



**RSM Allied Accountants**  
Dr.abdelgadir Bannaga & Partners Co.

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

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

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<b>Index</b>	<b>Page</b>
Limited Review Report for interim financial statements	-
Interim Statement of financial position	2
Interim statement of Profit or loss and other comprehensive income	3
Interim Statement of Changes in Net Assets	4
Interim Statement of Cash Flow	5
Notes to the interim financial statements	6-11



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## Limited Review Report For Interim Financial Statements

### To the Unitholders of Mulkia Saudi Equity Fund

#### Introduction

We have reviewed the accompanying interim statement of financial position of Mulkia Saudi Equity 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 Saudi Equity Fund

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

	<u>Note</u>	<b>30 June 2018 (Unaudited) SR</b>	31 December 2017 (Audited) SR	1 January 2017 (Audited) SR
<b><u>Assets</u></b>				
Cash at Bank		379,771	731,841	7,427,991
Investments as at fair value through profit or loss	7	17,167,455	9,479,441	9,241,821
Prepayments		8,876	22,334	16,864
Accrued Dividends		-	3,750	-
<b>Total Assets</b>		<b>17,556,102</b>	<b>10,237,366</b>	<b>16,686,676</b>
<b><u>Liabilities</u></b>				
Fees Payables	9	67,080	45,414	52,296
Accrued expenses		41,687	15,000	20,000
<b>Total Liabilities</b>		<b>108,767</b>	<b>60,414</b>	<b>72,296</b>
<b>Net assets</b>		<b>17,447,335</b>	<b>10,176,952</b>	<b>16,614,380</b>
Units in issue (Number)		2,352,577	1,559,911	2,386,739
Per unit value		7.42	6.52	6.96

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

## Mulkia Saudi Equity 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)
	<u>Note</u>	<u>SR</u>	<u>SR</u>
<b><u>Investment income</u></b>			
Gains / (Losses) Investments as at fair value through profit or loss, Net	8	1,558,590	(315,127)
Dividends income		<u>262,044</u>	<u>211,469</u>
		1,820,634	(103,658)
<b><u>Expenses</u></b>			
Managements fees	9	(91,823)	(122,959)
Custodian fees	9	(22,499)	(20,493)
Other administrative expenses		<u>(72,447)</u>	<u>(75,229)</u>
<b>Total Expenses</b>		<u>(186,769)</u>	<u>(218,681)</u>
<b>Net Income / (Loss) from Operations</b>		1,633,865	(322,339)
Other Comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>1,633,865</u>	<u>(322,339)</u>

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



## Mulkia Saudi Equity Fund

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

	<b>For the six-month period ended 30 June 2018 (Unaudited)</b>	For the six-month period ended 30 June 2017 (Unaudited)
	<b>SR</b>	SR
Net assets at the beginning of the period	<b>10,176,952</b>	16,614,380
<b>Net Income /(Loss) from Operations</b>	<b>1,633,865</b>	(322,339)
<b>Change from units transactions</b>		
Proceeds from sale of units	<b>6,275,636</b>	500,000
Value of units redeemed	<b>(639,118)</b>	(3,500,000)
Net change from units transactions	<b>5,636,518</b>	(3,000,000)
<b>Net assets at the end of the period</b>	<b>17,447,335</b>	13,292,041

#### Units Transactions

Transactions in units are summarized for the period as follows:

	<b>For the six-month period ended 30 June 2018 (Unaudited)</b>	For the six-month period ended 30 June 2017 (Unaudited)
	<b>Units</b>	Units
Units at the beginning of the period	<b>1,559,911</b>	2,386,739
Units sold	<b>879,267</b>	71,753
Units redeemed	<b>(86,601)</b>	(533,681)
Net increase (decrease) in units	<b>792,666</b>	(461,928)
<b>Units at the end of the period</b>	<b>2,352,577</b>	1,924,811

