

**Osool & Bakheet Investment Company
(Saudi Closed Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia**

**Financial Statements & Auditor's Report
For the year ended 31 December 2017**

**Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia**

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TO,
Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company

INDEPENDENT AUDITOR'S REPORT

Opinion:

We have audited the financial statements of **Osool & Bakheet Investment Company (Saudi Closed Joint Stock Company)**, which comprise the statement of financial position as at December 31, 2017, and the statement of income, statement of cash flows and statement of changes in equity for the year then ended, and notes from (1) to (28) to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion:

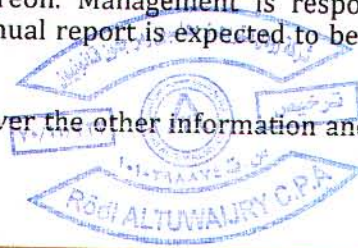
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical 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.

Key audit matter	How our audit addressed the key audit matter
<p>The Brokerage Revenue Recognition</p> <ul style="list-style-type: none"> With reference to accounting policies relating to the recognition of income number (2/J) The brokerage revenue has many transactions with low-value, and revenue is recognized when the services rendered to clients. The company relies on revenue as a basic measure of performance. Moreover, the complexity of IT operations and systems associated with these revenues, we considered brokerage revenues as major audit matter. 	<p>In response to this aspect, our audit procedures included the testing of relevant controls and verification of the following:</p> <ul style="list-style-type: none"> Assess the revenue recognition policy whether it is consistent with the Saudi Accounting Standard (5) (Revenue). We have tested the controls, including the evaluation of implementation and operating efficiency of the internal controls as well as the IT environment. We conducted a sample test of recorded brokerage revenue transactions and matched them with supporting documents to verify the existence of revenue.

Other information included in the Company's annual report

Other information consists of the information included in the Company's annual report, other than the financial statement, and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



"INDEPENDENT AUDITOR'S REPORT" (Continued)**Other information included in the Company's annual report -**

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management's Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the provisions of Companies' Law and [Company's By-laws, 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, management is responsible for assessing the Company'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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

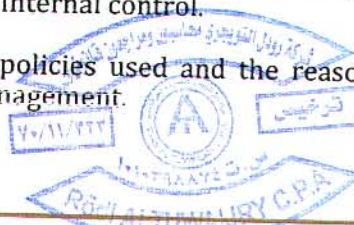
Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 auditor's 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

Report on Other Legal and Regulatory Requirements

Comply with the requirements of the company's regulations insofar as these relate to the preparation and presentation of the financial statements, the financial statements matching with computer systems.

Rödl Al Tuwajri
Certified Public Accountants



Othman M. Al Tuwajry
License No. 184



Rajab 12, 1439H
March 29, 2018

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of Financial Position
As of 31 December 2017

"All figures are stated in Saudi Riyals"

	<u>Note</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
Assets			
Current Assets			
Cash and cash equivalents	(3)	7,588,731	27,605,714
Investments in portfolio, trading funds & Securities	(4)	5,735,971	10,402,406
Accounts receivables - net	(5)	3,917,421	445,419
Clients lending	(6)	25,541,074	25,269,069
Due from related parties	(23)	3,669,758	7,889,840
Prepaid expenses and other debit balances	(7)	693,734	624,554
Total Current Assets		47,146,689	72,237,002
Non-Current Assets			
Real Estate Investments	(8)	27,000,000	27,000,000
Available for sale investments	(9)	77,692	80,810
Fixed assets - net	(10)	578,702	377,944
Total Non-Current Assets		27,656,394	27,458,754
Total Assets		74,803,083	99,695,756
Current liabilities			
Short term loans	(11)	-	22,000,000
Accrued expenses and other credit balances	(12)	1,389,508	1,353,144
Due to related parties	(23)	280,000	180,000
Due to shareholders	(13)	348,750	23,000
Estimated zakat provision	(22)	2,869,764	2,871,627
Total Current liabilities		4,888,022	26,427,771
Non-Current liabilities			
Provision for end of service benefits	(14)	1,603,549	1,476,042
Total liabilities		6,491,571	27,903,813
Shareholders' Equity			
Share Capital	(15)	60,000,000	60,000,000
Statutory reserves	(16)	2,989,315	2,736,632
Unrealized losses from available for sale investment		(46,444)	(39,181)
Retained earnings		5,368,641	9,094,492
Net Shareholders' Equity		68,311,512	71,791,943
Total Liabilities and Shareholders' Equity		74,803,083	99,695,756



The Accompanying Notes from (1) to (28) Constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of Income
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

