

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

FINANCIAL STATEMENTS

31 DECEMBER 2015



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

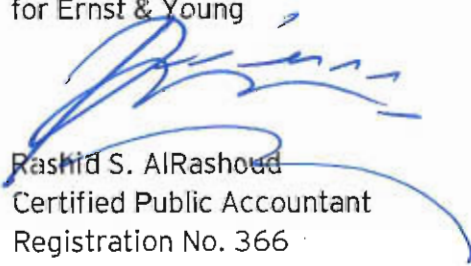
Scope of review

We have reviewed the accompanying balance sheet of Audi Freestyle Saudi Equity Fund (the "Fund") as at 31 December 2015 and the related statements of operations, cash flows and changes in net assets for the period from 1 June 2015 to 31 December 2015. 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 2015 and the results of its operations, cash flows and changes in net assets for the period from 1 June 2015 to 31 December 2015 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: 15 Jumad Thani 1437H
(24 March 2016)

AUDI FREESTYLE SAUDI EQUITY FUND

BALANCE SHEET

As at 31 December 2015

	<i>Notes</i>	2015 SR
ASSETS		
Cash and bank balance		5,236,772
Trading investments	4	23,629,370
TOTAL ASSETS		28,866,142
LIABILITIES		
Management fees payable	6	42,914
Custody fees payable	6	4,904
Accrued Expenses		66,995
TOTAL LIABILITIES		114,813
NET ASSETS		28,751,329
Units in issue		3,409,953
Per unit value		8.43

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

AUDI FREESTYLE SAUDI EQUITY FUND

STATEMENT OF OPERATIONS

For the period from 1 June 2015 to 31 December 2015

		<i>For the period from 1 June 2015 to 31 December 2015</i>
	<i>Notes</i>	<i>SR</i>
Trading loss, net	5	(5,001,516)
Management fees	6	(319,576)
Other expenses	7	(132,955)
NET LOSS FROM OPERATIONS		(5,454,047)

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

AUDI FREESTYLE SAUDI EQUITY FUND

STATEMENT OF CASH FLOWS

For the period from 1 June 2015 to 31 December 2015

*For the period from
1 June 2015 to
31 December 2015
SR*

OPERATING ACTIVITIES

Net loss from operations (5,454,047)

Adjustment for:

Unrealised loss on trading investments 1,120,710

(4,333,337)

Changes in operating assets and liabilities:

Trading investments (24,750,080)

Management fees payable 42,914

Custody fees payable 4,904

Accrued expenses 66,995

Net cash used in operating activities (28,968,604)

FINANCING ACTIVITIES

Proceeds from units issued 35,367,803

Value of units redeemed (1,162,427)

Net cash from financing activities 34,205,376

CASH AND BANK BALANCE AT THE END OF THE PERIOD 5,236,772

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 period from 1 June 2015 to 31 December 2015

*For the period from
1 June 2015 to
31 December 2015
SR*

NET LOSS FROM OPERATIONS	(5,454,047)
	(5,454,047)
CHANGES FROM CAPITAL TRANSACTIONS	
Proceeds from units issued	35,367,803
Value of units redeemed	(1,162,427)
Net change from capital transactions	34,205,376
NET ASSET VALUE AT THE END OF THE PERIOD	28,751,329

UNITS TRANSACTIONS

Transactions in units are summarised as follows:

	<i>Units</i>
Units issued	3,546,931
Units redeemed	(136,978)
UNITS AT THE END OF THE PERIOD	3,409,953

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 2015

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) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

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

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 financial statements.

Expenses

Expenses are recognised on an accrual basis.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

4 TRADING INVESTMENTS

Trading investments comprise investments in the following sectors:

As at 31 December 2015:

	<i>% of Market value</i>	<i>Cost</i>	<i>Market value SAR</i>	<i>Unrealized losses/gains</i>
Retail	19%	4,705,738	4,560,665	(145,072)
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	4%	870,708	871,398	691
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.

5 TRADING LOSS, NET

	<i>For the period from 1 June 2015 to 31 December 2015 SR</i>
Realised loss on trading investments	(4,133,529)
Unrealised loss on trading investments	(1,120,710)
Dividend	252,723
	(5,001,516)

6 TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 1.75% of the net asset value 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. Board fee 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 did not include any units held by the Fund Manager.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

7 OTHER EXPENSES

*For the period from
1 June 2015 to
31 December 2015
SR*

Custody fees	36,520
Independent board members compensation	35,018
Audit fees	20,063
Shariah board fees	17,833
Benchmark index fee	15,856
Publication of fund information on Tadawul's website fee	3,206
Regulatory fee	4,459
	<hr/>
	132,955
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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 geographical distribution and 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 week 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.

AUDI FREESTYLE SAUDI EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2015

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 fee payable, custody fee payable and accrued payables. 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 2015.