

Audi Murabaha Fund
(Managed by Audi Capital Company)

FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2018 TO 27 DECEMBER 2018



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821
Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730
riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF AUDI MURABAHA FUND (Managed by Audi Capital Company)

Opinion

We have audited the financial statements of Audi Murabaha Fund (the "Fund") - managed by Audi Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 27 December 2018 and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 1 January 2018 to 27 December 2018, 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 27 December 2018, and its financial performance and its cash flows for the period from 1 January 2018 to 27 December 2018 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

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.

Emphasis of Matter

We draw attention to note 3 to the financial statements, which states that these financial statements have not been prepared on a going concern basis as the Fund Manager has liquidated the Fund. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants, the applicable provisions of the Investment Fund Regulations issued by the Board of the Capital Market Authority, the Fund's terms and conditions and the Information Memorandum, 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.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF AUDI MURABAHA FUND
(Managed by Audi Capital Company) (continued)**

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 Financial Reporting Standards 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:

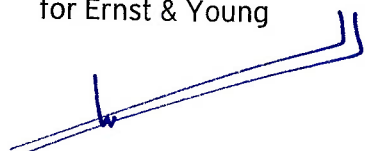
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.
- 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. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF AUDI MURABAHA FUND
(Managed by Audi Capital Company) (continued)**

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

We communicate with those charged with governance findings regarding, among other matters, the planned scope and timing of the audit significant audit, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



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

Riyadh: 2 Sha'aban 1440H
(7 April 2019)



Audi Murabaha Fund
(Managed by Audi Capital Company)
STATEMENT OF FINANCIAL POSITION
As at 27 December 2018

	<i>Notes</i>	<i>27 December 2018 SR</i>	<i>31 December 2017 SR</i>
ASSETS			
Cash and cash equivalents		62,731	110,495
Investment at fair value through profit or loss	6	-	4,458,073
Money market placements measured at amortised cost		-	21,073,877
Investment at amortised cost	6	-	1,805,177
TOTAL ASSETS		62,731	27,447,622
LIABILITIES			
Management fee payable	9	-	9,453
Accrued expenses and other liabilities		62,731	70,147
TOTAL LIABILITIES		62,731	79,600
EQUITY			
Net assets attributable to the Unit Holders		-	27,368,022
Redeemable units in issue		-	2,703,992
Net assets value attributable to each unit		-	10.12

The attached notes from 1 to 15 form an integral part of these financial statements.

Audi Murabaha Fund
(Managed by Audi Capital Company)

STATEMENT OF COMPREHENSIVE INCOME

For period from 1 January 2018 to 27 December 2018

		<i>For the period from 1 January 2018 to 27 December 2018</i>	<i>For the period from 18 December 2016 to 31 December 2017</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
INCOME			
Special commission income on:			
-money market placement		294,241	468,385
-investment at FVOCI		104,185	144,570
-investment at amortised cost		7,499	14,063
Net gain from investments at fair value through profit or loss	7	108,407	124,814
		<u>514,332</u>	<u>751,832</u>
EXPENSES			
Management fee expense	9	(89,561)	(162,232)
Other expenses	8	(150,880)	(128,126)
		<u>(240,441)</u>	<u>(290,358)</u>
PROFIT FOR THE PERIOD		273,891	461,474
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		<u>273,891</u>	<u>461,474</u>

The attached notes from 1 to 15 form an integral part of these financial statements.

Audi Murabaha Fund
(Managed by Audi Capital Company)

STATEMENT OF CHANGES IN EQUITY
For the period from 1 January to 27 December 2018

	<i>For the period from 1 January 2018 to 27 December 2018 SR</i>	<i>For the period from 18 December 2016 to 31 December 2017 SR</i>
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE BEGINNING OF THE PERIOD	27,368,022	-
Profit for the period	273,891	461,474
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>273,891</u>	<u>461,474</u>
CONTRIBUTIONS AND REDEMPTIONS BY THE UNIT HOLDERS:		
Issuance of units during the period	5,185,000	66,642,793
Redemptions of units during the period	(32,826,913)	(39,736,245)
Net (redemptions) / issuance of units	<u>(27,641,913)</u>	<u>26,906,548</u>
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE END OF THE PERIOD	<u><u>-</u></u>	<u><u>27,368,022</u></u>

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units are summarised as follows:

	<i>For the period from 1 January 2018 to 27 December 2018</i>	<i>For period from 18 December 2016 to 31 December 2017</i>
UNITS AT THE BEGINNING OF THE PERIOD	2,703,992	-
Units issued during the period	511,997	6,656,067
Units redeemed during the period	(3,215,989)	(3,952,075)
Net (decrease) increase in units	<u>(2,703,992)</u>	<u>2,703,992</u>
UNITS AS AT END OF THE PERIOD	<u><u>-</u></u>	<u><u>2,703,992</u></u>

The attached notes from 1 to 15 form an integral part of these financial statements.