	Note	31/12/2017	31/12/2016
Revenues			
Fund Management fees		7,182,516	7,621,164
Performance fees		-	313,823
Brokerage revenues - net		832,667	1,104,811
Realized gains/(losses) from investments in trading funds & securities		866,243	(224,168)
Portfolio Management fees		1,145,261	1,149,414
Custody fees		1,375,982	1,930,871
Services fees		8,490	6,071
Revenues of special commissions		230,778	543,486
Cash dividends received		13,796	69,585
Profit from Murabaha loans & interests on overdrafts from clients		2,284,736	2,532,671
Unrealized gains/(losses) from investments in Trading funds & Securities		(304,985)	414,530
Funds establishment fees		200,000	-
Funds subscription fees		3,822,935	-
Total revenues		17,658,419	15,462,258
Principal Activities Expenses			
Depreciation of fixed assets	(10)	(164,234)	(176,446)
General and administrative expenses	(17)	(15,645,338)	(12,783,181)
Net Income from Principal Activities		1,848,847	2,502,631
Results from Other Activities:			
Financing expenses		(408,611)	-
Gain on sale of fixed assets		9,000	4,000
Other revenues		2,302,203	443,565
Net Income for the year before Zakat		3,751,439	2,950,196
Estimated Zakat	(22)	(1,224,607)	(1,226,470)
Net Income for the year		2,526,832	1,723,726
Earnings per share for net income from principal activities	(18)	0.31	0.42
Earnings per share for Net Income for the year	(18)	0.42	0.29



The Accompanying Notes from (1) to (28) Constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Statement of Cash Flows
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

	<u>31/12/2017</u>	<u>31/12/2016</u>
Cash Flows From Operating Activities:		
Net income for the year	2,526,832	1,723,726
Adjustments for:		
Depreciation of fixed asset	164,234	176,446
Gain from sale of fixed assets	(9,000)	(4,000)
Unrealized losses/(gains) from investments in Trading funds & Securities	304,985	(414,530)
Provision for end of service benefits	407,459	449,510
Provision for zakat	1,224,607	1,226,470
Adjustments to Zakat provision	-	(93,513)
	<u>4,619,117</u>	<u>3,064,109</u>
Changes in Operating Assets and Liabilities:		
Accounts receivables - net	(3,472,002)	921,490
Clients lending	(272,005)	20,410,506
Due from related parties	4,220,082	(5,507,082)
Prepaid expenses and other debit balances	(69,108)	535,432
Accrued expenses and other credit balances	36,364	(463,792)
Due to related parties	100,000	180,000
End of service benefits paid	(279,953)	(105,960)
Zakat paid	(1,226,470)	(2,005,182)
Net cash from operating activities	<u>3,655,953</u>	<u>17,029,521</u>
Cash Flow From Investing Activities:		
Investments in Securities and Mutual Funds	4,361,451	3,957,810
Real Estate Investment	-	(27,000,000)
Fixed assets purchased	(364,992)	(231,234)
Change in the fair value of investments in securities	(4,145)	(4,417)
Proceeds from sale of fixed assets	9,000	4,000
Net cash from/(used in) investing activities	<u>4,001,314</u>	<u>(23,273,841)</u>
Cash flows from Financing Activities:		
Due to shareholders	(23,000)	(2,572,980)
Short term loans	(22,000,000)	12,000,000
Dividends paid	(5,651,250)	(3,000,000)
Net cash (used in)/from financing activities	<u>(27,674,250)</u>	<u>6,427,020</u>
Net change in cash and cash equivalents	(20,016,983)	182,700
Cash and cash equivalents at beginning of the year	27,605,714	27,423,014
Cash and Cash Equivalents at End of the year	<u>7,588,731</u>	<u>27,605,714</u>



The Accompanying Notes from (1) to (28) Constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
 Saudi Closed Joint Stock Company
 Riyadh - Kingdom of Saudi Arabia
 Statement of Changes in Shareholder's Equity
 For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

	Capital	Statutory Reserve	Proposed Dividends	Unrealized losses from Available for Sale Investments	Retained Earnings	Total
2016						
Balance as of 01 Jan 2016	60,000,000	2,564,259	3,000,000	(34,764)	7,543,139	73,072,634
Net income for the year	-	-	-	-	1,723,726	1,723,726
Unrealized losses from Available for sale investments	-	-	-	(4,417)	-	(4,417)
Proposed Dividend	-	-	(3,000,000)	-	-	(3,000,000)
Transferred to statutory reserve	-	172,373	-	-	(172,373)	-
Balance as of 31 December 2016	60,000,000	2,736,632	-	(39,181)	9,094,492	71,791,943
2017						
Balance as of 01 Jan 2017	60,000,000	2,736,632	-	(39,181)	9,094,492	71,791,943
Net income for the year	-	-	-	-	2,526,832	2,526,832
Unrealized losses from Available for sale investments	-	-	-	(7,263)	-	(7,263)
Proposed Dividends	-	-	-	-	(6,000,000)	(6,000,000)
Transferred to statutory reserve	-	252,683	-	-	(252,683)	-
Balance as of 31 December 2017	60,000,000	2,989,315	-	(46,444)	5,368,641	68,311,512



