

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

FINANCIAL STATEMENTS

31 DECEMBER 2016



Ernst & Young & Co. (Public Accountants)
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AUDITORS' REPORT TO THE UNITHOLDERS OF AUDI FREESTYLE SAUDI EQUITY FUND

Scope of review

We have reviewed the accompanying balance sheet of Audi Freestyle Saudi Equity Fund (the "Fund") as at 31 December 2016 and the related statements of operations, cash flows and changes in net assets for the year then ended. These 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. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and the results of its operations, cash flows and changes in net assets for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 11 Jumad Thani 1438H
(20 March 2017)

AUDI FREESTYLE SAUDI EQUITY FUND

BALANCE SHEET

As at 31 December 2016

	<i>Notes</i>	2016 SR	2015 SR
ASSETS			
Cash and bank balance		420,303	5,236,772
Trading investments	4	29,959,757	23,629,370
TOTAL ASSETS		30,380,060	28,866,142
LIABILITIES			
Management fees payable	6	45,438	42,914
Custody fees payable	6	5,193	4,904
Accrued expenses		100,831	66,995
TOTAL LIABILITIES		151,462	114,813
NET ASSETS		30,228,598	28,751,329
Units in issue		3,401,331	3,409,953
Per unit value		8.89	8.43

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

AUDI FREESTYLE SAUDI EQUITY FUND

STATEMENT OF OPERATIONS

For the year ended 31 December 2016

		2016	<i>For the period from 1</i>
	<i>Notes</i>	<i>SR</i>	<i>June 2015 to</i>
			<i>31 December 2015</i>
			<i>SR</i>
Trading income / (loss), net	5	2,267,707	(5,001,516)
Special commission income		6,022	-
		<u>2,273,729</u>	<u>(5,001,516)</u>
Management fees	6	(498,492)	(319,576)
Other expenses	7	(228,760)	(132,955)
NET INCOME (LOSS) FROM OPERATIONS		<u><u>1,546,477</u></u>	<u><u>(5,454,047)</u></u>

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

AUDI FREESTYLE SAUDI EQUITY FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 SR	<i>For the period from 1 June 2015 to 31 December 2015</i> SR
OPERATING ACTIVITIES		
Net income/ (loss) from operations	1,546,477	(5,454,047)
Adjustment for:		
Unrealised (gain) / loss on trading investments	(2,716,936)	1,120,710
	<u>(1,170,459)</u>	<u>(4,333,337)</u>
Changes in operating assets and liabilities:		
Trading investments	(3,613,451)	(24,750,080)
Management fees payable	2,524	42,914
Custody fees payable	289	4,904
Accrued expenses	33,836	66,995
	<u>(4,747,261)</u>	<u>(28,968,604)</u>
Net cash used in operating activities		
FINANCING ACTIVITIES		
Proceeds from units issued	100,000	35,367,803
Value of units redeemed	(169,208)	(1,162,427)
	<u>(69,208)</u>	<u>34,205,376</u>
Net cash (used in) from financing activities		
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCE DURING THE YEAR / PERIOD	(4,816,469)	5,236,772
Cash and bank balance at the beginning of the year / period	5,236,772	-
CASH AND BANK BALANCE AT THE END OF THE YEAR/PERIOD	<u>420,303</u>	<u>5,236,772</u>

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

AUDI FREESTYLE SAUDI EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2016

	2016 SR	<i>For the period from 1 June 2015 to 31 December 2015</i> SR
NET ASSET VALUE AT THE BEGINNING OF THE YEAR / PERIOD	28,751,329	-
NET INCOME / (LOSS) FROM OPERATIONS	1,546,477	(5,454,047)
	<u>30,297,806</u>	<u>(5,454,047)</u>
CHANGES FROM CAPITAL TRANSACTIONS		
Proceeds from units issued	100,000	35,367,803
Value of units redeemed	(169,208)	(1,162,427)
	<u>(69,208)</u>	<u>34,205,376</u>
Net change from capital transactions		
NET ASSET VALUE AT THE END OF THE YEAR / PERIOD	<u><u>30,228,598</u></u>	<u><u>28,751,329</u></u>

UNITS TRANSACTIONS

Transactions in units are summarised as follows:

	2016 Units	<i>For the period from 1 June 2015 to 31 December 2015</i> Units
UNITS AT THE BEGINNING OF THE YEAR / PERIOD	3,409,953	-
Units issued	12,182	3,546,931
Units redeemed	(20,804)	(136,978)
	<u>3,401,331</u>	<u>3,409,953</u>
UNITS AT THE END OF THE YEAR / PERIOD	<u><u>3,401,331</u></u>	<u><u>3,409,953</u></u>

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

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

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 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.

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 to 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

The financial statements have been prepared in accordance with accounting standards 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

Investment 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 financial statements.

Expenses

Expenses are recognised on an accrual basis.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

4 TRADING INVESTMENTS

Trading investments comprise investments in the following sectors:

As at 31 December 2016:

	<i>% of Market value</i>	<i>Cost</i>	<i>Market value SR</i>	<i>Unrealized gains/ losses</i>
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

As at 31 December 2015:

	<i>% of Market value</i>	<i>Cost</i>	<i>Market value SR</i>	<i>Unrealized losses/gains</i>
Retail	19%	4,705,738	4,560,665	(145,073)
Banks	19%	4,896,990	4,420,625	(476,365)
Agriculture and food industries	13%	3,190,401	3,081,129	(109,272)
Insurance	13%	2,844,125	3,011,134	167,009
Petrochemical industries	12%	3,302,615	2,758,590	(544,025)
Transport	9%	2,099,289	2,024,174	(75,115)
Telecommunication and information technology	6%	1,441,838	1,481,099	39,261
Industrial investment	4%	835,001	886,416	51,415
Multi investment	3%	870,708	871,398	690
Energy and utilities	2%	563,375	534,140	(29,235)
	100%	24,750,080	23,629,370	(1,120,710)

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.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

5 TRADING LOSS, NET

	2016 SR	<i>For the period from 1 June 2015 to 31 December 2015</i> SR
Realised loss on trading investments	(1,206,254)	(4,133,529)
Unrealised gain / (loss) on trading investments	2,716,936	(1,120,710)
Dividend income	757,025	252,723
	<u>2,267,707</u>	<u>(5,001,516)</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.

The Unit Holders' account at 31 December 2015 and 2016 did not include any units held by the Fund Manager.

7 OTHER EXPENSES

	2016 SR	<i>For the period from 1 June 2015 to 31 December 2015</i> SR
Custody fees	56,893	36,520
Independent board members compensation	46,833	35,018
Audit fees	58,901	20,063
Shariah board fees	30,500	17,833
Benchmark index fee	23,133	15,856
Publication of fund information on Tadawul's website fee	5,000	3,206
Regulatory fee	7,500	4,459
	<u>228,760</u>	<u>132,955</u>

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.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2016

8 RISK MANAGEMENT (continued)

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 31 December 2016.