

**AUDI CAPITAL**

**SAUDI INDEX FUND**

**UNAUDITED INTERIM FINANCIAL STATEMENTS**

**30 JUNE 2010**

## LIMITED REVIEW REPORT TO THE UNIT HOLDERS OF AUDI CAPITAL - SAUDI INDEX FUND

### Scope of Review

We have reviewed the accompanying interim balance sheet of Audi Capital - Saudi Index Fund ("the Fund") as of 30 June 2010, and the related interim statements of operations, cash flows and changes in net assets for the six month period then ended. These interim financial statements are the responsibility of the Fund's Management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



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Certified Public Accountant  
Registration No. 354



Riyadh: 5 Shabaan 1431H  
(17 July 2010)

**AUDI CAPITAL – SAUDI INDEX FUND**  
**INTERIM BALANCE SHEET**

	<i>Note</i>	<i>30 June 2010 (Unaudited) SR</i>	<i>31 December 2009 (Audited) SR</i>	<i>30 June 2009 (Unaudited) SR</i>
<b>ASSETS</b>				
Bank balances		1,870,633	1,908,717	960,906
Trading investments	4	32,160,960	33,468,094	19,508,927
Dividend receivable		92,597	-	-
Accrued special commission income		-	42,163	-
		<u>34,124,190</u>	<u>35,418,974</u>	<u>20,469,833</u>
<b>LIABILITIES</b>				
Accrued expenses and other liabilities		226,635	208,478	185,312
		<u>226,635</u>	<u>208,478</u>	<u>185,312</u>
<b>UNITHOLDERS' FUNDS</b>				
Net assets		<u>33,897,555</u>	<u>35,210,496</u>	<u>20,284,521</u>
Units in issue		<u>6,061,168</u>	<u>6,428,881</u>	<u>4,096,758</u>
Per unit value		<u>5.59</u>	<u>5.48</u>	<u>4.95</u>

The attached notes 1 to 7 form of these interim financial statements.

**AUDI CAPITAL – SAUDI INDEX FUND**  
**INTERIM STATEMENT OF OPERATIONS**

For the six month period ended 30 June

	<i>Note</i>	<b>2010</b> <b>(Unaudited)</b> <b>SR</b>	<b>2009</b> <b>(Unaudited)</b> <b>SR</b>
<b>INCOME</b>			
Trading income (loss), net	5	<b>375,606</b>	<b>(224,505)</b>
Dividend income		<b>766,997</b>	<b>227,504</b>
		<hr/> <b>1,142,603</b>	<hr/> <b>2,999</b>
<b>EXPENSES</b>			
Management fees	6	<b>185,547</b>	<b>64,188</b>
Other expenses		<b>155,897</b>	<b>187,772</b>
		<hr/> <b>341,444</b>	<hr/> <b>251,960</b>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>		<hr/> <b>801,159</b>	<hr/> <b>(248,961)</b>

The attached notes 1 to 7 form of these interim financial statements.

**AUDI CAPITAL – SAUDI INDEX FUND****INTERIM STATEMENT OF CASH FLOWS**

For the six month period ended 30 June

	2010 <i>(Unaudited)</i> SR	2009 <i>(Unaudited)</i> SR
<b>OPERATING ACTIVITIES</b>		
Net income (loss) from operations	801,159	(248,961)
Adjustment for:		
Movement in unrealised gain on trading investments, net	(581,322)	(1,566,709)
	<u>219,837</u>	<u>(1,815,670)</u>
Changes in operating assets and liabilities:		
Trading investments, net	1,888,456	(7,081,997)
Dividend receivable	(92,597)	-
Accrued special commission income	42,163	2,625
Accrued expenses and other liabilities	18,157	(13,377)
	<u>2,076,016</u>	<u>(8,908,419)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold	4,961,237	10,106,833
Value of units redeemed	(7,075,337)	(1,031,789)
	<u>(2,114,100)</u>	<u>9,075,044</u>
<b>(DECREASE) INCREASE IN BANK BALANCES</b>	(38,084)	166,625
Bank balances at the beginning of the period	<u>1,908,717</u>	<u>794,281</u>
<b>BANK BALANCES AT THE END OF THE PERIOD</b>	<u>1,870,633</u>	<u>960,906</u>
<b><u>Operational cash flows from special commission income and dividends</u></b>		
Dividend income received	<u>674,400</u>	<u>227,504</u>

The attached notes 1 to 7 form of these interim financial statements.

**AUDI CAPITAL – SAUDI INDEX FUND****INTERIM STATEMENT OF CHANGES IN NET ASSETS**

For the six month period ended 30 June

	2010 <i>(Unaudited)</i> SR	2009 <i>(Unaudited)</i> SR
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<u>35,210,496</u>	<u>11,458,438</u>
<b>NET INCOME (LOSS) FROM OPERATIONS</b>	<u>801,159</u>	<u>(248,961)</u>
<b>CHANGES FROM CAPITAL TRANSACTIONS</b>		
Proceeds from units sold	4,961,237	10,106,833
Value of units redeemed	<u>(7,075,337)</u>	<u>(1,031,789)</u>
Net change from capital transactions	<u>(2,114,100)</u>	<u>9,075,044</u>
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<u><u>33,897,555</u></u>	<u><u>20,284,521</u></u>

**UNITS TRANSACTIONS**

Transactions in units for the period ended 30 June are summarised as follows:

	2010 <i>(Unaudited)</i>	2009 <i>(Unaudited)</i>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<u>6,428,881</u>	<u>2,595,168</u>
Units sold	832,946	1,912,999
Units redeemed	<u>(1,200,659)</u>	<u>(411,410)</u>
Net (decrease) increase in units	<u>(367,713)</u>	<u>1,501,589</u>
<b>UNITS AT THE END OF THE PERIOD</b>	<u><u>6,061,168</u></u>	<u><u>4,096,758</u></u>

The attached notes 1 to 7 form of these interim financial statements.