The Accompanying Notes from (1) to (28) Constitute an Integral Part of These Financial Statements

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

1- Formation and Nature of Business:

Osool & Bakheet Investment Company – Saudi Closed Joint Stock Company (referred to hereinafter as the "The Company") was established under the commercial registration No. 1010219805 issued in Riyadh on 02/05/1427H. The activity of the company includes acting as principal and agent, managing investment funds, managing portfolios of clients and custody in securities business pursuant to the approval of the Capital Market Authority No. 07/08126 on 23/01/1435H.

2- Summary of Significant Accounting Policies:

The financial statements are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia. The significant accounting policies applied consistently by the company in the preparation of these financial statements:

A. Accounting Convention:

These accounting statements have been prepared under the historical cost basis (except for investments in securities which are valued at fair value) using the accrual basis and going concern assumption.

Dated January 1, 2018, the financial statements will be prepared according to International Financial Reporting Standards (IFRS) which are approved by the Saudi Organization of Certified Public Accountants (SOCPA).

When the Financial Statements is prepared in accordance with IFRS first adaption, The Company will assess the effects and make certain adjustments due to the impact of the application of IFRS for the first adoption. Accordingly, the accompanying financial statements are the latest of financial statements prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.

B. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual result ultimately may differ from those estimates.

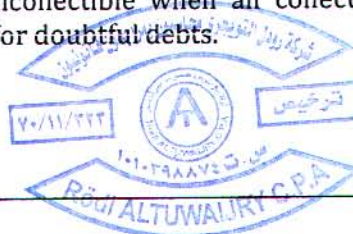
Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

C. Cash and Cash Equivalents:

Cash and Cash equivalents comprise cash in hand, cash at banks and short term deposits with original maturities of three months or less.

D. Accounts Receivable:

Accounts receivable are carried at original invoice amount less provision for doubtful debts. The provision for doubtful debts is estimated based on an analysis of the collectability of individual receivable. Accounts receivable are considered uncollectible when all collection efforts are exhausted and are written-off against the provision for doubtful debts.



Osool & Bakheet Investment Company
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Notes to the Financial Statements
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

E. Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. The cost of fixed assets less estimated residual value of fixed assets, except land, is depreciated on a straight line basis over their estimated useful lives using the following annual rates:

Equipment	20%
Furniture	15%
Vehicles	25%
Computers	33%
Telecommunication devices	25%

The cost and accumulated depreciation of sold or disposed assets are eliminated from the accounts upon its sale or disposal, any resulting gains or losses are included in the statement of income.

Repair and maintenance expenses that do not materially increase the asset's useful life or its production capacity are included in the income statement. Material improvements and replacements are capitalized when incurred. The replaced assets are eliminated from the records.

F. Impairment of Non-Currents Assets:

The company periodically reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately.

G. Investment In Securities:

I- Available for Sale Investment:

Investments that are not held for trading or maturity are classified as investments available for sale. These investments are initially recorded at fair value in addition to direct transaction costs and are subsequently stated at fair value. Unrealized gain or loss from changes in fair value is recognized in the statement of changes in equity until the investment is de-recognized or the investment is determined to be impaired. On de-recognition or impairment of the cumulative gains or losses, previously reported in equity, are included in the statement of income. Fair value is determined based on the market value if an open market exists or by using alternative revaluation methods. Otherwise cost is considered to be fair value. Dividends from these investments are recognized in the income statement when the right of receipt is established.

2- Investment Held for Trading:

Investments held for trading purposes are stated initially at cost and are subsequently measured at fair value. These investments are classified in the financial position under current assets. Realized gains or losses from trading and unrealized gains or losses resulting from changes in fair values are included in the income statement.

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

H. Accrued Expenses and Other Credit Balances:

Liabilities are recognized for amounts to be paid in future for goods or services received whether billed by the supplier or not.

I. Provision for End of Service Benefits:

End-of-service benefits, payable to employees upon their termination, are provided in the financial statements, in accordance with labor regulation in Kingdom of Saudi Arabia.

J. Revenue Recognition:

The revenue from stock brokerage service is recorded in the period where they are realized. The revenue of services rendered to clients.

The revenue from bank commissions on deposits at banks is recorded by calculating the term of such deposits on accrual basis.

As for Murabaha revenue, they are realized according to the terms and conditions of the contracts concluded with clients on the basis of Murabaha amounts and term.

