

**Audi Freestyle Saudi Equity Fund
(Managed by Audi Capital Company)**

INTERIM FINANCIAL STATEMENTS

30 June 2017

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS TO THE UNITHOLDERS OF AUDI FREESTYLE SAUDI EQUITY FUND

Introduction:

We have reviewed the accompanying interim balance sheet of Audi Freestyle Saudi Equity Fund (the "Fund") as at 30 June 2017, and the related interim statements of operations, cash flows and changes in net assets for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with Standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants. Our responsibility is to express a conclusion on these interim financial statements based on our review.


Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the Standard on Interim Financial Reporting issued by Saudi Organization for Certified Public Accountants.

for Ernst & Young



Rashid S. Al-Rashoud
Certified Public Accountant
Registration No. 366



Riyadh: 21 Dhu Al-Qadah 1438H
(13 August 2017)

AUDI FREESTYLE SAUDI EQUITY FUND

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) SR	31 December 2016 (Audited) SR	30 June 2016 (Unaudited) SR
ASSETS				
Bank balance		2,982,904	420,303	5,650,152
Trading investments	4	27,234,130	29,959,757	23,605,769
Dividend receivable		15,763	–	–
TOTAL ASSETS		30,232,797	30,380,060	29,255,921
LIABILITIES				
Management fees payable	6	42,574	45,438	42,532
Custody fees payable	6	4,865	5,193	4,861
Accrued expenses		82,551	100,831	60,546
TOTAL LIABILITIES		129,990	151,462	107,939
NET ASSETS		30,102,807	30,228,598	29,147,982
Units in issue		3,259,737	3,401,331	3,400,149
Per unit value		9.23	8.89	8.57

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

AUDI FREESTYLE SAUDI EQUITY FUND

INTERIM STATEMENT OF OPERATIONS (UNAUDITED)

For the six months period ended 30 June 2017

		<i>For the six months period ended 30 June 2017 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2016 (Unaudited) SR</i>
	<i>Notes</i>		
INVESTMENT INCOME			
Trading income, net	5	1,468,373	823,490
		<u>1,468,373</u>	<u>823,490</u>
EXPENSES			
Management fees	6	(262,240)	(244,539)
Other expenses		(108,063)	(105,075)
		<u>(370,303)</u>	<u>(349,614)</u>
NET INCOME FROM OPERATIONS		<u>1,098,070</u>	<u>473,876</u>

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

AUDI FREESTYLE SAUDI EQUITY FUND

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months period ended 30 June 2017

		<i>For the six months period ended 30 June 2017 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2016 (Unaudited) SR</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Net income from operations		1,098,070	473,876
Adjustment for:			
Unrealised gain on trading investments	5	(1,533,087)	(1,764,654)
		(435,017)	(1,290,778)
Changes in operating assets and liabilities:			
Trading investments		4,258,714	1,788,255
Management fees payable		(2,864)	(382)
Custody fees payable		(328)	(43)
Dividend receivable		(15,763)	-
Accrued expenses		(18,280)	(6,449)
Net cash from operating activities		3,786,462	490,603
FINANCING ACTIVITY			
Value of units redeemed		(1,223,861)	(77,223)
Cash used in financing activity		(1,223,861)	(77,223)
NET INCREASE IN BANK BALANCE		2,562,601	413,380
Bank balance at the beginning of the period		420,303	5,236,772
BANK BALANCE AT THE END OF THE PERIOD		2,982,904	5,650,152

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

AUDI FREESTYLE SAUDI EQUITY FUND**INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)**

For the six months period ended 30 June 2017

	<i>For the six months period ended 30 June 2017 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2016 (Unaudited) SR</i>
NET ASSETS VALUE AT THE BEGINNING OF THE PERIOD	30,228,598	28,751,329
NET INCOME FROM OPERATIONS	1,098,070	473,876
CHANGES FROM CAPITAL TRANSACTIONS		
Value of units redeemed	(1,223,861)	(77,223)
Net change from capital transactions	(1,223,861)	(77,223)
NET ASSETS VALUE AT THE END OF THE PERIOD	30,102,807	29,147,982

