

Saudi Opportunities Fund
(Previously known as Audi Freestyle Saudi
Equity Fund)
(Managed by Audi Capital Company)

FINANCIAL STATEMENTS

31 DECEMBER 2017

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SAUDI OPPORTUNITIES FUND (PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)

Opinion

We have audited the financial statements of Saudi Opportunities Fund (the "Fund") managed by Audi Capital Company, which comprise the balance sheet as at 31 December 2017, and the related statement of operations, statement of cash flows and statement of changes in net assets for the year then ended, and notes 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 Fund as at 31 December 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 Fund 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management 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, the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions 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 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Fund's Board of Directors is responsible for overseeing the Fund'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.

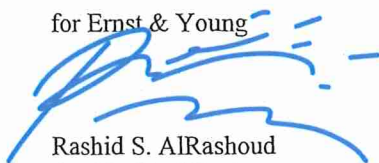
**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF SAUDI OPPORTUNITIES FUND (PREVIOUSLY KNOWN AS AUDI
FREESTYLE SAUDI EQUITY FUND) (continued)**

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

- 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 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 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 Fund 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 the Fund's Board of Directors 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.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 18 Rajab 1439H
(4 April 2018)

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

BALANCE SHEET

As at 31 December 2017

	Notes	2017 SR	2016 SR
ASSETS			
Cash and bank balance		4,380,021	420,303
Trading investments	4	54,559,289	29,959,757
TOTAL ASSETS		58,939,310	30,380,060
LIABILITIES			
Management fees payable	6	87,233	45,438
Custody fees payable	6	9,969	5,193
Accrued expenses		84,159	100,831
TOTAL LIABILITIES		181,361	151,462
NET ASSETS		58,757,949	30,228,598
Units in issue		6,680,438	3,401,331
Per unit value		8.80	8.89

The attached notes 1 to 10 form part of these financial statements.

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

STATEMENT OF OPERATIONS

For the year ended 31 December 2017

	<i>Notes</i>	2017 SR	2016 SR
Trading income, net	5	885,222	2,267,707
Special commission income		-	6,022
		<hr/> 885,222	<hr/> 2,273,729
Management fees	6	(615,651)	(498,492)
Other expenses	7	(223,268)	(228,760)
		<hr/> 46,303	<hr/> 1,546,477
NET INCOME FROM OPERATIONS		<hr/> 46,303	<hr/> 1,546,477

The attached notes 1 to 10 form part of these financial statements.

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 SR	2016 SR
OPERATING ACTIVITIES			
Net income from operations		46,303	1,546,477
Adjustment for:			
Movement in unrealised loss on trading investments	5	(1,444,552)	(2,716,936)
		(1,398,249)	(1,170,459)
Changes in operating assets and liabilities:			
Trading investments		(23,154,980)	(3,613,451)
Management fees payable		41,795	2,524
Custody fees payable		4,776	289
Accrued expenses		(16,672)	33,836
Net cash used in operating activities		(24,523,330)	(4,747,261)
FINANCING ACTIVITIES			
Proceeds from units issued		30,480,959	100,000
Value of units redeemed		(1,997,911)	(169,208)
Net cash from (used in) financing activities		28,483,048	(69,208)
NET INCREASE/ (DECREASE) IN CASH AND BANK BALANCE DURING THE YEAR		3,959,718	(4,816,469)
Cash and bank balance at the beginning of the year		420,303	5,236,772
CASH AND BANK BALANCE AT THE END OF THE YEAR		4,380,021	420,303

The attached notes 1 to 10 form part of these financial statements.

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2017

	2017 SR	2016 SR
NET ASSET VALUE AT THE BEGINNING OF THE YEAR	30,228,598	28,751,329
NET INCOME FROM OPERATIONS	46,303	1,546,477
	30,274,901	30,297,806
CHANGES FROM CAPITAL TRANSACTIONS		
Proceeds from units issued	30,480,959	100,000
Value of units redeemed	(1,997,911)	(169,208)
Net change from capital transactions	28,483,048	(69,208)
NET ASSET VALUE AT THE END OF THE YEAR	58,757,949	30,228,598

UNITS TRANSACTIONS

Transactions in units are summarised as follows:

	2017 Units	2016 Units
UNITS AT THE BEGINNING OF THE YEAR	3,401,331	3,409,953
Units issued	3,509,005	12,182
Units redeemed	(229,898)	(20,804)
UNITS AT THE END OF THE YEAR	6,680,438	3,401,331

The attached notes 1 to 10 form part of these financial statements.

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2017

1 GENERAL

Saudi Opportunities Fund (the “Fund”) is an open-ended fund created by an agreement between Audi Capital Company (the “Fund Manager”) and investors (the “Unit Holders”) in the Fund. The objective of the Fund is to invest according to the Shariah guidelines, and to achieve long term capital appreciation through investing primarily in the equities of the Saudi listed companies. The Fund will not distribute any dividends to the Unit Holders and will reinvest the profits and dividend distributions in the Fund.

The Fund was established on 16 Rajab 1436 (corresponding to 5 May 2015) as per approval from the Capital Market Authority (the “CMA”) and commenced its operations on 1 June 2015 under the name “Audi Freestyle Saudi Equity Fund”.

Subsequent to balance sheet date, the Fund's name was changed to “Saudi Opportunities Fund” effective from 5 Jumada Al-Ula 1439H (corresponding to 22 January 2018).

The books and records of the Fund are maintained in Saudi Riyals (SR) which is the functional currency of the Fund.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 16 Sha’aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting standard generally accepted in the Kingdom of Saudi Arabia.