**1 GENERAL**

Audi Capital – Saudi Index Fund (the Fund) is an open-ended fund created by an agreement between Audi Capital Company (the Fund Manager) and investors (unit holders) in the Fund. The investment objective of the Fund is to provide investment results that generally correspond to the price and yield performance of the Tadawul All Share Index.

The Fund was established on 29 Dhul Quada 1428H (corresponding to 9 December 2007) as per approval from the Capital Market Authority and commenced its operations on 1 January 2008.

The books and records of the Fund are maintained in Saudi Riyals (SAR).

The interim results may not be an indicator of the annual results of the operations.

**2 REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (the regulations) issued by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

**3 SIGNIFICANT ACCOUNTING POLICIES**

These interim financial statements have been prepared in accordance with the accounting standard on interim financial reporting issued by the Saudi Organization of Certified Public Accountants (“SOCPA”).

The significant accounting policies used in the preparation of these interim financial statements are consistent with those used and disclosed in annual financial statements for the year ended 31 December 2009 which are as follows:

*Accounting convention*

The interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of trading investments.

*Revenue recognition*

Trading income includes unrealised gains and losses from changes in fair value, realised gains and losses from sale of trading investments and dividends declared. Realised gains and losses on trading investments sold are determined on a weighted average cost basis.

Dividend income is recognised when declared (i.e. when the Fund’s right to receive the dividend is established).

*Investment valuation*

Investments which are purchased for trading purposes are valued at their market price as at the balance sheet date.

Unrealised gains and losses on the revaluation of investments and realised gains and losses on the disposal of investments are recognised in the statement of operations.

*Investment transactions*

Investments transactions are accounted for as of the trade date.

*Zakat and income tax*

Zakat and income tax are considered to be the obligation of the Unitholders and are not provided for in these interim financial statements.

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**4 TRADING INVESTMENTS**

Trading investments comprise the following sectors

**As at 30 June 2010 (Unaudited):**

	<i>% of Market value</i>	<i>Market value SAR</i>
Banks	35.09%	11,285,108
Petrochemical	26.38%	8,484,729
Telecommunication	7.79%	2,504,587
Real Estate Development and Construction	7.44%	2,392,057
Food	5.76%	1,851,915
Cement	5.70%	1,832,624
Trading	3.29%	1,057,778
Manufacturing	3.10%	996,690
Electricity	2.09%	671,962
Insurance	1.70%	546,572
Transport	1.07%	344,019
Media	0.33%	106,099
Hotel	0.27%	86,820
	<u>100.00%</u>	<u>32,160,960</u>

**As at 31 December 2009 (Audited):**

	<i>% of Market value</i>	<i>Market value SAR</i>
Banks	39.92%	13,360,173
Petrochemical	30.3%	10,139,874
Telecommunication	9.24%	3,092,347
Real Estate Development and Construction	4.97%	1,662,611
Food	4.72%	1,578,374
Cement	4.90%	1,639,817
Trading	1.13%	377,576
Manufacturing	2.01%	673,051
Electricity	1.93%	646,391
Transport	0.88%	297,880
	<u>100.00%</u>	<u>33,468,094</u>

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**4 TRADING INVESTMENTS (Continued)**

As at 30 June 2009 (Unaudited):

	<i>% of Market value</i>	<i>Market value SAR</i>
Banks	43.39	8,465,166
Petrochemical	20.75	4,048,536
Telecommunication	11.61	2,265,458
Food	4.65	907,555
Cement	2.93	571,063
Fertilizer	3.40	663,748
Real Estate Development and Construction	3.83	746,316
Manufacturing	4.33	844,178
Electricity	2.06	402,342
Trading	1.38	268,918
Mining	1.67	325,647
	<u>100.00</u>	<u>19,508,927</u>

Equity investments are unrated equity instruments listed on the Saudi stock exchange (Tadawul). The Fund also does not have an internal grading mechanism. However, the Fund Manager seeks to limit its risk by monitoring investments sector exposures and setting limits for individual sectors.

**5 TRADING INCOME (LOSS), NET**

	<i>2010 (Unaudited) SR</i>	<i>2009 (Unaudited) SR</i>
Realised loss on trading investments	<b>(205,716)</b>	(1,791,214)
Movement in unrealised gain on trading investments	<b>581,322</b>	1,566,709
	<u><b>375,606</b></u>	<u>(224,505)</u>

**6 TRANSACTIONS WITH RELATED PARTIES**

The Fund pays a management fee calculated at an annual rate of 1% of the net asset value on the last valuation day of the relevant month.

Additionally, the Fund Manager also charges an administration fee at an annual rate of 0.15% of the net asset value on the last valuation day of the relevant month, subject to a minimum of SAR 120,000 per annum. The Fund also pays a custodian fee calculated at an annual rate of 0.1% of the net asset value on the last valuation day of the relevant month, subject to a minimum of SAR 112,500 per annum.

Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Trade transactions on the Saudi stock exchange are executed through the Fund Manager.

The unit holders' account at 30 June 2010 included 300,000 units (30 June 2009; 300,000 units) held by the Fund Manager.

**7 LAST VALUATION DAY**

The last valuation day of the period was 30 June 2010 (2009: 30 June 2009).