

**ELITE FLEXI
SAUDI EQUITIES FUND
(Managed by SEDCO Capital)**

FINANCIAL STATEMENTS
For the period from March 20, 2016
to December 31, 2016
with
**INDEPENDENT AUDITORS'
REPORT TO THE UNITHOLDERS**



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INDEPENDENT AUDITORS' REPORT

The Unitholders,
Elite Flexi Saudi Equities Fund
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying financial statements of Elite Flexi Saudi Equities Fund ("the Fund"), managed by Sedco Capital (the "Fund Manager"), which comprise the balance sheet as at December 31, 2016 and the related statements of income, cash flows and changes in net assets attributable to Unitholders for the the period from March 20, 2016 to December 31, 2016 and the attached notes 1 through 16 which form an integral part of the financial statements.

Fund Manager's responsibility for the financial statements

Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Elite Flexi Saudi Equities Fund as at December 31, 2016, and the results of its operations and its cash flows for the period from March 20, 2016 to December 31, 2016 in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Ebrahim Oboud Baeshen
License No. 382



Jeddah, Jumada Al Thani 14, 1438H
Corresponding to March 13, 2017

ELITE FLEXI SAUDI EQUITIES FUND
(Managed by SEDCO Capital)

BALANCE SHEET

As at December 31, 2016

(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	<u>2016</u>
Assets:		
Cash at bank		3,872,155
Held for trading investments	<i>6</i>	20,459,739
Held to maturity investments	<i>7</i>	<u>9,009,100</u>
Total assets		<u>33,340,994</u>
Liabilities:		
Accrued expenses and other payables	<i>8</i>	114,452
Due to related parties	<i>10</i>	<u>124,390</u>
Total liabilities		<u>238,842</u>
Net assets attributable to Unitholders		<u>33,102,152</u>
Number of units outstanding	<i>12</i>	<u>303,500.6818</u>
Net assets value per Unit		<u>109.0678</u>

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

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by SEDCO Capital)

STATEMENT OF INCOME

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	For the period from March 20, 2016 to December 31, <u>2016</u>
Income:		
Dividend income		401,514
Unrealised gain on held for trading investments		1,552,190
Realised gain on held for trading investments		750,577
Income from held to maturity investments		125,860
Other income		7,162
Total income		2,837,303
Expenses:		
Performance fee	<i>10</i>	113,003
Management fee	<i>10</i>	210,798
Professional and other charges	<i>9</i>	254,254
Total expenses		578,055
Net income for the period		2,259,248

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

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

STATEMENT OF CASH FLOWS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

	<i>Notes</i>	For the period from March 20, 2016 to December 31, <u>2016</u>
Cash flows from operating activities:		
Net income for the period		2,259,248
<i>Adjustments for:</i>		
Unrealised gain on held for trading investments	<i>6.1</i>	(1,552,190)
<i>Changes in operating assets and liabilities:</i>		
Held for trading investments		(18,907,549)
Accrued expenses and other payables		114,452
Due to related parties		124,390
Net cash used in operating activities		<u>(17,961,649)</u>
Cash flows from financing activities:		
Initial subscriptions received		57,688,196
Redemptions during the period		<u>(26,845,292)</u>
Net cash generated from financing activities		<u>30,842,904</u>
Cash and cash equivalents at the end of the period	<i>11</i>	<u>12,881,255</u>

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

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

	For the period from March 20, 2016 to December 31, <u>2016</u>
Initial subscription received during the period	57,688,196
Redemptions during the period	(26,845,292)
Net income for the period	<u>2,259,248</u>
Net assets attributable to Unitholders at the end of the period	<u>33,102,152</u>

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

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

1. THE FUND AND ITS ACTIVITIES

Introduction

Elite Flexi Saudi Equities Fund (the “Fund”), is a Shariah compliant, open-ended investment fund established in the Kingdom of Saudi Arabia under Investment Funds Regulations issued by the Capital Market Authority (the “CMA”), and managed by Saudi Economic and Development Securities Company (“SEDCO Capital” or the “Fund Manager”).

