



RSM Allied Accountants

Dr. Abdelgadir Bannaga & Partners Co.

Mulkia IPO Fund
(Managed by Mulkia Investment Company)
Financial Statements
For the year ended 31 December 2016
With Auditor's Report

Mulkia IPO Fund
Financial Statements and Auditor's Report
For the year ended 31 December 2016

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Auditor's Report

To The Unitholders of Mulkia IPO Fund

Scope of Audit

We have audited the accompanying balance sheet of Mulkia IPO Fund ("The Fund") managed by Mulkia Investment Company ("The Manager") as at 31 December 2016, and the related statements of income, cash flows and change in net assets for the year then ended and the notes from (1) to (8) considered an integral part of these financial statements as prepared by the Fund's management and submitted to us with all necessary information and explanations. These financial statements are the responsibility of the Fund's management and our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion the financial statement taken as whole:

- Present fairly, in all material respects, the financial position of the Fund as at December 31, 2016, and the results of its operations and cash flows and changes in net assets for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

RSM Allied Accountants

Dr. Abdelgadir Bannaga and Partners Company

Mohammed Al Nader

License No. 435

25 Jumada al Ula 1438 H (22 February 2017)

Riyadh, Saudi Arabia



Mulkia IPO Fund
Balance Sheet
As at 31 December 2016

	<u>Note</u>	<u>2016</u> <u>SR</u>	<u>2015</u> <u>SR</u>
<u>Assets</u>			
Cash at Banks		20,756,859	19,958,247
Trading Investments	4	37,937,428	57,912,300
Prepayments		22,334	22,204
Total Assets		58,716,621	77,892,751
<u>Liabilities</u>			
Fees Payables	6	264,504	616,230
Accrued expenses		20,000	20,000
Total Liabilities		284,504	636,230
Net assets		58,432,117	77,256,521
Units in issue		5,827,341	7,504,557
Per unit value		10,03	10,29

The accompanying notes 1 to 8 form an integral part of these financial statements

Mulkia IPO Fund
Income Statement
For the year ended 31 December 2016

	<u>Note</u>	<u>2016</u> <u>SR</u>	The period from 12 August 2014(since inception) to 31 December 2015 <u>SR</u>
<u>Investment income</u>			
Trading (loss) / income, Net	5	(2,180,720)	10,178,610
Dividend income		<u>598,721</u>	<u>1,777,069</u>
		(1,581,999)	11,955,679
<u>Expenses</u>			
Managements fees	6	(938,545)	(3,106,540)
Custodian fees	6	(156,424)	(517,756)
Other administrative expenses		<u>(128,923)</u>	<u>(167,300)</u>
Total Expenses		<u>(1,223,892)</u>	<u>(3,791,596)</u>
Net (Loss) Income from Operations		<u>(2,805,891)</u>	<u>8,164,083</u>

The accompanying notes 1 to 8 form an integral part of these financial statements

Mulkia IPO Fund
Statement of Cash flows
For the year ended 31 December 2016

	2016	The period from 12 August 2014(since inception) to 31 December 2015
	SR	SR
Operating activities		
Net (Loss) income from operations	(2,805,891)	8,164,083
Adjustments to reconcile net (loss) income from operations with net cash from (used in) operating activities:		
Unrealized gains/losses on trading investments	(868,562)	5,376,427
	<u>(3,674,453)</u>	<u>13,540,510</u>
Change in operating assets and liabilities		
Trading investments	20,843,434	(63,288,727)
Prepayments	(130)	(22,204)
Fees Payables	(351,726)	616,230
Accrued expenses	-	20,000
Net cash from (used in) operating activities	<u>16,817,125</u>	<u>(49,134,191)</u>
Financing Activities		
Proceeds from sale of units	16,065,000	327,175,736
Value of units redeemed	(32,083,513)	(258,083,298)
Net cash (used in) from financing activities	<u>(16,018,513)</u>	<u>69,092,438</u>
Net increase in cash at banks	798,612	19,958,247
Cash at banks at the beginning of the year/period	<u>19,958,247</u>	-
Cash at banks at the end of the year/period	<u>20,756,859</u>	<u>19,958,247</u>

The accompanying notes 1 to 8 form an integral part of these financial statements

Mulkia IPO Fund
Statement of Changes in Net Assets
For the year ended 31 December 2016