UNITS TRANSACTIONS

Transactions in units are summarised as follows:

	<i>For the six months period ended 30 June 2017 (Unaudited) SR</i>	<i>For the six months period ended 30 June 2016 (Unaudited) SR</i>
UNITS AT THE BEGINNING OF THE PERIOD	3,401,331	3,409,953
Units redeemed	(141,594)	(9,804)
Decrease in units	(141,594)	(9,804)
UNITS AT THE END OF THE PERIOD	3,259,737	3,400,149

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

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

At 30 June 2017

1 GENERAL

Audi Freestyle Saudi Equity 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 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. The enhanced requirements of Annexure 5(e) of the Amended Regulations are effective from 2017.

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 the annual financial statements of the Fund for the year ended 31 December 2016.

Accounting convention

The interim 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 interim 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 Unit Holders and therefore are not provided for in these interim financial statements.

Expenses

Expenses are recognised on an accrual basis.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 June 2017

4 TRADING INVESTMENTS

Trading investments comprise equity investments in the following sectors:

As at 30 June 2017 (Unaudited):

	% of Market value	Cost	Market value	Unrealized gains/(losses)
Petrochemical industries	26%	6,557,363	7,172,910	615,547
Banks	24%	5,596,336	6,499,292	902,956
Retail	13%	3,286,959	3,632,490	345,531
Agriculture and food industries	11%	2,228,357	2,839,559	611,202
Real estate development	5%	1,401,057	1,380,991	(20,066)
Telecommunication and information technology	7%	1,618,589	1,812,289	193,700
Industrial investment	5%	1,047,415	1,298,937	251,522
Insurance	6%	1,510,604	1,677,823	167,219
Energy and utilities	1%	299,343	326,400	27,057
Health care	2%	558,794	593,439	34,645
	100%	24,104,817	27,234,130	3,129,313

As at 31 December 2016 (Audited):

	% of Market value	Cost	Market value	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

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 30 June 2017

4 TRADING INVESTMENTS (Continued)

As at 30 June 2016 (Unaudited):

	% of Market value	Cost	Market value	Unrealized gains/(losses)
Retail	7%	1,649,960	1,766,864	116,904
Banks	19%	4,227,099	4,384,519	157,420
Agriculture and food industries	12%	2,869,506	2,870,507	1,001
Insurance	6%	1,307,584	1,452,098	144,514
Petrochemical industries	22%	5,080,519	5,146,361	65,842
Transportation	6%	1,523,511	1,403,654	(119,857)
Telecommunication and information technology	6%	1,406,796	1,405,505	(1,291)
Multi investment	2%	540,648	527,200	(13,448)
Energy and utilities	4%	730,477	869,193	138,716
Building and construction	6%	1,236,364	1,321,544	85,180
Cement	4%	871,945	888,444	16,499
Real estate development	6%	1,517,416	1,569,880	52,464
	100%	22,961,825	23,605,769	643,944

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

	For the six months period ended 30 June 2017 (Unaudited) SR	For the six months period ended 30 June 2016 (Unaudited) SR
Realised loss on trading investments	(529,434)	(1,416,579)
Unrealised gain on trading investments	1,533,087	1,764,654
Dividend income	464,720	475,415
	<u>1,468,373</u>	<u>823,490</u>

6 TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 1.75% of the daily net asset value. 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 by the Fund.

Management fee expense is disclosed on the interim statement of operations and the Fund Manager has charged custody fees amounting to SR 29,969 (for the six months period ended 30 June 2016: SR 27,945). Management fee payable and custody fee payable are disclosed on the interim balance sheet.

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

The Unit Holders' account at 30 June 2017 included nil units (30 June 2016: 45,000) held by key management of the Fund Manager, and 18,500 units (30 June 2016: 18,500) held by an affiliate of the Fund Manager.

7 LAST VALUATION DAY

The last valuation day for the period was 30 June 2017 (For the period from 1 January 2016 to 30 June 2016: 30 June 2016).