In addition, the revenue from portfolio and funds management fees is recorded at the date of realization according to the agreements concluded with the owners of those portfolios. The revenue resulting from consulting and financial information fees are recorded upon completion.

The fees related to portfolio positive performance are calculated at the end of each calendar quarter, and the company sends an invoice to the client according to the contract concluded with each client where the value of portfolio positive performance is determined.

Revenue from dividend, is recognized when the company has the right of received it.

K. Expenses:

All other expenses, except cost of revenues and finance expenses are classified as general and administrative expenses. Expenses are recognized in the income statement on the accrual basis in the period in which they are incurred. Allocations between selling, marketing and general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

L. Related Parties Transactions:

Transactions with related parties are carried out at the same terms and conditions with external parties.

M. Provision for Zakat:

Zakat is provided and recognized in the income statement for each financial period separately in accordance with the Saudi Arabian Department of Zakat and Income Tax (DZIT) regulations. Variances between the Zakat provision and final assessment of DZIT are charged to the income statement in the period when the final Zakat assessment is received.

N. Transactions in Foreign Currency:

Transactions in foreign currencies are translated in Saudi Riyals at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position's date are translated to Saudi Riyals at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the income statement as gains or losses.

Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

3- Cash and Cash Equivalents

	<u>31/12/2017</u>	<u>31/12/2016</u>
Cash in hand	6,936	5,857
Unused cash in investment portfolio	1,955,614	2,016,328
Current accounts at local banks in Saudi Riyal	5,626,181	583,529
Bank deposit - Note	-	25,000,000
	<u>7,588,731</u>	<u>27,605,714</u>

4- Investments Portfolio, Trading Funds

	<u>31/12/2017</u>	<u>31/12/2016</u>
Osool & Bakheet IPO Trading Funds Sharia Compliant	-	9,987,876
Investment in Real Estate fund	3,578,354	-
Investment in Parallel market portfolio (NOMU)	836,550	-
Investment Marketable securities	1,626,052	-
Total of Investment in Securities & Trading Funds	6,040,956	9,987,876
Unrealized (losses)/gains from investments portfolio and trading funds	(304,985)	414,530
	<u>5,735,971</u>	<u>10,402,406</u>

5- Accounts Receivable - Net:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Clients portfolio management	3,152,287	2,960,723
Provision for doubtful debts - Note (5/1)	(2,715,724)	(2,715,724)
Clients portfolio management - Net	436,563	244,999
Accrued income from Murabaha clients	1,317,642	2,025
Accrued rent from Real estate investments	2,025,000	-
Others	138,216	198,395
	<u>2,715,724</u>	<u>445,419</u>

(5/1) Provision for Doubtful Debts:

The provision of SAR 2,715,724 represent the amount due to the clients for performance fees and has not been paid. A complaint was filed with the Securities Dispute Resolution Committee on July 22, 2014 to oblige the clients to pay the amount a final judgment was issued in favor of the company on 12 September 2017, and the management has decided to keep the provision until the amount is collected.



Osool & Bakheet Investment Company
Saudi Closed Joint Stock Company
Riyadh - Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

6- <u>Clients Lending:</u>	<u>31/12/2017</u>	<u>31/12/2016</u>
Margin financing	22,071,000	22,042,000
Al-maather Reit fund financing*	272,286	-
Financing (Bank guarantee covered)	3,197,788	3,227,069
	<u>25,541,074</u>	<u>25,269,069</u>

*Clients were financed to subscribe Al-maather Reit fund during the year with total funds amounting to SAR 119,854,074. The outstanding balance of these funds are amounted to SAR 272,286

These items represent lending to clients in the form of credit facilities and Murabaha loans. The facilities and loans are extended based on an evaluation and documentation for each client individually according to the information disclosed by the client and based on the company's conclusion on the appropriateness of the loan amount and terms to the client and in accordance with his prior written approval to the loan and in related conditions such as a promissory note for the loan amount, borrowing limits, terms and related fees. The loans and facilities granted to clients are due for collection as per the individual agreement with each client.

7- Prepaid Expenses and Other debits:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Rent	71,795	76,913
Medical insurance	299,767	243,601
Licensing fees	101,907	84,317
Professional indemnity insurance	44,333	46,681
Employees loans	7,147	4,000
Others	168,785	169,042
	<u>693,734</u>	<u>624,554</u>

8- Real Estate Investments

The real estate investments consist of land purchased with a total amount of SAR 27,000,000 (SAR 27 million) under the contract signed on 29/03/1438H corresponding to 28/12/2016, ownership has been transferred in pursuant to ownership deed No. 411908000110 dated 04/04/1438H, for the purpose of leasing back and has been re-leased it back to the seller under the contract signed with him on 30 December 2016 with a total value of 2,025,000 SAR per annually. Whereby, the contract grants the right to re-lease the land to seller at the purchase price in addition to any costs or fees incurred by the company.