The significant accounting policies adopted are as follows:

Accounting convention

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

Revenue recognition

Dividend income is recognized when the Fund’s right to receive the dividend is established. Realised gains and losses on investments sold are determined on a weighted average cost basis.

Trading income includes all gains and losses from changes in fair value of trading investments (realized and unrealized) and related dividends.

Investment valuation

Investments which are purchased for trading purposes are valued at their quoted 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 on the trade date.

SAUDI OPPORTUNITIES FUND
(PREVIOUSLY KNOWN AS AUDI FREESTYLE SAUDI EQUITY FUND)
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zakat and income tax

Zakat and income tax are considered to be the obligation of the Unit Holders and therefore are not provided for in these financial statements.

Expenses

Expenses are recognised on an accrual basis.

4 TRADING INVESTMENTS

Trading investments comprise investments in the following sectors:

As at 31 December 2017:

	% of Market value	Cost	Market value SR	Unrealized gains/ (losses)
Petrochemical industries	28%	13,938,663	15,169,219	1,230,556
Banks	25%	12,638,188	13,564,418	926,230
Retail	11%	5,908,989	6,050,854	141,865
Agriculture and food industries	10%	5,949,253	5,580,653	(368,600)
Real estate development	7%	3,153,448	3,651,958	498,510
Insurance	6%	3,296,435	3,435,985	139,550
Telecommunication and information technology	5%	2,799,352	2,789,070	(10,282)
Industrial investment	5%	2,400,961	2,679,545	278,584
Cement	2%	859,328	1,085,622	226,294
Hotel and tourism	1%	573,894	551,965	(21,929)
	100%	51,518,511	54,559,289	3,040,778

As at 31 December 2016:

	% of Market value	Cost	Market value SR	Unrealized gains/ (losses)
Petrochemical industries	25%	7,018,380	7,678,225	659,845
Banks	18%	5,039,954	5,462,674	422,720
Retail	9%	2,418,475	2,448,959	30,484
Agriculture and food industries	7%	1,958,500	2,093,378	134,878
Building and construction	6%	1,767,499	1,851,445	83,946
Real estate development	6%	1,705,284	1,806,662	101,378
Telecommunication and information technology	6%	1,599,838	1,648,774	48,936
Industrial investment	4%	1,204,730	1,281,420	76,690
Insurance	4%	1,194,098	1,215,321	21,223
Cement	4%	1,189,215	1,195,278	6,063
Energy and utilities	3%	1,034,351	1,015,650	(18,701)
Materials	3%	741,147	727,500	(13,647)
Transport	2%	600,869	622,359	21,490
Hotel and tourism	2%	597,737	614,312	16,575
Multi investment	1%	293,454	297,800	4,346
	100%	28,363,531	29,959,757	1,596,226

SAUDI OPPORTUNITIES FUND
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

4 TRADING INVESTMENTS (Continued)

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

5 TRADING INCOME, NET

	2017 SR	2016 SR
Movement in unrealised gain on trading investments	1,444,552	2,716,936
Dividend income	846,726	757,025
Realised loss on trading investments	(1,406,056)	(1,206,254)
	<u>885,222</u>	<u>2,267,707</u>

6 TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 1.75% of the net asset value. The calculation of management fee is done on daily basis and the payment is made on the last valuation day of the relevant month. Additionally, the Fund Manager also charges a custodian fee calculated at an annual rate of 0.2% of the net asset value on the last valuation day of the relevant month. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Management fee expense is disclosed on the statement of operations while custody fee expense is disclosed in note 7 to the financial statements. Management fee payable and custody fee payable are disclosed on the balance sheet. Compensation of Board members is set out in note 7 to the financial statements.

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

7 OTHER EXPENSES

	2017 SR	2016 SR
Custody fees	70,356	56,893
Audit fees	44,787	58,901
Independent board members compensation	37,500	46,833
Shariah board fees	30,000	30,500
Benchmark index fee	28,125	23,133
Publication of fund information on Tadawul's website fee	5,000	5,000
Regulatory fee	7,500	7,500
	<u>223,268</u>	<u>228,760</u>

SAUDI OPPORTUNITIES FUND
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2017

8 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments of the fund will fluctuate due to changes in the market special commission rates.

As of the balance sheet date, the Fund is not exposed to special commission rate risk as the Fund does not have any special commission rate bearing financial instruments.

Credit risk

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

The Fund is exposed to credit risk from its bank balance. The Fund Manager seeks to limit the credit risk of the Fund by monitoring credit exposures of the Fund and ensures that the Fund deals with reputed counterparties only and maintains bank account with reputable, creditworthy banks.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk for the Fund through diversification of Fund's investment portfolio in terms of industry concentration.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the year and it is, therefore, exposed to the risk of meeting Unit Holder redemptions. The Fund's securities are considered to be readily realisable as they are investments in traded equities which, can be easily sold at any time. The Fund Manager monitors the liquidity requirements of the Fund on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. Most of the Fund's financial assets and liabilities are denominated in Saudi Riyals which is Fund's functional currency and therefore the management believes that the Fund is not exposed to any significant currency risks.

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. The Fund's financial assets consist of cash and bank balance and trading investments while its financial liabilities consist of management fees payable, custody fees payable and accrued expenses. 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. For investments traded in an active market, fair value is determined by reference to quoted market bid prices. In case of other financial assets and liabilities of the Fund, the management believes that their fair values at the reporting date approximate to the carrying values.

10 LAST VALUATION DAY

The last valuation day of the year was 31 December 2017 (2016: 31 December 2016).