

**Audi Income Fund**  
(Managed by Audi Capital Company)

**AUDITED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

Audi Income Fund  
(Managed by Audi Capital Company)

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AUDI INCOME FUND (MANAGED BY AUDI CAPITAL)**

### **Opinion**

We have audited the financial statements of Audi Income Fund (the "Fund") - managed by Audi Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 2021, and its financial performance and its cash flows for the year then ended 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 Chartered and Professional 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.

### **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 Chartered and Professional 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, the Fund Manager's Board of Directors, are 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.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF AUDI INCOME FUND  
(MANAGED BY AUDI CAPITAL) (continued)**

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


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 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 those charged with governance 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 Professional Services



Rashid S. Roshod  
Certified Public Accountant  
License No. (366)

Riyadh: 27 Sha'ban 1443H  
30 March 2022G



**Audi Income Fund**  
**(Managed by Audi Capital Company)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2021**

	Notes	31 December 2021 USD	31 December 2020 USD
<b>ASSETS</b>			
Bank balances		6,924	135,266
Investments at fair value through profit or loss (FVTPL)	5	5,895,757	7,207,825
Special commission receivable and other assets		69,045	74,203
<b>TOTAL ASSETS</b>		<b>5,971,726</b>	<b>7,417,294</b>
<b>LIABILITIES</b>			
Management fee payable	6	3,825	4,678
Custody and administration fee payable		2,716	2,710
Accrued expenses	7	37,052	22,252
<b>TOTAL LIABILITIES</b>		<b>43,593</b>	<b>29,640</b>
<b>EQUITY</b>			
Net assets attributable to the Unitholders of redeemable units		5,928,133	7,387,654
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,971,726</b>	<b>7,417,294</b>
Redeemable units in issue		625,689	754,052
Net assets value attributable to each unit		9.47	9.80



*Tony Abou Fayssal*

**Tony Abou Fayssal**  
**CFO**

The attached notes 1 to 16 form an integral part of these financial statements.

Audi Income Fund  
(Managed by Audi Capital Company)

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2021

	<i>Notes</i>	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
<b>INCOME</b>			
Net realised loss on investments at FVTPL		<b>(7,162)</b>	(348,918)
Net movement in unrealised (loss) / gain on investments at FVTPL		<b>(38,891)</b>	83,878
Special commission income	5	<b>293,991</b>	387,035
		<b>247,938</b>	121,995
<b>EXPENSES</b>			
Management fee expense	6	<b>(50,739)</b>	(60,892)
Other expenses	8	<b>(93,564)</b>	(95,755)
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b>103,635</b>	(34,652)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>103,635</b>	(34,652)

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The attached notes 1 to 16 form an integral part of these financial statements.

Audi Income Fund  
(Managed by Audi Capital)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	31 December 2021 USD	31 December 2020 USD
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>7,387,654</b>	9,865,658
Profit / (loss) for the year	<b>103,635</b>	(34,652)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<b>103,635</b>	(34,652)
Dividends paid during the year (note 9)	<b>(333,553)</b>	(433,536)
Proceeds from units issued during the year	<b>15,818</b>	60,500
Value of units redeemed during the year	<b>(1,245,421)</b>	(2,070,316)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>5,928,133</b>	7,387,654

**REDEEMABLE UNITS TRANSACTIONS**

Transactions in units for the year ended 31 December are summarised as follows:

	31 December 2021 USD	31 December 2020 USD
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>754,052</b>	961,543
Units issued during the year	<b>1,642</b>	6,198
Units redeemed during the year	<b>(130,005)</b>	(213,689)
Net decrease in units	<b>(128,363)</b>	(207,491)
<b>UNITS AT THE END OF THE YEAR</b>	<b>625,689</b>	754,052

The attached notes 1 to 16 form an integral part of these financial statements.

Audi Income Fund  
(Managed by Audi Capital Company)