9- Available for Sale Investments

	<u>31/12/2017</u>	<u>31/12/2016</u>
Portfolios managed by company	84,955	85,227
Unrealized losses from available for sale investments	(7,263)	(4,417)
	<u>77,692</u>	<u>80,810</u>



Osool & Bakheet Investment Company
 Saudi Closed Joint Stock Company
 Riyadh - Kingdom of Saudi Arabia
 Notes to the Financial Statements
 For the Year Ended 31 December 2017

"All figures are stated in Saudi Riyals"

10- Fixed Assets - Net:

<u>Cost:</u>	<u>Equipment</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Computers</u>	<u>Telecommunication Devices</u>	<u>Total</u>
The cost of the assets as of January 01, 2017	539,152	3,035,637	95,000	2,789,146	2,416,988	8,875,923
Additions during the year	23,570	222,725	-	118,697	-	364,992
Adjustments during the year	-	(135,867)	-	-	-	(135,867)
Cost of the assets as of December 31, 2017	562,722	3,122,337	95,000	2,907,843	2,416,988	9,104,890
<u>Less: Accumulated depreciation:</u>						
Accumulated depreciation as of January 01, 2017	532,669	3,027,831	95,000	2,554,620	2,287,859	8,497,979
Depreciation for the year	2,099	2,447	-	105,028	54,660	164,234
Adjustments during the year	-	(135,867)	-	-	-	(135,867)
Accumulated depreciation as of December 31, 2017	534,768	2,894,253	95,000	2,659,648	2,342,519	8,526,188
Net book value:						
As of December 31, 2017	27,954	228,084	-	248,195	74,469	578,702
As of December 31, 2016	6,483	7,806	-	234,526	129,129	377,944



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11- Short Term Loans & Bank Facilities:

The Company has renewed facilities agreement with local bank amounting 125,000,000 SAR The facilities has been categorized into short term loan and overdraft as the following details:

1-	<u>Item</u>	<u>Explanation</u>
	Finance Type	Short Term Loan
	Finance Limit	100,000,000 SAR
	Guarantee	Joint guarantee of finance value from Mr. Abdulrahman Yahya Abdullah AL-Yahya and Mr. Beshr Bin Mohammed Bin Borhan Bakheet

2-	<u>Item</u>	<u>Explanation</u>
	Finance Type	Overdraft
	Finance Limit	25,000,000 SAR
	Guarantee	- Portfolio mortgage for shares acceptable for Saudi French Bank with coverage 150% of the general amount of Facility. Or - Cash deposit mortgage with coverage of 100% of total facilities amount.

Note: The company borrowed as a short term loan with amount of 141,500,000 SAR during the year 2017 and paid the full up to 31 December 2017.

12- Accrued Expenses and Other Credit Balances

	<u>31/12/2017</u>	<u>31/12/2016</u>
Suppliers	294,957	157,364
Accrued Expenses	826,551	947,158
Professional Fees	268,000	248,622
	<u>1,389,508</u>	<u>1,353,144</u>

13- Due to Shareholders:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Unpaid dividend to shareholders	348,750	23,000
	<u>348,750</u>	<u>23,000</u>

14- Provision for End of Service Benefits:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Opening balance	1,476,043	1,132,492
Charged to expenses for the year	407,459	449,510
Paid during the year	<u>(279,953)</u>	<u>(105,960)</u>
	<u>1,603,549</u>	<u>1,476,042</u>



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15- SHARE CAPITAL:

Share capital was determined to be 60,000,000 SAR divided into 6,000,000 equal cash shares. The value of each share is 10 SAR and all are ordinary shares. The founders had subscribed to all the shares of capital as follows:

	<u>Nationality</u>	<u>Share value</u>	<u>Ownership Percentage</u>	<u>Total</u>
Beshr bin Mohammed Borhan bin Yasin Bakheet	Saudi	10	24.56%	14,734,970
Abdul -Rahman Yahya Abdullah Al-Yahya	Saudi	10	13.96%	8,375,990
Saleh Mohammed Saleh Al-Hajjaj	Saudi	10	12.50%	7,500,000
Sultan Yahya Abdullah AL-Yahya	Saudi	10	5.75%	3,450,000
Mansour Yahya Abdullah AL-Yahya	Saudi	10	5.75%	3,450,000
Maazan Mohammed Nasir Al-Dawood	Saudi	10	5.00%	3,000,000
Khalid Abdul-Rahman Mohammed Al-Mousa	Saudi	10	3.63%	2,175,000
Abdullah Yahya Abdullah Al-Yahya	Saudi	10	3.33%	2,000,000
Abdual-Mohsen Abdul-Rahman Al-Mousa	Saudi	10	3.13%	1,875,000
Raad Abdul -Aziz Mohammed Al Abdul-Qader	Saudi	10	2.00%	1,200,000
Mohammed Abdullah Abdul-Aziz Al-Rowaished	Saudi	10	1.88%	1,125,000
Mansour Abdullah Abdul- Aziz Al-Rajhi	Saudi	10	1.86%	1,115,420
Jamil Abdul- Rahman Mohammed Al-Qonaibet	Saudi	10	1.70%	1,022,500
Saud Abdul-Allah Solaiman Al-Rajhi	Saudi	10	1.02%	609,290
Khaled Suleiman Hamad Al-Saeed	Saudi	10	0.84%	506,130
Al-Touq Holding Company	Saudi	10	0.84%	506,130
Abdullah Faisal Turki Al-Abdulla Al Saud	Saudi	10	0.77%	460,000
Tareq Motlaq Abdullah AL Motlaq	Saudi	10	0.77%	460,000
Hamed Hamad Suleiman Al-Hamidi	Saudi	10	0.77%	460,000
Samya Bint Yahya Abdullah AL-Yahya	Saudi	10	0.75%	450,000
Abdullah Abdual-Rahman Abdullah Al-Khodhar	Saudi	10	0.69%	412,610
Ahmed Suleiman Abdul-Qadar Banajeh	Saudi	10	0.69%	412,610
Fahed Mohammed Abdul-Aziz bin Zarah	Saudi	10	0.69%	412,610
Abual- Aziz Abdul -Latif Bakr Jazzar	Saudi	10	0.66%	393,350
Ibrahim Saad Ebrahim Abu- Muti	Saudi	10	0.66%	393,350
Samra Abdullah Ebrahim Al-Qweez	Saudi	10	0.50%	300,000
Rajhi Real Estate Company	Saudi	10	0.50%	300,000
Ahmed Mohammed Salem Al-Sirri	Saudi	10	0.34%	206,310
Abdullah Abdul-Aziz Abdullah Al-Fallaj	Saudi	10	0.34%	206,310
Mutaz Talaat Mohammed Bakheet	Saudi	10	0.34%	206,310
Abdul-Hadi Ali Saif Shayef	Saudi	10	0.34%	206,310
Abdul- Elah Ahmad Abdul -Elah- Al Darweesh	Saudi	10	0.34%	206,310
Aamer Afif Mohammed Al-Mahmasani	Saudi	10	0.34%	206,310
Raed Mosaed Khaled Al-Sdairi	Saudi	10	0.34%	206,310
Hassan Shkib Murad Al-Jabiri	Saudi	10	0.34%	206,310
Abdul- Rahman Mohammed Abdul-Aziz bin Zarah	Saudi	10	0.34%	206,310
Omar Abdul-Qader Mohammed Bajamal	Saudi	10	0.34%	206,310
Mohammed Abdul-Karim Ali Al-luhidan	Saudi	10	0.31%	187,500
Mohammed Abdullah Abdul-Rahman Al-Shoail	Saudi	10	0.31%	187,500
Khaled Mohamed Abdullah Al-haqil	Saudi	10	0.17%	103,160
Nasser Saeed bin Ali Kedssa	Saudi	10	0.17%	103,150
Khaled Abdul-Haffiz Mohamed Fada	Saudi	10	0.15%	91,910
Saleh Abdulaziz Babkr and Sons Trading and Pledges Company	Saudi	10	0.13%	75,000
Mosad Mohammed Hammad bin Aniq	Saudi	10	0.08%	48,220
Nezar Abdul-Rahman Abdul-Aziz Al -Mugren	Saudi	10	0.02%	10,000
Abdul-Wahab Abdul-karem Abdul-Rahman Al -Betairi	Saudi	10	0.02%	10,000
Khaled Saud Abdul-Aziz Al-Doghaither	Saudi	10	0.02%	10,000
Fahad Abdullah Abdul-Aziz Al -Rajhi	Saudi	10	0.01%	5,500
Hany Samy Ali Halwany	Saudi	10	0.01%	5,000
			100.00%	60,000,000



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16- Statutory Reserve :

According to the Saudi Companies' Regulations, the company retains 10% of its annual net income as statutory reserve. This deduction could be discontinued if the reserve reached 30% of the company's capital, although this reserve is not available for distribution.

