



RSM Allied Accountants
Dr.abdelgadir Bannaga & Partners Co.

Mulkia IPO Fund
(Managed by Mulkia Investment Company)
Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2018
With Limited Report Review

Mulkia IPO Fund
Interim Financial Statements and Limited Review Report (unaudited)
For the six-month period ended 30 June 2018

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Limited Review Report For Interim Financial Statements

To the Unitholders of Mulkia IPO Fund

Introduction

We have reviewed the accompanying interim statement of financial position of Mulkia IPO Fund ("The Fund") as at 30 June, 2018, and the related interim statements of Profit or loss and other comprehensive income, change in net assets, and cashflow for the period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements-2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity endorsed in the Kingdom of Saudi Arabia. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as of 30 June, 2018 are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

RSM Allied Accountants

Dr. Abdelgadir Bannaga and Partners Company



Mohammed Al Nader

License No. 435

19 Dhul Qadah 1439 H (1 August 2018)

Riyadh, Saudi Arabia



Mulkia IPO Fund

Interim Statement of financial position (unaudited) As at 30 June 2018

	Note	30 June 2018 (Unaudited) SR	31 December 2017 (Audited) SR	1 January 2017 (Audited) SR
<u>Assets</u>				
Cash at Banks		1,620,908	4,606,896	20,756,859
Investments as at fair value through profit or loss	7	6,341,743	10,824,186	37,937,428
Prepayments		15,042	25,734	22,334
Accrued Dividends		25,800	-	-
Total Assets		8,003,493	15,456,816	58,716,621
<u>Liabilities</u>				
Fees Payables	9	60,433	71,974	264,504
Accrued expenses		44,356	15,000	20,000
Total Liabilities		104,789	86,974	284,504
Net assets		7,898,704	15,369,842	58,432,117
Units in issue (Number)		978,172	1,772,881	5,827,341
Per unit value		8.07	8.67	10.03

The accompanying notes from (1) to (13) form an integral part of these interim financial statements

Mulkia IPO Fund

Interim statement of Profit or loss and other comprehensive income (Unaudited) For the six-month period ended 30 June 2018

		For the six- month period ended 30 June 2018 (Unaudited)	For the six- month period ended 30 June 2017 (Unaudited)
	Note	SR	SR
<u>Investment income</u>			
Losses Investments as at fair value through profit or loss, Net	8	(918,685)	(2,727,661)
Dividends income		117,000	215,766
		(801,685)	(2,511,984)
<u>Expenses</u>			
Managements fees	9	(102,520)	(399,651)
Custodian fees	9	(25,389)	(66,609)
Other administrative expenses		(77,329)	(82,114)
Total Expenses		(205,238)	(548,374)
Net Loss from Operations		(1,006,923)	(3,060,358)
Other Comprehensive income		-	-
Total comprehensive income for the period		(1,006,923)	(3,060,358)

The accompanying notes from (1) to (13) form an integral part of these interim financial statements

Mulkia IPO Fund

Interim Statement of Change in Net Assets (Unaudited) For the six-month period ended 30 June 2018

	For the six- month period ended 30 June 2018 (Unaudited) SR	For the six- month period ended 30 June 2017 (Unaudited) SR
Net assets at the beginning of the period	<u>15,369,842</u>	<u>58,432,117</u>
Net loss from operations for period	<u>(1,006,923)</u>	<u>(3,060,358)</u>
Change from units transactions		
Proceeds from sale of units	-	51,188
Value of units redeemed	<u>(6,464,215)</u>	<u>(9,482,707)</u>
Net change from units transactions	<u>(6,464,215)</u>	<u>(9,431,519)</u>
Net assets at the end of the period	<u><u>7,898,704</u></u>	<u><u>45,940,240</u></u>

Units Transactions

Transactions in units are summarized for the period as follows:

	For the six- month period ended 30 June 2018 (Unaudited) Units	For the six- month period ended 30 June 2017 (Unaudited) Units
Units at the beginning of the period	<u>1,772,881</u>	<u>5,827,341</u>
Units sold	-	5,227
Units redeemed	<u>(794,709)</u>	<u>(991,979)</u>
Net decrease in units	<u>(794,709)</u>	<u>(986,752)</u>
Units at the end of the period	<u><u>978,172</u></u>	<u><u>4,840,589</u></u>

The accompanying notes from (1) to (13) form an integral part of these interim financial statements

Mulkia IPO Fund

Interim Statement of Cash Flows (Unaudited) For the six-month period ended 30 June 2018

	For the six- month period ended 30 June 2018 (Unaudited) SR	For the six-month period ended 30 June 2017 (Unaudited) SR
Operating activities		
Net Loss from operations for the period	(1,006,923)	(3,060,358)
Adjustments to reconcile net loss from operations with net cash from operating activities:		
Unrealized losses on investments as at fair value through profit or loss	196,451	2,205,167
	(810,472)	(855,191)
Change in operating assets and liabilities		
Investments as at fair value through profit or loss	4,285,992	(9,899,850)
Accrued dividends	(25,800)	-
Prepayments	10,692	(3,400)
Fees Payables	(11,541)	(192,530)
Accrued expenses	29,356	(5,000)
Net cash from operating activities	3,478,227	21,989,674
Financing Activities		
Proceeds from sale of units	-	51,188
Value of units redeemed	(6,464,215)	(38,190,825)
Net cash used in financing activities	(6,464,215)	(38,139,637)
Net decrease in cash at banks	(2,985,988)	(16,149,963)
Cash at banks at the beginning of the period	4,606,896	20,756,859
Cash at banks at the end of the period	1,620,908	4,606,896

The accompanying notes from (1) to (13) form an integral part of these interim financial statements

Mulkia IPO Fund

Notes to the Interim financial statements (Unaudited) For the six-month period ended 30 June 2018

1- Fund Activities

Mulkia IPO Fund (the Fund) is an open-ended fund created by an agreement between Mulkia Investment Company (the Fund Manager) and investors (unit holders in the fund). The objective of the Fund is to achieve growth in the capital in medium and long term, by investing in the book building of initial public offerings (IPOs) in Saudi Stock Exchange and by investing in the shares of the companies which have been listed for less than three (3) years in the Saudi stock exchange in accordance to the Sharia guidelines, and to achieve return higher than the performance of Benchmark Index (Ideal Ratings Saudi IPO Legitimacy).

The Fund was approved on 8 Ramadhan 1435 (corresponding to 6 July 2014) as per approval from the Capital Market Authority and commenced its operations on 12 August 2014.

The fund is managed by Mulkia Investment Company. The books and records of the Fund are maintained in Saudi Riyals (SAR).

The Loss for fund's unit since the inception amounted to (1.93) SR per unit.

2- Regulating authority

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

3- Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Initial Financial Reporting", adopted in Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants.

4- Adoption of new Standards, and Amendments

These interim financial statements are the first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the six-month period and are included in the first annual financial statements in accordance with International Financial Reporting Standards (IFRSs) and IFRS 1, "Adoption of International Financial Reporting Standards for the First Time" as endorsed in Saudi Arabia and other standards and regulations approved by the Saudi Organization of Certified Public Accountants.

For the periods including the year ended 31 December 2017, the Fund has prepared its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Accordingly, the interim financial statements have been prepared by the Fund in accordance with International Financial Reporting Standards (IFRS) as at 30 June 2018, with the comparative statement of financial position as at 31 December 2017 and the financial position as at 1 January 2017 (Note10)

**Notes to the Interim financial statements (Unaudited)
For the six-month period ended 30 June 2018 (continued)**

**5- New Standards, Amendments and Standards Issued and not Yet Effective
IFRS 16 Leases (Effective from 1/1/2019)**

This Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but is not applied by Fund when preparing these initial financial statements.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The adoption of this standard in subsequent periods is not expected to have a material financial impact on the financial statements of the Fund.

6- Significant accounting policies

The significant accounting policies adopted are as follows:

Accounting convention

The interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of the financial investments as at fair value through profit or loss at date of financial position.