STATEMENT OF CASHFLOWS

31 December 2021

	Notes	31 December 2021 USD	31 December 2020 USD
<b>OPERATING ACTIVITIES</b>			
Net profit / (loss) from operations		<b>103,635</b>	(34,652)
<i>Adjustment to reconcile (loss) profit for the year to net cash flows from (used in) operating activities:</i>			
Net movement in unrealised loss / (gain) on investments at fair value through profit or loss		<b>38,891</b>	(83,878)
		<b>142,526</b>	(118,530)
<i>Working capital adjustments:</i>			
Investments at FVTPL		<b>1,273,177</b>	2,190,095
Special commission receivables and other assets		<b>5,158</b>	454,633
Management fee payable		<b>(853)</b>	(1,743)
Custody and administration fee payable		<b>6</b>	(1,363)
Accrued expenses		<b>14,800</b>	8,502
Net cash flows generated from operating activities		<b>1,434,814</b>	2,531,594
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		<b>15,818</b>	60,500
Value of units redeemed		<b>(1,245,421)</b>	(2,070,316)
Dividends paid	9	<b>(333,553)</b>	(433,536)
Net cash flows used in financing activities		<b>(1,563,156)</b>	(2,443,352)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(128,342)</b>	88,242
Cash and cash equivalents at the beginning of the year		<b>135,266</b>	47,024
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>6,924</b>	135,266
Special commission received during the year		<b>299,149</b>	415,078

The attached notes 1 to 16 form an integral part of these financial statements.



# Audi Income Fund

## (Managed by Audi Capital Company)

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

#### 1. INCORPORATION AND ACTIVITIES

Audi Income 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 Fund was established on 5 Jumada Al-Akhirah 1440H (corresponding to 10 February 2019) as per approval from the Capital Market Authority (“CMA”) and commenced its operations on 6 Sha’ban 1440H (corresponding to 11 April 2019).

The objective of the Fund is to distribute income to its unitholders through investing in local, regional market and international sukuk.

The Fund has appointed HSBC Saudi Arabia to act as its custodian (the “Custodian”) and administrator (the “Administrator”). The fees of the custodian’s and administrator’s services are paid by the Fund.

The address of the Fund Manager is as follows:

Audi Capital Company  
Centria Building - 3rd Floor - 2908 Prince Muhammad Ibn Abdulaziz Road  
Al Olaya - Unit No. 28,  
Ar Riyadh 12241-6055  
Kingdom of Saudi Arabia

#### 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 2006G) and effective from 6 Safar 1438H (corresponding 6 November 2016G) by the New Investment Fund Regulations (“Amended Regulations”) published by the CMA on 16 Sha’aban 1437H (corresponding to 23 May 2016G) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Regulations were Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 dated 12 Rajab 1442H (corresponding to 24 February 2021G). The amended regulations are effective from 19 Ramadan 1442H (corresponding to 1 May 2021G).

#### 3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Statement of compliance

These financial statements have been 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 Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRSs as endorsed in the KSA”) and applicable provisions of Investment Fund Regulations issued by the Board of CMA and the Fund’s Term and Conditions and Information Memorandum.

##### 3.2 Basis of preparation

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for the measurement of investments at FVTPL.

These financial statements are presented in United States Dollar (“USD”), 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 USD. Investor subscriptions and redemptions are determined based on net asset value and received and paid in USD. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in USD. Accordingly, management has determined that the functional currency of the Fund is USD.

Audi Income Fund  
(Managed by Audi Capital Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3. Significant accounting policies**

The following are the significant accounting policies applied by the Fund in preparing its financial statements.

*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 statement of cash flows, cash and cash equivalents include bank balances.

*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.

*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.

Audi Income Fund  
(Managed by Audi Capital Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*Financial instruments (continued)*

*Derecognition of financial instruments (continued)*

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 holds receivables with no financing component and having maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

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.

Audi Income Fund  
(Managed by Audi Capital Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*Trade date accounting*

All regular way purchases and sales of financial assets are recognised / derecognised 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.

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

*Redeemable units*

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unitholder 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 Unitholder'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 Unitholders. 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 Fund classifies its net assets attributable to the unitholders as equity because it meets the criteria described above. As such, 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 Income Fund**  
**(Managed by Audi Capital Company)**

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*Net assets 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 outstanding at year end.

*Management fees*

Fund management fees are recognised on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

*Special commission income*

Special commission income including special commission income from non-derivative financial assets measured at either at amortised cost or fair value through profit & loss, are recognised in the statement of comprehensive income, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

*Net gain or loss on financial assets and liabilities at 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 year and from reversal of the prior year'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 recognised as expenses on an accrual basis in the 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 Unitholders and as such, are not provided in these financial statements.

*Foreign currencies*

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in statement of comprehensive income.

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

Foreign currency differences arising on retranslation are recognised in statement of comprehensive income as net foreign exchange gains / losses, except for those arising on investments at FVTPL, which are recognised as a component of net gain / loss from investments at FVTPL.

Audi Income Fund  
(Managed by Audi Capital Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2020

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.4 New standards, amendments and interpretations adopted by the Fund**

There are new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Fund.

*Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

*Amendments to IFRS 16 Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. However, these amendments had no impact on the financial statements of the Fund.

**3.5 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Based on the Fund's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

Standards	Description	Mandatory effective date
IFRS 17	Insurance Contracts	1 January 2023
IFRS 1	First-time Adoption of International Financial Reporting Standards: Subsidiary as a first - time adopter	1 January 2022
IFRS 9	Financial Instruments: Fees in the ' 10 percent' test for derecognition of financial liabilities	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non- current	1 January 2022
Amendments to IAS 37	Onerous Contracts: Costs of Fulfilling a Contract	1 January 2022

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Fund's financial statements requires the use of judgement, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

*Going concern*

The Fund Manager made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*Fair value measurement*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price available on respective stock exchange, without any deduction for transaction costs. The Fund is using the 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).

**5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

The composition of the investment's portfolio on the last valuation day of the year is summarised below:

	31 December 2021			
	% of Market Value	Cost USD	Market value USD	Unrealised gain USD
Investments in Sukuks	96%	5,514,889	5,656,038	141,149
Murhaba Placement	4%	239,942	239,719	(223)
	<b>100%</b>	<b>5,754,831</b>	<b>5,895,757</b>	<b>140,926</b>

	31 December 2020			
	% of Market Value	Cost USD	Market value USD	Unrealised gain USD
Investments in Sukuks	86%	5,997,821	6,177,001	179,180
Investments in Exchange Traded Funds	14%	1,030,187	1,030,824	637
	<b>100%</b>	<b>7,028,008</b>	<b>7,207,825</b>	<b>179,817</b>

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)**

The composition of investments in Sukuks as at 31 December, is summarised below:

	<i>Maturity date</i>	<i>31 December 2021 USD</i>
<i>Sukuks</i>		
Arabian Centres Sukuk Ltd	26 November 2024	302,250
Adib Capital Invest	23 September 2023	211,910
Dar Al Arkan Sukuk Co Ltd	21 March 2023	258,739
Dar AlArkan Sukuk Co Ltd	26 February 2027	260,625
DIB Tier 1 Sukuk 3 Ltd	14 February 2022	211,750
DIFC Sukuk Co Ltd	11 December 2024	213,275
DP World Crescent Ltd	18 June 2029	213,439
Emaar Sukuk Ltd	15 September 2026	207,573
Fab Sukuk Co Ltd	14 January 2026	198,925
ICD Sukuk Co Ltd	2 January 2027	326,540
KIB Tier 1 Sukuk Ltd	10 June 2024	207,500
MAF Sukuk Ltd	14 May 2029	223,000
MAR Sukuk Ltd	9 February 2025	201,690
Mazoon Assets Co SAOC	11 August 2027	420,528
Mumtalakat Sukuk Holding Co	21 January 2027	410,500
Mumtalakat Sukuk Holding Co	27 February 2024	316,875
Nogaholding Sukuk Ltd	4 August 2029	214,500
Oman Sovereign Sukuk SAOC	6 January 2024	310,656
QIB Sukuk Ltd	27 October 2025	201,142
Saudi Electricity Global Sukuk	17 September 2030	200,840
Saudi Electricity Global Sukuk	27 January 2024	317,459
Tabreed Sukuk Spc Ltd	31 October 2025	226,322
<b>TOTAL</b>		<b>5,656,038</b>
<i>Murabaha Placement</i>		
ALK SAHTD0001	30 January 2022	239,719
		<b>239,719</b>
<b>TOTAL</b>		<b>5,895,757</b>



**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)**

	<i>Maturity date</i>	<i>31 December 2020 USD</i>
ICD Sukuk Co Ltd	1 February 2027	541,973
Arabian Centres Sukuk Ltd	26 November 2024	511,250
DP World Crescent Ltd	18 July 2029	439,456
Mazoon Assets Co	8 November 2027	411,588
Saudi Electricity Company Global Sukuk	27 January 2024	325,707
Mumtalakat Sukuk Holding Co	27 February 2024	323,250
Oman Sovereign Sukuk	1 June 2024	309,359
Ei Sukuk Co Ltd	31 May 2021	304,116
SD International Sukuk Ltd	9 May 2022	296,250
Almarai Sukuk Ltd	5 March 2024	269,240
DIB Sukuk Ltd	14 February 2022	257,280
Dar Al Arkan Sukuk Co Ltd	21 March 2023	255,702
Dar Al Arkan Sukuk Co Ltd	26 February 2027	250,000
Tabreed Sukuk SPC	31 October 2025	233,706
DIB Tier 1 Sukuk 3 Ltd	22 January 2025	216,498
Adib Capital Invest	20 September 2023	215,750
DIFC Sukuk Limited	16 September 2021	210,058
KIB Tier 1 Sukuk Ltd	10 June 2024	203,250
Noor Tier 1 Sukuk Ltd	1 June 2021	201,290
Boubyan Tier 1 Capital	16 May 2021	200,778
Ahli United Sukuk	25 October 2021	200,500
		<u>6,177,001</u>
<i>Exchange Traded Funds (ETFs)</i>		700,085
Albilad Saudi Sovereign Sukuk ETF		330,739
Alinma Saudi Government Sukuk ETF Fund - Short Maturity		<u>1,030,824</u>
<b>TOTAL</b>		<u><u>7,207,825</u></u>