17- General and Administrative Expenses:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Salaries & wages	7,633,879	7,391,238
Service and data provider expenses	1,314,253	1,362,259
Rents	864,258	856,904
Audit and consultancy expenses	1,063,148	280,907
Performance rewards	992,064	299,220
Insurance expenses	561,938	501,547
GOSI	421,858	420,445
End of service benefit	407,459	407,550
Advertising expenses	290,962	-
Fund expenses	166,353	-
Others	1,929,166	1,263,111
	<u>15,645,338</u>	<u>12,783,181</u>

18- Earnings per Share:

Earnings per share is calculated by dividing net income from principal activities over the weighted average No. of outstanding shares at the end of the year. The earnings per share is calculated as at 31 December 2017, as follows:

	Amount (SAR)	Average No. of shares	Earnings per Share
Net income from principal activities	1,848,847	6,000,000	0.31
Net income for the year	2,526,832	6,000,000	0.42

19- Segment Information:

The company does not have separate business segments and most of its activities are based inside the Saudi Arabia , accordingly segment information is inapplicable.



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20- Investment funds:

The company manages investment funds represented in the followings:

A- Osool & Bakheet Saudi Trading Equity Fund, which invests in Saudi stocks, with net asset value of SAR 14,385,189 as of 31/12/2017.

B- Osool & Bakheet IPO Fund with net asset value of SAR 217,388,285 as of 31/12/2017.

C- Osool & Bakheet IPO Trading Funds Sharia Compliant with net asset value of SAR 2,969,320 as of 31/12/2017.

D- Osool & Bakheet Parallel market Funds with net asset value of SAR 1,169,320 as of 31/12/2017.

E- AlMalga Hills Compound Fund with net asset value of SAR 85,589,203 as of 31/12/2017.

F- ALMA'ATHAR REIT Fund with net asset value of SAR 624,259,379 as of 31/12/2017.

21- Funds held in client money bank account:

According to the requirement of Capital Market Authority (Article 78) of the Authorized Persons List, the bank accounts held by the Company, included local bank accounts (Samba Financial Group) and (Banque Saudi Fransi) with balances, as of 31 December 2017, amounting to SAR 70,014,216 represented in investment accounts, current accounts, clients deposits and as well as account of fees & subscriptions of clients.

22- Provision for Zakat :

	<u>31/12/2017</u>	<u>31/12/2016</u>
Balance at the beginning of the year	2,871,627	3,743,852
Provided during the year (22/1)	1,224,607	1,226,470
Paid during the year	(1,226,470)	(2,005,182)
Adjustments during the year	-	(93,513)
	<u>2,869,764</u>	<u>2,871,627</u>

- The outstanding balance of Zakat Provision includes SAR 1,645,157. This amount represents the dispute between Osool Capital Company and the Department of Zakat and Income Tax. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet.

- The company presented the return of zakat until 31 December 2016, and there is no final assessment from zakat.



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(22/1) Provided during the year:

	<u>31/12/2017</u>	<u>31/12/2016</u>
Net income for the year	3,751,439	2,950,196
Add:		
End of service benefits charged to expenses	407,459	449,510
Adjusted net income for the year	4,158,898	3,399,706
Add:		
Share capital	60,000,000	60,000,000
Statutory reserve at the beginning of the year	2,736,632	2,564,259
Retained earnings	9,094,492	7,543,139
Due to OBIC shareholders	348,750	23,000
Provision for end of service benefits at the beginning of the year after deducting the payments.	1,196,090	1,026,532
Provision of Zakat at the beginning of the period	1,645,157	1,645,157
Accrued Employee Bonuses	396,167	577,033
Provision of doubtful debts at the beginning of the year after deducting the payments.	2,715,724	2,715,724
Total amounts subject to Zakat	82,291,910	79,494,550
Less:		
Net book value of fixed assets	(578,702)	(377,944)
Real Estate Investments	(27,000,000)	(27,000,000)
Dividend during the year	(5,651,250)	(2,977,000)
Investment available for sales	(77,692)	(80,810)
Net amounts subject to Zakat	48,984,266	49,058,796
Estimated provision of Zakat @ 2.5 %	1,224,607	1,226,470



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23- Transactions with Related Parties:

The related parties are represented in the Company's share holders, and senior management of the company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

23/1: The following is a summary of significant transactions, included at Statement of Financial Position, concluded during 2017:

	Type of Relationship	Type of Transaction	Transaction during the year		Balance as at	
			Debit	(Credit)	Jan 01, 2017	Dec 31, 2017
Osool & Bakheet Investment Funds	Fund Manager	Fund Management, Custody & others	3,669,758	(2,328,758)	2,382,758	3,669,758
Board of Directors	Board of Directors	Murabaha Facilities and Commissions	34,812,267	(40,319,349)	5,507,082	-
Non-board Shareholders	Shareholders	Murabaha Facilities	14,508,600	(14,508,600)	-	-
Relatives of BOD	Relatives of Board of Directors	Murabaha Facilities	24,874,351	(24,874,351)	-	-
Senior Executives	Executive Director	Murabaha Facilities	350,000	(350,000)	-	-
Board of Directors	Board of Directors	Attendance Allowance	180,000	(180,000)	(180,000)	(180,000)
Osool & Bakheet Investment Funds	Fund Manager	Accrued Fund Expenses	-	(100,000)	-	(100,000)