Revenue recognition

- **Dividend income**
Dividend income is recognized when declared (when the Fund's right to receive the dividend is established).
- **Realized and unrealized gain from Investments as at fair value through profit or loss**
unrealized gain and loss represented the differences from the change of the fair value for the investments, and realized gains and losses it is from sale of investments. Realized gains and losses on investments sold are determined on a weighted average cost basis.

Cash and bank balances

Cash and bank balances include cash balances, banking murabhat and other investments which can be liquidated in three months or less.

Investments as at fair value through profit or loss

Investments as at fair value through profit or loss at market value are recognized in the financial statements. Unrealized gains and losses on revaluation of investments and gains and losses arising on disposal of investments are included in the interim statement of profit or loss.

Notes to the interim financial statements (Unaudited)
For the six-month ended 30 June 2018 (continued)

6-Significant accounting policies (continued)

Investment transactions

Investments transactions are accounted for as of the trade date.

Zakat and income tax

Zakat and income tax are considered to be the obligation of the unit holders and are not provided for in these interim financial statements.

Foreign Currencies

Transactions in foreign currencies are translated into Saudi Riyals (SAR) at the rates of exchange prevailing at the dates of the transaction. Assets and liabilities in foreign currencies at the balance sheet date are retranslated into Saudi Riyals (SAR) at the rates of exchange ruling at that date. Resulting exchange gains and losses are recognized in the interim statement of profit or loss.

Expenses

Expenses are recognized on an accrual basis. The management fees are charged at an agreed rate with the fund Manager. These expenses are calculated and accrued at each working day, and these expenses are charged to the interim statement of profit or loss.

Net asset value

Net assets value per unit, as disclosed in statement of changes in net assets is calculated by divided the net assets of the fund by the numbers of units in issue at the period end.

7- Investments as at fair value through profit or loss

The composition of the investments as at fair value through profit or loss portfolio on the financial position date is summarized as follows:

	As at 30 June 2018			
	% of Market Value	Cost SR	Market Value SR	Unrealized (Loss) gain SR
Sectors				
Capital Goods	%12	753,824	722,464	(31,360)
Transportation	%5	302,870	288,800	(14,070)
Health Care	%23	1,569,520	1,487,250	(82,270)
Materials	%16	1,036,819	1,027,725	(9,094)
Management and development properties	%11	730,723	718,272	(12,451)
Consumer Services	%12	722,817	747,500	24,683
Retail luxury goods	%11	732,120	714,240	(17,880)
Food retail	%10	689,501	635,492	(54,009)
Total Investments	100%	6,538,194	6,341,743	(196,451)

The percentage of the total investments as at fair value through profit or loss from the net assets of the Fund as at 30 June 2018 was 80.29%. (31 December 2017: 70.42%)

Mulkia IPO Fund

Notes to the interim financial statements (Unaudited) For the six-month ended 30 June 2018 (continued)

8- Losses Investments as at fair value through profit or loss, Net

	For the six-month period ended 30 June 2018 (Unaudited) SR	For the six-month period ended 30 June 2017 (Unaudited) SR
Realized losses from sale of investments as at fair value through profit or loss, net	(722,234)	(522,494)
Unrealized loss on investments as at fair value through profit or loss	(196,451)	(2,205,167)
	<u>(918,685)</u>	<u>(2,727,661)</u>

9- Transactions with related parties

Significant related party transactions during the period and balances arising there from are described as follows:

Related Party	Nature of transactions	Amount of transactions for the period ended 30 June 2018 (Unaudited) SR	Balances at 30 June 2018 (Unaudited) SR	Balances at 31 December 2017 (Audited) SR
Mulkia Investment Company	Management fees	102,520	44,683	61,692
	Custody fees	25,389	15,750	10,282
			<u>60,433</u>	<u>71,974</u>

The Fund pays a management fee calculated at an annual rate of 1.5% of the net asset value at the end of each working day and is paid after end of each year's quarter.