The address of the Fund Manager is:

P.O. Box 13396,
King Abdulaziz (Malik) Road,
Jeddah 21493, Kingdom of Saudi Arabia.

The Fund Manager sent a Fund Public Placement Notification to the CMA on December 24, 2015 which was approved by CMA the incorporation of the fund on March 20, 2016. The Fund commenced its operations on May 25, 2016. The Shariah Advisor has reviewed the Fund Offering document and confirmed compliance with the prescribed Shariah guidelines.

The Fund’s objective is to provide investors with long-term capital appreciation and the opportunity to invest in shares of companies traded on the Saudi Stock Exchange (“Tadawul”); in addition to investing in the Initial Public Offerings (“IPOs”) in Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain, Jordan, Egypt, Tunisia and Morocco ("Middle East and North Africa Countries") that comply with the Shariah Investment Guidelines, through a tested international standard investment process aiming to outperform its Benchmark. Capital gains and cash dividends are reinvested in the Fund.

The Fund is governed by the Investment Funds Regulations (the “Regulations”), issued by the CMA pursuant to Resolution No. 1/219/2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December, 2006) as amended by the Resolution of the Board of the CMA No. 1/61/2016 dated 16 Sha`ban 1437H corresponding to 23 May 2016, detailing requirements for investment funds within the Kingdom of Saudi Arabia.

2. SUBSCRIPTIONS / REDEMPTIONS

The Fund is open for subscriptions and redemptions on every Monday and Wednesday (“Dealing Days”). The unit price is computed by dividing the Fund’s net asset value (total assets of the Fund less the total liabilities) at the close of business of every dealing day by the total number of units outstanding at the close of business of that day, after taking into account all valid subscriptions and/or redemptions received by the cut-off time applicable to such dealing day. The minimum initial subscription amount was SR 50,000 and the Unitholders are required to retain a minimum investment balance of SR 50,000 at any time. Additional subscriptions and redemptions can be made in a minimum lot of SR 10,000.

The Unitholder pays a subscription fee up to 2.00% of the value of the initial and additional subscription. The Unitholder also pays early redemption fees equal to 1.00% of the net value of the redeemed units if the Unitholder request the redemption of the units within 30 business days from their subscription.

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

3. BASIS OF PRESENTATION

Statement of compliance

These financial statements are prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

These are the first set of annual financial statements of the Fund and accordingly, no comparative information has been presented in these financial statements.

Basis of measurement

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern concept, except for held for trading investments which are carried at fair value.

Functional and presentation currency

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

Critical accounting judgements and estimates

The preparation of these financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires the Fund Manager to exercise its judgment in the process of applying the accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected by the revision.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistently applied throughout the period. These are as follows:

Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks, and other short term highly liquid investments with original maturities of three months or less, which are available to the Fund without any restrictions.

Financial investments

All financial investments are initially recognized at cost, being the fair value of the consideration given, including incremental direct transaction costs except for those transaction charges related to investments held for trading, which are not added to the cost at initial recognition and are charged to the statement of income. Premiums are amortised and discounts accreted using the effective yield basis and are taken to statement of income.

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held for trading investment

Investments classified as held for trading are acquired principally for the purpose of selling or repurchasing in the short term. Securities which are held for trading are subsequently measured at fair value and any unrealised gains or losses arising from a change in fair value are included in the statement of income in the year in which they arise. Fair value gains or losses are realised on disposal of investments held for trading are recognised in statement of income.

Held to maturity investment

Investments having fixed or determinable payments and fixed maturity that the Fund has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less allowance for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

With respect to held to maturity investments, the Fund recognizes an impairment loss when there is an objective evidence of deterioration in the financial health or credit rating of the investee, industry and sector performance or changes in technology that adversely affect the counterparty.

Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation; and the amount of provision can be reliably estimated.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. On derecognition of a financial asset, the differences between the carrying amount of the asset, and the consideration received is recognized in the statement of income.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in the books at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. All exchange differences are recognised in the statement of income.

Settlement date accounting

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Fund accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Accrued expenses and other payables

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Zakat and income tax

Zakat and taxation is the obligation of the Unitholders and no provision for such liability is therefore made in these financial statements.

Revenue recognition

Realised and unrealised gains and losses from disposal / changes in fair values of held for trading investments are taken to the statement of income. Transaction cost incurred in connection with the acquisition / disposal of held for trading investments is included under unrealised gain / loss or realised gain / loss on held for trading investments, as appropriate.

Dividend income is recognized when the right to receive dividend income is established.

Income on held to maturity investments (murabaha deposits) is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.

Net assets value per unit

The net asset value per unit is calculated by dividing the net assets attributable to Unitholders included in the balance sheet by the numbers of units outstanding at the period end.

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

5. PERFORMANCE FEE AND OTHER EXPENSES

Performance fee

The Fund Manager is entitled to performance fee with respect to each Unit, equal to 20% of the difference between the Fund's performance and the S&P Saudi Arabia Domestic Shariah Index (SPSHDSAD) ("Benchmark"). The performance fee is added to or subtracted from the management fee. The performance fees is calculated on a quarterly basis and paid at the end of the fiscal year.

Custody and Administrator Fees

The custodian and administrator is entitled to receive a cumulative monthly fee at a rate of 0.10% per annum of the Funds' net asset value, with a minimum cap of SR 200,000 per annum. The fees are applicable after the expiry of 120 days from the date of commencement of operation.

Management Fee

The Fund Manager is entitled to receive management fee of 0.75% per annum of Fund's net assets. The management fee is paid on monthly basis.

Fund's Board Remuneration

The independent members of the Fund's Board are entitled to receive remuneration not exceeding to SR 20,000 per annum.

6. HELD FOR TRADING INVESTMENTS

- 6.1 Cost and market value of held for trading investments as at December 31, 2016 is analyzed as follows:

	<u>Cost</u>	<u>Unrealised gain</u>	<u>Market Value</u>
Listed equities	16,207,376	1,514,423	17,721,799
Mutual fund units	2,700,173	37,767	2,737,940
	<u>18,907,549</u>	<u>1,552,190</u>	<u>20,459,739</u>

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

6. HELD FOR TRADING INVESTMENTS (continued)

- 6.2 As at December 31, 2016, the Fund's investments in listed securities are concentrated in the following sectors

	<u>% of total investments</u>	<u>Cost</u>	<u>Market value</u>
Materials	13.82%	2,345,332	2,827,198
Mutual Fund Units	13.38%	2,700,173	2,737,940
Utilities	9.27%	1,576,417	1,895,880
Food & Staples Retailing	8.87%	1,855,529	1,815,691
Energy	8.51%	1,581,285	1,741,132
Capital goods	8.02%	1,604,709	1,641,240
Telecommunication Services	8.01%	1,353,731	1,638,905
Healthcare Equipment & Services	7.92%	1,454,508	1,619,670
Commercial & Professional Services	7.59%	1,331,301	1,552,931
Food & Beverages	7.26%	1,695,678	1,485,389
Banks	3.74%	703,915	765,408
Insurance	3.61%	704,971	738,355
	<u>100.00%</u>	<u>18,907,549</u>	<u>20,459,739</u>

7. HELD TO MATURITY INVESTMENT

As at December 31, 2016, the Fund holds investments in murabaha deposits with following counterparty:

	<u>Effective yield</u>	<u>Tenure (Days)</u>	<u>Cost</u>	<u>Amortized cost</u>
Bank Albilad	1.40%	28	<u>9000,000</u>	<u>9,009,100</u>