Audi Murabaha Fund
(Managed by Audi Capital Company)

STATEMENT OF CASH FLOWS

For the period from 1 January 2018 to 27 December 2018

	<i>Note</i>	<i>For the period from 1 January 2018 to 27 December 2018 SR</i>	<i>For the period from 18 December 2016 to 31 December 2017 SR</i>
OPERATING ACTIVITIES			
Profit for the period		273,891	461,474
Adjustment for:			
Unrealized loss (gain) on investments at fair value through profit or loss	7	33,747	(29,340)
		307,638	432,134
Working capital adjustments:			
Investments at fair value through profit or loss		4,424,326	(4,428,733)
Money market placements measured at amortised cost		21,073,877	(21,073,877)
Investment at amortised cost		1,805,177	(1,805,177)
Management fee payable		(9,453)	9,453
Accrued expenses		(7,416)	70,147
Net cash from (used in) operating activities		27,594,149	(26,796,053)
FINANCING ACTIVITIES			
Proceeds from issuance of units		5,185,000	66,642,793
Value of units redeemed		(32,826,913)	(39,736,245)
Net cash (used in) from financing activities		(27,641,913)	26,906,548
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
		(47,764)	110,495
Cash and cash equivalents at beginning of the period		110,495	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
		62,731	110,495

The attached notes from 1 to 15 form an integral part of these financial statements.

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS
At 27 December 2018

1. GENERAL

Audi Murabaha Fund (the "Fund") is an open-ended fund created by an agreement between Audi Capital Company (the "Fund Manager") and investors (the "Unitholders") in the Fund. The objective of the Fund is to invest according to the Shariah guidelines in a variety of financial instruments with low risk and high liquidity including Murabaha deposits with banks and Sukuk, in addition to investing in public Murabaha and fixed income mutual funds which are offered in Saudi Arabia and managed by an Authorized Person licensed by the CMA.

The Fund was established on 16 Safar 1438 (corresponding to 16 November 2016) as per approval from the Capital Market Authority (the "CMA") and commenced its operations on 18 December 2016.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA as on 16 Sha'aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

3.1. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("IFRS as endorsed in KSA").

For period from 18 December 2016 to 31 December 2017, the Fund prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by Saudi Organization for Certified Public Accountants ("SOCPA Accounting Standards"). The financial statements for the period ended 27 December 2018 are the first full set of financial statements of the Fund prepared in accordance with IFRS as endorsed in KSA and IFRS 1 as endorsed in KSA has been applied.

Refer to note 13 for information on how the Fund's financial statements are impacted upon the adoption of IFRS as endorsed in KSA.

3.2. BASIS OF PREPARATION

On 07 November 2018, the Fund's Board of Directors decided to terminate the Fund. The Fund Manager notified the CMA of the termination of the Fund on 11 November 2018 and subsequently the Fund Manager notified the Unit Holders about the Fund's termination. The Fund's termination date is 27 December 2018. Accordingly, these financial statements have been prepared on a break up basis and not on a going concern basis. Assets have been stated at the net realisable value while liabilities are stated at the amounts at which they are expected to be discharged.

The Fund Manager realized most of the assets and settled most of the liabilities of the Fund during the current period. All Unit Holders were redeemed by the Fund during the current period and the Fund Manager liquidated the operations of the Fund.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (continued)

3.3 FUNCTIONAL AND PRESENTATIONAL CURRENCY

These financial statements are presented in Saudi Riyals ("SR"), which is the Fund's functional currency.

Functional currency is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's investments and transactions are denominated in SR. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in SR. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in SR. Accordingly, management has determined that the functional currency of the Fund is SR.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Financial instruments

Initial recognition

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, their fair value including transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI"); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss.

The Fund designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Fund assesses impairment on a forward looking Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI; the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Special commission revenue on impaired financial assets is recognised using the rate of special commission used to discount the future cash flows for the purpose of measuring the impairment loss.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Provisions

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

Redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unit Holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unit Holder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to the Unit Holders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management fees

Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager will charge a management fee of 0.40% of the Net Asset Value accrued daily and paid to monthly basis.