The average effective special commission rates for these instruments is 4.49% (31 December 2020: 5.36%).

**6. TRANSACTIONS WITH RELATED PARTIES**

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise Audi Capital Company (being the Fund Manager, the Fund Board and administrator of the Fund) and mutual funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business with Fund Manager and related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved Terms and Conditions of the Fund.

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

At 31 December 2020

**6. TRANSACTIONS WITH RELATED PARTIES (continued)**

During the year, the Fund entered into the following transaction with related parties in the ordinary course of business:

Related Party	Nature of transaction	Amount of transaction		Balance	
		2021 USD	2020 USD	2021 USD	2020 USD
Audi Capital Company	Fund management fee	<b>50,739</b>	60,892	<b>3,825</b>	4,678

*Management fee and other transactions*

The Fund pays a management fee calculated at an annual rate of 0.75% of the net asset value. The calculation of the management fee is done on a daily basis and the payment is made on the first valuation day of the following month.

Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Management fee expenses is disclosed in the statement of comprehensive income while advisory board compensation is disclosed in note 8 to the financial statements. Management fee payable is disclosed on the statement of financial position.

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

*Units held by related parties*

The Unitholders' account as at 31 December 2021 included 363,227 units (31 December 2020: 443,232 units), held by affiliates of the Fund Manager.

**7. ACCRUED EXPENSES**

	31 December 2021 USD	31 December 2020 USD
Shariah fee accrual	<b>21,721</b>	13,721
Benchmark S&P Index Fee	<b>5,083</b>	-
Accrued audit fees	<b>8,000</b>	8,000
Other accrued expense	<b>2,248</b>	531
	<b>37,052</b>	22,252

**8. OTHER EXPENSES**

	31 December 2021 USD	31 December 2020 USD
Custody fee	<b>16,000</b>	16,000
Admin fee	<b>16,000</b>	16,000
Board fee	<b>16,000</b>	16,000
Audit fee	<b>12,000</b>	14,000
VAT expense	<b>14,469</b>	14,214
Benchmark fee	<b>7,000</b>	7,000
Shariah fee	<b>8,000</b>	8,000
CMA fee	<b>2,000</b>	2,000
Tadawul fee	<b>1,333</b>	1,335
Transactions charges	<b>384</b>	688
Miscellaneous fee	<b>378</b>	518
	<b>93,564</b>	95,755

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**9. DIVIDENDS**

The Fund distributed the following dividends for the year ended 31 December 2021:

<b>2021</b>	<b>Total amount of dividends (USD)</b>
<i>Date of distribution</i>	
11 January 2021	96,136
08 April 2021	92,299
13 July 2021	67,225
13 October 2021	77,893
	<b>333,553</b>
<b>2020</b>	<b>Total amount of dividends (USD)</b>
<i>Date of distribution</i>	
13 January 2020	131,089
13 April 2020	81,524
09 July 2020	139,609
07 October 2020	81,314
	<b>433,536</b>

**10. FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Fund has only investments at fair value through profit or loss which is measured at fair values and are classified within level 2 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. There were no transfers between various levels of fair value hierarchy during the current year or prior period.