8. ACCRUED EXPENSES AND OTHER PAYABLES**2016**

Fund registrar fee payable	16,986
Sharia supervisory fee payable	30,275
Audit fee payable	20,000
Administration and custody fees payable	<u>47,191</u>
	<u>114,452</u>

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

9. PROFESSIONAL AND OTHER CHARGES

	For the period from March 20, 2016 to December 31, <u>2016</u>
Fund registrar fee	121,097
Shariah supervisory fee	30,274
Audit fee	30,000
Fund Board's remuneration (note 10)	12,109
Regulatory fee and listing charges	7,075
Administration and custody fee	53,699
	<u>254,254</u>

10. RELATED PARTY TRANSACTIONS

Related party transactions comprise of transactions with the Fund Manager in the ordinary course of business, undertaken on mutually agreed terms. All related party transactions are approved by the Fund Board. Significant related party transactions for the year ended December 31, 2016 are summarized below:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transaction</u>	<u>Balance at December 31, 2016</u>
Saudi Economic and Development Securities Company ("Fund Manager")	Performance fee	113,003	97,924
	Management fee	210,798	14,357
Fund's Board	Fund Board's remuneration	12,109	12,109
			<u>124,390</u>

11. CASH AND CASH EQUIVALENTS

As at December 31, 2016 cash and cash equivalents represent following:

	<u>Note</u>	<u>2016</u>
Cash at local bank		3,872,155
Murabaha deposits with original maturity of three months or less	7	9,009,100
		<u>12,881,255</u>

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

12. UNIT TRANSACTIONS

Transactions in units are summarized as follows:

	For the period from March 20, 2016 to December 31, <u>2016</u> (numbers)
Units issued during the period	578,122.9739
Units redeemed during the period	<u>(274,622.2921)</u>
Units at the end of the period	<u>303,500.6818</u>

13. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks represented by: market risk, credit risk and liquidity risk. The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed, and, to minimize potential adverse effects on the Fund's financial performance. The Fund's risk exposures and mitigants adopted by the Fund Manager are as follows:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Fund's income or the value of its holdings of financial instruments. The Fund Manager seeks to manage market risk by regular monitoring of risk exposures and the use of appropriate financial instruments, where required. The Fund's investment in held to maturity investments are at fixed profit rate, therefore, are not exposed to significant market risk. As at December 31, the Fund's held for trading investments are exposed to market risk.

The table below sets out the effect of possible changes in equity market prices on the Fund's net assets attributable to unit holders and NAV of the mutual fund at December 31, 2016. The analysis assumes that all other variables remains constant.

	Change in market prices / <u>NAV</u>	Effect on <u>net assets</u>
Equity Market prices	± 10%	± 1,772,180
Mutual fund's NAV	± 10%	<u>± 273,794</u>
		<u>± 2,045,974</u>

ELITE FLEXI SAUDI EQUITIES FUND

(Managed by Sedco Capital)

NOTES TO THE FINANCIAL STATEMENTS

For the period from March 20, 2016 to December 31, 2016

(Expressed in Saudi Arabian Riyals)

13. 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 Manager seeks to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. As at the balance sheet date, the Fund's maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents (note 11), which represent cash at bank, and held to maturity investment placed with local banks having sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Fund Manager seeks to manage liquidity risk by ensuring, as far as possible, that it will have sufficient liquidity to meet its financial liabilities as and when they fall due, in normal or stressed conditions, without incurring unacceptable losses or risking damage to the its reputation.

14. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Fund's financial instruments are accounted for under the historical cost convention, except for the measurement at fair value of held for trading investments, differences may arise between the carrying values and fair values. The Fund Manager believes that at the reporting date, the fair values of the Fund's financial assets and liabilities are not materially different from their carrying values.

15. LAST VALUATION DAY

The last Valuation Day for the year was Thursday, 29 December 2016. These financial statements are prepared as at December 31, 2016 and the Fund Manager believes that there is no significant change in the net asset value per unit of the Fund between last valuation day and December 31, 2016.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board on March 13, 2017.