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23- Transactions with Related Parties: (Continued)

23/2: The following is a summary of significant transactions, included at Statement of Income, concluded during 2017

Statement of Income

	<u>31/12/2017</u>	<u>31/12/2016</u>
Income from Osool & Bakheet Investment Funds	8,998,133	5,489,189
Murabaha Commission Income (Board of Directors)	247,011	157,082
Murabaha Commission Income (Shareholders)	72,543	-
Murabaha Commission Income (Relatives of Board of Directors)	124,372	-
Murabaha Commission Income (Executive Directors)	1,750	-
Benefits of BODs of ALMA'ATHAR REIT Fund	(100,000)	-
Expenses charged on behalf of Investment Funds managed by company	(166,345)	-
Benefits for Top management		
Attendance allowances of members of the Board of Directors	(180,000)	(180,000)

24- Contingent Assets and Liabilities

<u>Subject</u>	<u>Contingent Asset</u>
Amount	SAR 4,610,116
Description	<ul style="list-style-type: none"> • SAR 3,600,905 represents the value of complaints filed by Bakheet Investment Group to the Committee for the Resolution of Securities Disputes against its client, on 12/09/2017 the Committee's decision received to the benefit of the company, and the client is obligated to pay the amount, the client had a right to appeal within 30 days but he didn't. • SAR 1,009,211 represents the value of appeal registered by Bakheet Investment Group to the Department of Zakat and Income for the period from 2007 to 2013. Bakheet Investment Group paid this amount in order to complete the merger process by cancelling commercial register. This case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Bakheet Investment Group's shareholders according to article numbers (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.

<u>Subject</u>	<u>Contingent Liability</u>
Amount	1,645,157
Description	<ul style="list-style-type: none"> • SAR 1,645,175 represents the amount has been provisioned due to dispute between Osool Capital Company and the Department of Zakat and Income Tax relating to the years 2012 and 2013 before merger. The company has registered appeal against this amount with Department of Zakat and Income Tax and this case has not been resolved yet. It is worth mentioning that in case of collecting these amounts, It will be entitled to Osool Capital Company's shareholders according to article number (1/1/1/3), (2/1/1/3), (1/8) in the merger contract.



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25- Capital Adequacy

The capital adequacy prepared by management is according to the requirements of capital market authority, is presented as follows:

	<u>31/12/2017</u>	<u>31/12/2016</u>
	SAR.000	SAR.000
Capital Basis		
Tier -1 of Capital	68,007	71,792
Tier -2 of Capital	-	-
Total	<u>68,007</u>	<u>71,792</u>
Minimum Capital requirement		
Credit Risks	25,991	27,826
Market Risks	968	1,664
Operational Risks	4,361	3,547
Total	<u>31,319</u>	<u>33,037</u>
Capital Adequacy Ratio	2.17	2.17
Surplus	36,688	38,755

26- Management of Risk & Financial Instruments :

a- **Credit Risk :**

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The company seeks to limit its credit risk with respect to accounts receivable by setting credit limits for individual accounts and monitoring outstanding receivable.

b- **Interest Rate Risk :**

Interest rate risk arises from the possibility of the fluctuation of interest rates that may affect future profitability or the fair value of financial instrument. The company is subject to interest rate risk on assets and liabilities that bear interest.

c- **Currency risk :**

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates.

Management believes that there is minimal risk of losses due to exchange rate fluctuation as the company primarily deals in Saudi riyals and US dollar which is pegged to Saudi riyals.

d- **Liquidity Risk :**

Liquidity risk is the risk that the company will not be able to meet its commitments associated with the financial liabilities when they fall due.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.



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Fair Values:

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. Since these financial statements have been prepared under the historical cost convention, differences between the carrying values and fair values may occur. Management believes that the fair values of the company's financial instruments are not materially different from their carrying values.

27- Approval of Financial Statements:

Company board of directors approved the financial statements on March 29, 2018.

28- General:

Certain comparative figures have been reclassified to conform to current year presentation.

	<u>Balance as at Dec 31, 2016</u> <u>Before Reclassification</u>	<u>Balance as at Dec 31, 2016</u> <u>After Reclassification</u>
Accounts receivables - net	2,985,259	445,419
Clients lending	30,619,069	25,269,069
Due from related parties	-	7,889,840
Accrued expenses and other credit balances	1,533,144	1,353,144
Due to related parties	-	180,000

- The figures included in the financial statements are rounded to the nearest Saudi Riyal except the earnings per share.

