 | 9,649,963               | 7,527,775           | 6.95       |
| Consumer Services              | 5,735,475               | 6,020,510           | 5.56       |
| Retailing                      | 5,563,375               | 5,568,912           | 5.14       |
| Real Estate Mgmt & Dev't       | 6,345,208               | 4,813,203           | 4.44       |
| Insurance                      | 4,365,307               | 4,163,278           | 3.84       |
| Energy                         | 3,900,147               | 3,979,249           | 3.67       |
| Food & Beverages               | 3,996,586               | 3,821,003           | 3.53       |
| Utilities                      | 2,282,667               | 2,377,313           | 2.19       |
| Commercial & Professional Svc  | 2,647,860               | 2,257,227           | 2.08       |
| REITs                          | 1,526,041               | 1,539,609           | 1.42       |
| Telecommunication Services     | 1,146,218               | 1,108,522           | 1.02       |
| Food & Staples Retailing       | 1,152,464               | 1,070,201           | 0.99       |
| Pharma, Biotech & Life Science | 545,850                 | 534,551             | 0.49       |
|                                | <b>121,730,119</b>      | <b>108,377,106</b>  | <b>100</b> |

| <b>Sector</b>               | <b>31 December 2017</b> |                     |                          |
|-----------------------------|-------------------------|---------------------|--------------------------|
|                             | <b>Cost</b>             | <b>Market Value</b> | <b>of market Value %</b> |
| Materials                   | 46,499,168              | 45,471,763          | 20.92                    |
| Health Care Equipment & Svc | 51,311,518              | 45,408,126          | 20.89                    |
| Real Estate Mgmt & Dev't    | 39,614,380              | 39,231,657          | 18.05                    |
| Transportation              | 37,870,764              | 29,739,391          | 13.68                    |
| Retailing                   | 26,561,246              | 29,539,077          | 13.59                    |
| Banks                       | 17,613,556              | 19,640,890          | 9.04                     |
| Consumer Durables & Apparel | 7,039,795               | 5,518,729           | 2.54                     |
| Capital Goods               | 2,810,919               | 2,812,489           | 1.29                     |
|                             | <b>229,321,346</b>      | <b>217,362,122</b>  | <b>100</b>               |

**OSOOL & BAKHEET IPO FUND**  
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**8, INVESTMENTS MEASURED AT FVPL (CONTINUED)**

| <b>Sector</b>                 | 1 January 2017 |              |                   |
|-------------------------------|----------------|--------------|-------------------|
|                               | Cost           | Market Value | of market Value % |
| Health Care Equipment & Svc   | 41,199,840     | 41,939,002   | 23.39             |
| Transportation                | 22,477,630     | 34,636,877   | 19.32             |
| Materials                     | 22,591,113     | 31,299,271   | 17.46             |
| Banks                         | 25,735,619     | 22,880,973   | 12.76             |
| Energy                        | 12,696,991     | 13,483,386   | 7.52              |
| Retailing                     | 11,623,920     | 10,050,376   | 5.60              |
| Insurance                     | 7,551,853      | 8,633,505    | 4.81              |
| Commercial & Professional Svc | 7,658,662      | 7,757,026    | 4.33              |
| Consumer Durables & Apparel   | 5,820,197      | 5,845,840    | 3.26              |
| Food & Beverages              | 2,202,679      | 2,773,010    | 1.55              |
|                               | 159,558,504    | 179,299,266  | 100               |

**9, TRANSACTIONS AND BALANCE WITH RELATED PARTY**

In the ordinary course of its activities, the Fund transacts with its related parties, The Fund Manager and custodian are related parties.

The Fund Manager charges the Fund with a management fee of 2% per annum and custody fee of 0.5% 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 a maximum of SR 30,000 per member.

The Fund Manager charges each investor an early redemption fee at the rate of 1.75% of the value of the redeemed Fund units.

The related party transactions for the years ended 31 December 2018 and 31 December 2017, respectively:

| <b>Related Party</b>               | <b>Nature of transactions</b> | <b>31 December</b> |                         |
|------------------------------------|-------------------------------|--------------------|-------------------------|
|                                    |                               | <b>2018</b>        | <b>31 December 2017</b> |
| Osool & Bakheet Investment Company | Management fee                | <b>2,955,552</b>   | 4,541,468               |
|                                    | Custody fee                   | <b>738,888</b>     | 1,135,367               |
| Board of Directors                 | Annual remuneration           | <b>120,000</b>     | 120,000                 |

Related party balances consist of:

| <b>Related Party</b>               | <b>Nature of transactions</b> | <b>Ending balance (payable)</b> |                         |                       |
|------------------------------------|-------------------------------|---------------------------------|-------------------------|-----------------------|
|                                    |                               | <b>31 December 2018</b>         | <b>31 December 2017</b> | <b>1 January 2017</b> |
| Osool & Bakheet Investment Company | Management fee                | <b>579,740</b>                  | 1,075,705               | 1,302,624             |
|                                    | Custody fee                   | <b>144,935</b>                  | 268,926                 | 325,656               |
|                                    | Cash in an investment account | <b>6,857,331</b>                | 999,721                 | 82,037,849            |
| Board of Directors                 | Annual remuneration           | <b>120,000</b>                  | 120,000                 | 85,158                |

Custody fees include administrative expenses for the Fund operations and amount due to the custodian (Alinma Investment).