Dividend income

Dividend income is recognised in profit or loss on the date on which the Fund's right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of dividend.

Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Fee and other expenses

Fee and other expenses are recognized on an accrual basis in the accounting year in which they are incurred.

Zakat and income tax

Under the current system of taxation in the Kingdom of Saudi Arabia, the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unit Holders and as such, are not provided in these financial statements.

Net asset value per unit

Net assets value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the reporting date.

Foreign currency translation

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange gains / losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain / loss from financial instruments at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

5. USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices, which is recognised as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures all its financial asset and liabilities at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 10.

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

6. INVESTMENTS

a) Investments at fair value through profit or loss comprise the following:

<i>Securities</i>	<i>27 December 2018 Market value SR</i>	<i>31 December 2018 Market value SR</i>
Al-Yusr Sukuk Fund – (FVTPL)	-	4,458,073

b) Investment at amortised cost include the following:

<i>Securities</i>	<i>27 December 2018 SR</i>	<i>31 December 2017 SR</i>
Bahrain Leasing Sukuk*	-	1,805,177

*The management has conducted a review as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment against the carrying values of investment as at 31 December 2017.

7. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>For the period from 1 January 2018 to 27 December 2018 SR</i>	<i>For the period from 18 December 2016 to 31 December 2017 SR</i>
Realised gain	142,154	95,474
Unrealised (loss) gain	(33,747)	29,340
Total	108,407	124,814

8. OTHER EXPENSES

	<i>For the period from 1 January 2018 to 27 December 2018 SR</i>	<i>For the period from 18 December 2016 to 31 December 2017 SR</i>
Audit fees	46,410	45,000
Board fee	34,894	40,106
Shariah board fees	30,000	30,000
VAT expense	9,876	-
Inception fee	9,375	-
Custody fee	7,947	-
Regulatory fee	7,418	7,787
Tadawul fee	4,960	5,233
	150,880	128,126

9. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions

The Fund pays management fee calculated at an annual rate of 0.40% of the net asset value. The calculation of the management fee is done on a daily basis and the payment is made on the valuation day of the relevant month.

Management fee expense is disclosed on the statement of comprehensive income. Board fee and Shariah board fee are disclosed in note 8 to these financial statements. Management fee payable is disclosed on the statement of financial position.

Trade transactions are executed through the Fund Manager.

Units held by related parties

The Unit Holder's account as at 27 December 2018 included Nil units (31 December 2017: 203,570 units), held by affiliates of the Fund Manager.

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The table below presents the fair value of financial instruments as of reporting date based on the fair value hierarchy:

	27 December 2018			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Financial asset				
Cash and cash equivalents	-	62,731	-	62,731
Financial liability				
Accrued expenses and other liabilities	-	62,731	-	62,731

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

10. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
Financial assets				
Cash and cash equivalents	-	110,495	-	110,495
Money market placements at amortised cost	-	21,073,877	-	21,073,877
Investment at fair value through profit or loss	4,458,073	-	-	4,458,073
Investment at amortised cost	-	1,805,177	-	1,805,177
	<u>4,458,073</u>	<u>22,989,549</u>	<u>-</u>	<u>27,447,622</u>
Financial liabilities				
Management fee payable	-	9,453	-	9,453
Accrued expenses and other liabilities	-	70,147	-	70,147
	<u>-</u>	<u>79,600</u>	<u>-</u>	<u>79,600</u>

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change has occurred. During the current and prior period, there was no transfer between various levels of fair value hierarchy.

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

11. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

<i>27 December 2018</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSET			
Cash and cash equivalents	62,731	-	62,731
TOTAL ASSET	62,731	-	62,731
LIABILITIES			
Accrued expenses and other liabilities	62,731	-	62,731
TOTAL LIABILITIES	62,731	-	62,731
 <i>31 December 2017</i>	 <i>Within 12 months SR</i>	 <i>After 12 months SR</i>	 <i>Total SR</i>
ASSETS			
Cash and cash equivalents	110,495	-	110,495
Investment at fair value through profit or loss	4,458,073	-	4,458,073
Money market placement measured at amortised cost	21,073,877	-	21,073,877
Investment at amortised cost	1,805,177	-	1,805,177
TOTAL ASSETS	27,447,622	-	27,447,622
LIABILITIES			
Management fee payable	9,453	-	9,453
Accrued expenses and other liabilities	70,147	-	70,147
TOTAL LIABILITIES	79,600	-	79,600

Audi Murabaha Fund
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
At 27 December 2018

12. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk;

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

Financial risk management framework

The Fund's objective in managing risk is the creation and protection of unitholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk).