**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>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<i>As at 31 December 2021</i>			
<b>ASSETS</b>			
Bank balances	6,924	-	6,924
Investments at FVTPL	5,895,757	-	5,895,757
Special commission receivable and other assets	69,045	-	69,045
<b>TOTAL ASSETS</b>	<b>5,971,726</b>	<b>-</b>	<b>5,971,726</b>
<b>LIABILITIES</b>			
Management fee payable	3,825	-	3,825
Custody and administration fee payable	2,716	-	2,716
Accrued expenses	37,052	-	37,052
<b>TOTAL LIABILITIES</b>	<b>43,593</b>	<b>-</b>	<b>43,593</b>

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

**11. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
<i>As at 31 December 2020</i>			
<b>ASSETS</b>			
Bank balances	135,266	-	135,266
Investments at FVTPL	7,207,825	-	7,207,825
Special commission receivable and other assets	74,203	-	74,203
<b>TOTAL ASSETS</b>	<b>7,417,294</b>	<b>-</b>	<b>7,417,294</b>
<b>LIABILITIES</b>			
Management fee payable	4,678	-	4,678
Custody and administration fee payable	2,710	-	2,710
Accrued expenses	22,252	-	22,252
<b>TOTAL LIABILITIES</b>	<b>29,640</b>	<b>-</b>	<b>29,640</b>

**12. FINANCIAL RISK MANAGEMENT**

**Introduction**

The Fund's objective in managing risk is the creation and protection of Unitholder's value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing risk 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 market risk (which includes foreign currency risk, special commission rate risk and equity price risk), credit risk and liquidity risk arising from the financial instruments it holds.

**Risk management**

The Fund's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of the Fund.

**Risk measurement and reporting system**

Monitoring and controlling risks are primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

**Risk mitigation**

The Fund's terms and conditions has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

**Concentration risk**

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.

Audi Income Fund  
(Managed by Audi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

**12. FINANCIAL 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 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 table below shows the Fund's maximum exposure to credit risk for the components of the statement of financial position at each reporting date.

	31 December 2021 USD	31 December 2020 USD
Bank balances	6,924	135,266
Special commission receivable and other assets	69,045	74,203
	<u>75,969</u>	<u>209,469</u>

All accrued special commission are expected to be received in six months or less. The management has conducted a review for allowance for impairment as required under IFRS 9 and based on such assessment, the management believes that there is no significant impairment allowance is required.

Credit risk on bank balances is limited as these are held with banks with sound credit ratings.

Management believes that receivable from investment sold does not pose any significant credit risk for the Fund. As at reporting date, receivable from investment sold was neither past due nor impaired.

*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 asset.

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. The Fund's investments are considered to be readily realizable. 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 the financial liabilities of the Fund at the reporting date approximate their carrying values and are all 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 and special commission rates 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.

*Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests in financial instruments and enters into transactions that are denominated in SAR Riyal, which is the Fund's functional currency, and therefore management believes that the Fund is not exposed to any significant currency risk.

The Fund's currency risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place.

**Audi Income Fund**  
**(Managed by Audi Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2021

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

*Special commission rate risk*

Special commission rate risk is the risk that the financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk or future risks on its special commission bearing assets including its investments in Sukuk.

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rates, with all other variables held constant. There is no sensitivity effect on other comprehensive income (OCI) as the Fund has no assets designated as fair value through other comprehensive income or hedging instruments. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be significant.

<i>Change in profit rate</i>	<i>Impact on profit or loss</i> <i>USD</i>
<i>For the year ended 31 December 2021</i>	
Increase by 1%	<b>58,958</b>
Decrease by 1%	<b>(58,958)</b>
<i>For the period ended 31 December 2020</i>	
Increase by 1%	72,078
Decrease by 1%	(72,078)

**13. IMPACT OF COVID-19 ON THE FINANCIAL STATEMENTS**

During March 2021, the World Health Organisation ("WHO") declared the Coronavirus ("COVID- 19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

In response to the rapid spread of the virus and the resulting disruption of some social and economic activities and business continuity, the Fund Manager has taken a series of preventive and precautionary measures, including activating of remote work to ensure the safety of its employees and their families.

The impact of the pandemic on the Fund's operations and financial results till the date of the financial statements has been reflected in the net assets value and investments value. These developments could further impact our future financial results, cash flows and financial condition and the Fund Manager will continue to assess the nature and extent of the impact on its business and financial results

These developments may affect the future financial results, cash flows and the financial position of the Fund.

**14. EVENTS AFTER THE REPORTING PERIOD**

The Fund has decided to distribute dividends to the Unitholders of USD 61,293 corresponding to USD 0.098 for each unit held by the Unitholders on 12 January 2022.

**15. LAST VALUATION DAY**

The last valuation day of the year was 30 December 2021 (2020: 31 December 2020).

**16. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Manager's Board of Directors on 29 March 2022G (corresponding to 26 Sha'ban 1443H).