	2016	The period from 12 August 2014(since inception) to 31 December 2015
	SR	SR
Net assets at the beginning of the year/period	<u>77,256,521</u>	<u>-</u>
Net (loss) income from operations	<u>(2,805,891)</u>	<u>8,164,083</u>
Change from units transactions		
Proceeds from sale of units	16,065,000	327,175,736
Value of units redeemed	<u>(32,083,513)</u>	<u>(258,083,298)</u>
Net change from units transactions	<u>(16,018,513)</u>	<u>69,092,438</u>
Net assets at the end of the year/period	<u>58,432,117</u>	<u>77,256,521</u>

Units Transactions

Transactions in units are summarized as follows:

	2016	The period from 12 August 2014(since inception) to 31 December 2015
	Units	Units
Units at the beginning of the year/period	7,504,557	-
Units sold	1,543,832	31,778,014
Units redeemed	<u>(3,221,048)</u>	<u>(24,273,457)</u>
Net (decrease) increase in units	<u>(1,677,216)</u>	<u>7,504,557</u>
Units at the end of the year/period	<u>5,827,341</u>	<u>7,504,557</u>

The accompanying notes 1 to 8 form an integral part of these financial statements

Mulkia IPO Fund
Notes to the financial statements
For the year ended 31 December 2016

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).

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- Significant accounting policies

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements for the period from 12 August 2014 to 31 December 2015.

The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of trading investments.

Revenue recognition

- Dividend income

Dividend income is recognized when declared (when the Fund's right to receive the dividend is established).

- Trading income

Trading income includes unrealized gains and losses from changes in fair value, realized gains and losses from sale of trading investments. Realized gains and losses on trading investments sold are determined on a weighted average cost basis.

Mulkia IPO Fund
Notes to the financial statements (continued)
For the year ended 31 December 2016

3- Significant accounting policies (continued)

Investment valuation

Investments which are purchased for trading purposes are valued at their market price as at the valuation date. Investments in mutual funds are valued on basis of net asset values published by the fund manager. Unrealized gains and losses on the revaluation of investments and realized gains and losses on the disposal of investments are recognized in the income statement.

Investment in open ended funds which are purchased for trading purposes are valued at their net asset value (unit price), which are published on Saudi stock exchange (Tadawul), as at the valuation date.

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 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 income statement.

Expenses

Expenses are recognized on an accrual basis. The management fee and custody fee, payable quarterly in arrears, is calculated and accrued at each valuation date based on the fund's net assets value.

4- Trading Investments

The composition of the trading investments portfolio on the balance sheet date is summarized as follows:

	As at 31 December 2016			
	% of Market Value	Cost SR	Market Value SR	Unrealized gain SR
A: Equity investments				
Retail	%33	12,310,668	12,601,220	290,552
Real-Estate	%1	486,348	494,496	8,148
	%34	12,797,016	13,095,716	298,700
B: Funds				
Open ended Murabaha funds	%66	24,271,850	24,841,712	569,862
Total Investments	%100	37,068,866	37,937,428	868,562

Mulkia IPO Fund
Notes to the financial statements (continued)
For the year ended 31 December 2016

5- Trading (loss) / income, Net

	2016	The period from 12
	SR	August 2014(since
		inception) to 31
		December 2015
	SR	SR
Realized (losses) gains from sale of trading investments, net	(3,049,282)	15,555,037
Unrealized gain (loss) on trading investments	868,562	(5,376,427)
	(2,180,720)	10,178,610

6- Transactions with related parties

Significant related party transactions during the year and balances arising therefrom are described as follows:

<u>Related Party</u>	<u>Nature of transactions</u>	Amount of transactions for the year ended 31 December 2016	Balances at 31 December 2016
		SR	SR
Mulkia Investment Company	Management fees	938,545	226,718
	Custody fees	156,424	37,786
			264,504

The Fund pays a management fee calculated at an annual rate of 1.5% of the net asset value at the end of each day and is paid on a quarterly basis.

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 on a quarterly basis 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 31 December 2016 included 1,194,086 units held by the Fund Manager and 24,289 units held by the employees (and their dependents) of the fund manager, Fund board members also hold 50,000 units in the fund as at 31 December 2016.

7- Last valuation day

The last valuation day was 29 December 2016 (2015: 31 December 2015)

8- General

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