Additionally, the Fund Manager also charges a custodian fee calculated at an annual rate of 0.25% of the net asset value, calculated daily and paid after end of each year's quarter by the fund. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed by the Fund. The management fee and custodian fee are charged according to the fund's terms and condition.

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

The unit holders' account at 30 June 2018 included (zero) units held by the Fund Manager (31 December 2017: 449,937 units) and (zero) units held by the employees (and their dependents) of the fund manager (31 December 2017: 12,014 units).

10- First time adoption of IFRS

As stated in note (4) these financial Statements, for the period ended 30 June 2018, are the first Financial Statements for the six-month period prepared in accordance with IFRS as endorsed in KSA. For the financial Statements, for the year ended 31 December 2017, the fund prepared it in accordance with the accounting standards promulgated by SOCPA.

Accordingly, the fund has prepared the financial statements that comply with IFRS as at 30 June 2018, with the comparison statements of financial position as at 1 January 2017 from SOCPA to IFRS and the statements of financial position as at 31 December 2017. the Notes from (10-1) to (10-5) set out an explanation of how the transition to IFRS has affected the previously reported Statement of Financial Position as at January 1, 2017 and December 31, 2017.

Mulkia IPO Fund

Notes to the interim financial statements (Unaudited) For the six-month ended 30 June 2018 (continued)

10-1 Effect of adoption and reclassification on the Statement of Financial Position as at 31 December 2017:

	Amounts previously reported 31 December 2017 SR	Effect of Reclassification SR	Balance after adjustment 31 December 2017 SR
Investments held for trading	10,824,186	(10,824,186)	-
Investments as at fair value through profit or loss	-	10,824,186	10,824,186

10-2 Effect of adoption and reclassification on the Statement of profit or loss and other comprehensive income in 31 December 2017:

	Amounts previously reported 31 December 2017 SR	Effect of Reclassification SR	Balance after adjustment 31 December 2017 SR
Realized losses from investments held for trading	3,472,612	(3,472,612)	-
Unrealized losses from investments held for trading	1,029,504	(1,029,504)	-
Realized losses from investments as at fair value through profit or loss	-	3,472,612	3,472,612
Unrealized losses from investments as at fair value through profit or loss	-	1,029,504	1,029,504

10-3 Effect of adoption and reclassification on the Statement of profit or loss and other comprehensive income in 30 June 2017:

	Amounts previously reported 30 June 2017 SR	Effect of Reclassification SR	Balance after adjustment 30 June 2017 SR
Realized losses from investments held for trading	522,494	(522,494)	-
Unrealized losses from investments held for trading	2,205,167	(2,205,167)	-
Realized losses from fair value investments through profit or loss	-	522,494	522,494
Unrealized losses from fair value investments through profit or loss	-	2,205,167	2,205,167

10-4 Effect of adoption and reclassification on the Statement of Financial Position as at 1 January 2017:

	Amounts previously reported 1 January 2017 SR	Effect of Reclassification SR	Balance after adjustment 1 January 2017 SR
Investments held for trading	37,937,428	(37,937,428)	-
Investments as at fair value through profit or loss	-	37,937,428	37,937,428

10-5 Explanation for Reconciliation

The investment portfolio was reclassified by amount SR 10,824,186 as at 31 December 2017 from its investments held for trading to investments as at fair value through profit or loss in accordance with the Fund's business model for this portfolio in accordance with the requirements of IFRS 9 Financial Instruments.

11- Fair value

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 Fund uses the following hierarchy to determine the fair value of investments:

First level: market prices which stated in active markets for the same financial instruments.

Second level: Valuation techniques are based on inputs that effect on fair value and can be observable directly or indirectly in the market.

Third level: Valuation techniques are based on inputs that effect on fair value and cannot be observable directly or indirectly in the market.

The valuation of fair value of the investments in level 1.

12- Last valuation day

The last valuation day for the period was 27 June 2018 (31 December 2017: 31 December 2017).

13- General

The figures in these interim financial statements are rounded to the nearest Saudi Riyal.