

AUDI CAPITAL

AL SAFWA SHARIAH SAUDI INDEX FUND

UNAUDITED INTERIM FINANCIAL STATEMENTS

30 June 2010

LIMITED REVIEW REPORT TO THE UNIT HOLDERS OF AUDI CAPITAL - AI SAFWA SHARIAH SAUDI INDEX FUND

Scope of Review

We have reviewed the accompanying interim balance sheet of Audi Capital - Al Safwa Shariah 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 the 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.

Emphasis of matter

We draw attention to the fact that we were not engaged to review the interim financial statements of the Fund as at and for the period ended 30 June 2009. Accordingly, we are unable to comment on whether there are any material modifications on the financial position of the Fund as of 30 June 2009 or its results of operations, cash flows or changes in net assets for the period then ended.

for Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354

Riyadh: 5 Shabaan 1431H
(17 July 2010)



Audi Capital – Al Safwah Shariah Saudi Index fund

INTERIM BALANCE SHEET

	Note	30 June 2010 (Unaudited) SR	31 December 2009 (Audited) SR	30 June 2009 (Unaudited) SR
ASSETS				
Bank balances		421,306	533,538	518,321
Trading investments	4	8,063,139	7,632,103	6,766,852
Dividend receivable		27,251	-	-
Prepaid expense		-	14,062	-
		<u>8,511,696</u>	<u>8,179,703</u>	<u>7,285,164</u>
LIABILITIES				
Accrued expenses and other liabilities		51,520	39,555	9,288
		<u>8,460,176</u>	<u>8,140,148</u>	<u>7,275,885</u>
NET ASSETS				
		<u>794,422</u>	<u>767,059</u>	<u>750,000</u>
Units in issue				
		<u>10.65</u>	<u>10.61</u>	<u>9.70</u>
Per unit value				

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

Audi Capital – Al Safwah Shariah Saudi Index fund

INTERIM STATEMENT OF OPERATIONS

For the six months period ended 30 June

	Note	30 June 2010 (Unaudited) SR	<i>Period from 22 June 2009 to 30 June 2009 (Unaudited) SR</i>
INVESTMENT INCOME (LOSS)			
Trading income (loss)	5	86,182	(214,826)
Dividend income		202,110	-
		<u>288,292</u>	<u>(214,826)</u>
EXPENSES			
Management fees	6	55,429	2,246
Other expenses	6	212,835	7,043
		<u>268,264</u>	<u>9,289</u>
NET INCOME (LOSS) FROM OPERATIONS		<u><u>20,028</u></u>	<u><u>(224,115)</u></u>

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

Audi Capital – Al Safwah Shariah Saudi Index fund

INTERIM STATEMENT OF CASH FLOWS

For the six months period ended 30 June

	30 June 2010 (Unaudited) SR	<i>Period from 22 June 2009 to 30 June 2009 (Unaudited) SR</i>
OPERATING ACTIVITIES		
Net income (loss) from operations	20,028	(224,115)
Adjustment for:		
Unrealized loss on investments	85,359	214,826
	<u>105,387</u>	<u>(9,289)</u>
Changes in operating assets and liabilities:		
Trading investment, net	(516,395)	(6,981,678)
Dividend receivable	(27,251)	-
Prepaid expense	14,062	-
Accrued expenses	11,965	9,288
	<u>412,232</u>	<u>(6,981,679)</u>
Net cash from (used in) operating activities		
FINANCING ACTIVITIES		
Proceeds from units sold	300,000	7,500,000
	<u>300,000</u>	<u>7,500,000</u>
Net cash from financing activities		
(DECREASE) INCREASE IN BANK BALANCES	(112,232)	518,321
Bank balances at the beginning of the period	533,538	-
BANK BALANCES AT THE END OF THE PERIOD	<u>421,306</u>	<u>518,321</u>