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. The composition of the portfolio are monitored by the Fund Board on a semi-annual basis.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

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 does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The Fund is exposed to credit risk on its investments, money market placements measured at amortised cost and cash equivalents.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position at each reporting date.

	27 December 2018 SR	31 December 2017 SR
Cash equivalents	62,731	110,495
Investment at fair value through profit or loss	-	4,458,073
Money market placements measured at amortised cost	-	21,073,877
Investment at amortised cost	-	1,805,177
	<u>62,731</u>	<u>27,447,622</u>

Credit risk on cash equivalents and money market placements measured at amortised cost is limited as these are held with banks with sound credit ratings.

The credit risk attached to investments is not significant as the investees are financially sound and the Fund expects to recover these financial assets at the stated carrying value in a short period of time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 27 December 2018

12. FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the reporting date, the Fund is exposed to special commission rate risk on special commission bearing money market placements and investments. The Fund manages its special commission rate risk by regularly monitoring the market special commission rates.

The table below sets out the effect on net assets attributable to Unit Holders at the reporting of a reasonably possible change in the special commission rates. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	<i>27 December</i> <i>2018</i> <i>SR</i>	<i>31 December</i> <i>2017</i> <i>SR</i>
<i>1% increase in special commission rates</i>	-	227,345
<i>1% decrease in special commission rates</i>	-	(227,345)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial assets.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on stock markets. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

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 through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

Sensitivity analysis

The table below sets out the effect on net assets attributable to Unit Holders at the reporting of a reasonably possible weakening / strengthening in the value of investments carried at fair value. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

	<i>27 December</i> <i>2018</i> <i>SR</i>	<i>31 December</i> <i>2017</i> <i>SR</i>
<i>Strengthening of 5%</i>	-	222,904
<i>Weakening of 5%</i>	-	(222,904)

12. FINANCIAL RISK MANAGEMENT (continued)**Currency risk**

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

13. FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA

As stated in note 3, these financial statements are the first full set of financial statements prepared by the Fund in accordance with IFRS as endorsed in KSA.

The accounting policies set out in note 4 have been applied in preparing the financial statements for the current and prior period. The Fund's date of transition to IFRS as endorsed in KSA is the inception date of the Fund and since there were no transactions and balances at the inception date of the Fund therefore the statement of financial position on the transition date has not been presented in these financial statements.

The table below sets out the principal adjustment made by the Fund in restating its statement of financial position as at December 2017 previously prepared in accordance with SOCPA Accounting Standards upon transition to IFRS as endorsed in KSA.

	<i>As per SOCPA Accounting Standards</i>	<i>Transition adjustments</i>	<i>As per IFRS as endorsed in KSA</i>
ASSETS			
Cash and cash equivalents	110,495	-	110,495
Investment at fair value through profit or loss	4,458,073	-	4,458,073
Money market placements measured at amortised cost	20,929,307	144,570	21,073,877
Investment at amortised cost	1,805,177	-	1,805,177
Accrued income	144,570	(144,570)	-
	<u>27,447,622</u>	<u>-</u>	<u>27,447,622</u>
LIABILITIES			
Management fee payable	9,453	-	9,453
Accrued expenses and other liabilities	70,147	-	70,147
	<u>79,600</u>	<u>-</u>	<u>79,600</u>
NET ASSETS	<u>27,368,022</u>	<u>-</u>	<u>27,368,022</u>

Under SOCPA Accounting Standards, accrued income was reported separately on the statement of financial position. Under IFRS as endorsed in KSA, accrued income is included within amortised cost of money market placements and therefore, accrued income was reclassified and included within money market placements measured at amortised cost.

Further, under SOCPA Accounting Standards special commission income was shown as a single amount on the face of statement of comprehensive income, while under IFRS as endorsed in KSA, special commission income relating to financial assets held at amortised cost, FVTPL and FVOCI are separately disclosed.

14. LAST VALUATION DAY

The last valuation day of the period from 1 January 2018 to 27 December 2018 was 27 December 2018 (for the period from 18 December 2016 to 31 December 2017: 31 December 2017).

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by the Fund Board on 2 Sha'aban 1440H (corresponding to 7 April 2019).