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**10, NET GAIN / (LOSS) FROM INVESTMENTS MEASURED AT FVPL**

|  | <b>31 December<br/>2018</b> | <b>31 December<br/>2017</b> |
|--|-----------------------------|-----------------------------|
| Realized loss from sale of Investments measured at FVPL          | <b>(8,235,039)</b>          | (11,840,060)                |
| Unrealized loss from revaluation of Investments measured at FVPL | <b>(11,804,659)</b>         | (11,959,224)                |
|  | <b>(20,039,698)</b>         | (23,799,284)                |

**11, FINANCIAL INSTRUMENTS BY CATEGORY**

**31 December 2018**

**Assets as per statement of Assets and liabilities**

|                              | <b>Amortised cost</b> | <b>FVPL</b> |
|------------------------------|-----------------------|-------------|
| Cash and cash equivalent     | <b>6,859,564</b>      | --          |
| Investments measured at FVPL | --                    | 108,377,106 |
| Dividend receivable          | <b>177,292</b>        | --          |
| <b>Total</b>                 | <b>7,036,856</b>      | 108,377,106 |

**31 December 2017**

**Assets as per statement of Assets and liabilities**

|                              | <b>Amortised cost</b> | <b>FVPL</b> |
|------------------------------|-----------------------|-------------|
| Cash and cash equivalent     | <b>1,550,794</b>      | --          |
| Investments measured at FVPL | --                    | 217,362,122 |
| <b>Total</b>                 | <b>1,550,794</b>      | 217,362,122 |

**1 January 2017**

**Assets as per statement of Assets and liabilities**

|                              | <b>Amortised cost</b> | <b>FVPL</b> |
|------------------------------|-----------------------|-------------|
| Cash and cash equivalent     | <b>86,133,158</b>     | --          |
| Investments measured at FVPL | --                    | 179,299,266 |
| <b>Total</b>                 | <b>86,133,158</b>     | 179,299,266 |

All financial liabilities as at 31 December 2018 were classified as financial liabilities measured at amortized cost category, All financial liabilities as at 31 December 2017 and 1 January 2017 were classified as other financial liabilities category and measured at amortized cost.

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**12. FINANCIAL RISK MANAGEMENT**

**12.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk,

The Fund Manager is responsible for identifying and controlling risks, The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund,

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board, The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines,

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below,

**(a) Market risk**

**Price risk**

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements,

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds, The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments, As of the statement of financial position date, Fund has equity investments,

The effect on the net asset value (as a result of changes in the fair value of investments as of 31 December 2017) and the return due to a possible change in the unit's holder NAV indices based on industry concentration, with all other variables held constant as follows:

|                                | 31 December 2018                    |                  | 31 December 2017                    |                  | 1 January 2017                      |                  |
|--------------------------------|-------------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|------------------|
|                                | Potential<br>reasonable<br>change % | Effect on<br>NAV | Potential<br>reasonable<br>change % | Effect<br>on NAV | Potential<br>reasonable<br>change % | Effect<br>on NAV |
| Materials                      | 1%                                  | 176,002          | 1%                                  | 454,472          | 1%                                  | 312,993          |
| Health Care Equipment & Svc    | 1%                                  | 151,060          | 1%                                  | 454,081          | 1%                                  | 419,390          |
| Real Estate Mgmt & Dev't       | 1%                                  | 48,132           | 1%                                  | 392,317          | --                                  | --               |
| Transportation                 | 1%                                  | 75,278           | 1%                                  | 297,394          | 1%                                  | 346,369          |
| Insurance                      | 1%                                  | 41,633           | --                                  | --               | 1%                                  | 863,351          |
| Consumer Services              | 1%                                  | 60,205           | --                                  | --               | --                                  | --               |
| Retailing                      | 1%                                  | 55,689           | 1%                                  | 295,391          | 1%                                  | 100,504          |
| Banks                          | 1%                                  | 221,154          | 1%                                  | 196,409          | 1%                                  | 228,810          |
| Capital Goods                  | --                                  | --               | 1%                                  | 551,873          | 1%                                  | 584,584          |
| Consumer Durables & Apparel    | 1%                                  | 87,741           | 1%                                  | 281,249          | --                                  | --               |
| Energy                         | 1%                                  | 39,792           | --                                  | --               | 1%                                  | 134,834          |
| Commercial & Professional Svc  | 1%                                  | 22,572           | --                                  | --               | 1%                                  | 775,703          |
| Food & Beverages               | 1%                                  | 38,210           | --                                  | --               | 1%                                  | 277,301          |
| Food & Staples Retailing       | 1%                                  | 10,702           | --                                  | --               | --                                  | --               |
| Utilities                      | 1%                                  | 23,773           | --                                  | --               | --                                  | --               |
| REITs                          | 1%                                  | 15,396           | --                                  | --               | --                                  | --               |
| Telecommunications Services    | 1%                                  | 11,085           | --                                  | --               | --                                  | --               |
| Pharma, Biotech & Life Science | 1%                                  | 5,346            | --                                  | --               | --                                  | --               |

**OSOOL & BAKHEET IPO FUND**  
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**(All Amount in Saudi Riyal)**

**12, FINANCIAL RISK MANAGEMENT (CONTINUED)**

**12,1 Financial risk factors**

**(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its investment portfolio, dividends and bank balances.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units every business day, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

**12,2 Fair value estimation**

The fund classifies fair value measurements using the fair-value hierarchy that reflects the importance of the inputs used to perform these measurements, the fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date,
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3 inputs are unobservable inputs for the asset or liability.

The Fund has classified the fair value hierarchy for all investments at Level 1.

On the date of the statement of asset and liability, the fund manager believes that the fund could have recovered its investments by its net asset value per unit, the carrying amount less provision for impairment of other receivables and payables is close to their fair value.

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**Notes to the financial statements**  
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**13, LAST VALUATION DAY**

The last valuation day of the year was 31 December 2018 G.

**14, APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board of Directors on 15 Rajab 1440H  
Corresponding to 22 March 2019 G.