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

Audi Capital – Al Safwah Shariah Saudi Index fund

INTERIM STATEMENT OF CHANGES IN NET ASSETS

For the six months period ended 30 June

	30 June 2010 (Unaudited) SR	<i>Period from 22 June 2009 to 30 June 2009 (Unaudited) SR</i>
CHANGES FROM OPERATIONS		
Net income (loss) from operations	20,028	(224,115)
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	300,000	750,000
Net change from unit transactions	300,000	750,000
NET ASSET VALUE AT THE END OF THE PERIOD	320,028	525,885

UNIT TRANSACTIONS

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

	30 June 2010 (Unaudited) Units	<i>Period from 22 June 2009 to 30 June 2009 (Unaudited) Units</i>
UNITS AT THE BEGINNING OF THE PERIOD	767,059	-
Units sold	27,363	750,000
Net increase in units	27,363	750,000
UNITS AT THE END OF THE PERIOD	794,422	750,000

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

1 GENERAL

Audi Capital– Al Safwa Shariah 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 S&P Saudi Arabia Shariah Index.

The Fund was established on 14 Jumada I 1429H (corresponding to 19 May 2008) as per approval from the Capital Market Authority (CMA) and commenced its operations on 22 June 2009.

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 interim 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 recognized 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 the obligation of the unit holders and are not provided for in the 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>	<i>Cost SAR</i>
Petrochemical	29.97%	2,416,176	2,091,873
Banks	26.40%	2,128,536	2,054,380
Telecommunication	11.06%	891,684	892,668
Cement	8.36%	674,262	616,795
Food Products	7.89%	636,192	467,116
Real Estate Development and Construction	6.62%	533,826	659,140
Manufacturing	3.32%	267,336	296,319
Electricity	3.18%	256,338	201,239
Trading	1.90%	153,126	129,595
Transportation	1.31%	105,663	113,848
	100%	8,063,139	7,522,973

As at 31 December 2009 (Audited):

	<i>% of Market value</i>	<i>Market value SAR</i>	<i>Cost SAR</i>
Petrochemical	9.7%	740,400	608,532
Banks	29.71%	2,267,702	2,164,736
Telecommunication	11.53%	879,676	871,059
Cement	12.68%	967,379	960,505
Food Products	26.19%	1,998,784	1,645,447
Real Estate Development and Construction	0.88%	67,335	78,821
Manufacturing	0.63%	48,155	58,549
Electricity	2.72%	207,821	181,988
Trading	1.6%	121,980	119,735
Fertilizer	4.36%	332,871	317,200
	100%	7,632,103	7,006,572

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4 TRADING INVESTMENTS (Continued)

As at 30 June 2009 (Unaudited):

	<i>% of Market value</i>	<i>Market value SAR</i>	<i>Cost SAR</i>
Petrochemical	25.97%	1,757,194	1,897,305
Banks	27.70%	1,874,115	1,936,297
Telecommunication	12.65%	855,877	866,941
Cement	10.49%	710,112	709,179
Food Products	2.83%	191,573	180,810
Real Estate Development and Construction	4.74%	320,884	319,887
Manufacturing	6.40%	432,961	429,241
Electricity	2.74%	185,318	191,139
Trading	1.83%	123,742	123,271
Fertilizer	4.66%	315,076	319,240
	<u>100%</u>	<u>6,766,852</u>	<u>6,973,310</u>

Equity investments are listed on the Saudi stock exchange (Tadawul). The Fund Manager seeks to limit its risk by monitoring investments sector exposures and setting limits for individual sectors.

5 TRADING INCOME (LOSS)

	<i>30 June 2010 (Unaudited) SR</i>	<i>Period from 22 June 2009 to 30 June 2009 (Unaudited) SR</i>
Unrealised loss	(85,359)	(214,826)
Realised gain	171,541	-
	<u>86,182</u>	<u>(214,826)</u>

6 TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 1.25% 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 112,500 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 750,000 units (30 June 2009; 750,000 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).