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

## Mulkia Saudi Equity 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
<b>Operating activities</b>		
Net Income / (Loss) from Operations	1,633,865	(322,339)
<b>Adjustments to reconcile net income (loss) from operations with net cash used in operating activities:</b>		
Unrealized (gain) losses on investments as at fair value through profit or loss	(530,275)	414,226
	<b>1,103,590</b>	<b>91,887</b>
<b>Change in operating assets and liabilities</b>		
Investments as at fair value through profit or loss	(7,157,739)	(3,456,984)
Prepayments	13,458	(12,419)
Accrued Dividends	3,750	-
Fees Payables	21,666	15,168
Accrued expenses	26,687	24,120
<b>Net cash used in operating activities</b>	<b>(5,988,588)</b>	<b>(3,338,228)</b>
<b>Financing Activities</b>		
Proceeds from sale of units	6,275,636	500,000
Value of units redeemed	(639,118)	(3,500,000)
<b>Net cash from (used in) financing activities</b>	<b>5,636,518</b>	<b>(3,000,000)</b>
<b>Net decrease in cash at bank</b>	<b>(352,070)</b>	<b>(6,338,228)</b>
Cash at bank at the beginning of the period	731,841	7,427,991
<b>Cash at bank at the end of the period</b>	<b>379,771</b>	<b>1,089,763</b>

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

# Mulkia Saudi Equity Fund

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

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### 1- Fund Activities

Mulkia Saudi Equity 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 capital growth in medium and long term, by investing in the Saudi listed companies in Saudi Stock Exchange in accordance with the Sharia guidelines, and to achieve return higher than the performance of Benchmark Index (Ideal Ratings Saudi Equity Legitimacy).

The Fund was approved on 22 Ramadhan 1435 (corresponding to 20 July 2014) as per approval from the Capital Market Authority and commenced its operations on 30 Shawal 1435 H (corresponding to 26 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 (2.58) 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)



**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 period 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 gain (losses) SR
<b>Sectors</b>				
Materials	%38	6,215,050	6,420,400	205,350
Transportation	%10	1,729,739	1,707,920	(21,819)
Food industry	%2	405,181	413,740	8,559
Banks and financial services	%33	5,280,386	5,600,489	320,103
Communications	%11	1,951,156	1,970,906	19,750
Management and development properties	%6	1,055,668	1,054,000	(1,668)
<b>Total Investments</b>	<b>%100</b>	<b>16,637,180</b>	<b>17,167,455</b>	<b>530,275</b>

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 98.84% (31 December 2017: 93.15%)



## Mulkia Saudi Equity Fund

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

#### 8- Gains / (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 31 December 2017 (Unaudited) SR
Realized gains from sale of investments as at fair value through profit or loss, net	1,028,315	99,099
Unrealized gains / loss on investments as at fair value through profit or loss	530,275	(414,226)
	<u>1,558,590</u>	<u>(315,127)</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	91,823	51,330	38,926
	Custody fees	22,499	15,750	6,488
			<u>67,080</u>	<u>45,414</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 1,903,174 units held by the Fund Manager (31 December 2017: 1,401,985 units), and 72,718 units held by the employees of the fund manager (31 December 2017: 8,068 units), fund board member also hold 9,840 units in the fund (31 December 2017: 9,840 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 Saudi Equity Fund

### Notes to the interim financial statements (Unaudited) For the six-month period 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	9,479,441	(9,479,441)	-
Investments as at fair value through profit or loss	-	9,479,441	9,479,441

#### 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	459,142	(459,142)	-
Unrealized losses from investments held for trading	492,492	(492,492)	-
Realized losses from investments as at fair value through profit or loss	-	459,142	459,142
Unrealized losses from investments as at fair value through profit or loss	-	492,492	492,492

#### 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 gains from investments held for trading	99,099	(99,099)	-
Unrealized losses from investments held for trading	414,226	(414,226)	-
Realized gains from investments as at fair value through profit or loss	-	99,099	99,099
Unrealized losses from investments as at fair value through profit or loss	-	414,226	414,226

#### 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	9,241,821	(9,241,821)	-
Investments as at fair value through profit or loss	-	9,241,821	9,241,821

#### 10-5 Explanation for Reconciliation

The investment portfolio was reclassified by amount SR 9,479,441 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.



## **Mulkia Saudi Equity Fund**

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

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#### **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.