



**RSM Allied Accountants**

Dr. Abdelgadir Bannaga & Partners Co.

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

**Mulkia Saudi Equity Fund**  
**Financial Statements and Auditor's Report**  
**For The year ended 31 December 2016**

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## RSM Allied Accountants

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## Auditor's Report

### To The Unitholders of Mulkia Saudi Equity Fund

#### Scope of Audit

We have audited the accompanying balance sheet of Mulkia Saudi Equity 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 Saudi Equity Fund**  
**Balance Sheet**  
**As at 31 December 2016**

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	<u>Note</u>	2016 SR	2015 SR
<b><u>Assets</u></b>			
Cash at Banks		7,427,991	3,957,012
Trading Investments	4	9,241,821	11,178,092
Prepayments		16,864	16,734
<b>Total Assets</b>		<b>16,686,676</b>	<b>15,151,838</b>
<b><u>Liabilities</u></b>			
Fees Payables	6	52,296	164,580
Accrued expenses		20,000	20,000
<b>Total Liabilities</b>		<b>72,296</b>	<b>184,580</b>
Net assets		<b>16,614,380</b>	<b>14,967,258</b>
Units in issue		<b>2,386,739</b>	<b>2,174,910</b>
Per unit value		<b>6,96</b>	<b>6,88</b>

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

**Mulkia Saudi Equity Fund**  
**Income Statement**  
**For the year ended 31 December 2016**

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	<u>Note</u>	<b>2016</b>	The period from 26 August 2014(since inception) to 31 December 2015
		<u>SR</u>	<u>SR</u>
<b><u>Investment income</u></b>			
Trading income / (loss), Net	5	<b>327,512</b>	(9,111,723)
Dividend income		<b>311,046</b>	489,703
		<b>638,558</b>	(8,622,020)
<b><u>Expenses</u></b>			
Managements fees	6	<b>(215,396)</b>	(472,840)
Custodian fees	6	<b>(35,899)</b>	(78,807)
Other administrative expenses		<b>(114,816)</b>	(146,240)
<b>Total Expenses</b>		<b>(366,111)</b>	(697,887)
<b>Net Income / (Loss) from Operations</b>		<b>272,447</b>	(9,319,907)

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



**Mulkia Saudi Equity Fund**  
**Statement of Cash flows**  
**For the year ended 31 December 2016**

	<b>2016</b>	The period from 26 August 2014(since inception) to 31 December 2015
	<b>SR</b>	SR
<b>Operating activities</b>		
Net Income / (Loss) from Operations	<b>272,447</b>	(9,319,907)
<b>Adjustments to reconcile net income (loss) from operations with net cash from (used in) operating activities:</b>		
unrealized (gain) losses on trading investments	<b>(624,201)</b>	850,160
	<b>(351,754)</b>	(8,469,747)
<b>Change in operating assets and liabilities</b>		
Trading investments	<b>2,560,472</b>	(12,028,252)
Prepayments	<b>(130)</b>	(16,734)
Fees Payables	<b>(112,284)</b>	164,580
Accrued expenses	<b>-</b>	20,000
<b>Net cash from (used in) operating activities</b>	<b>2,096,304</b>	(20,330,153)
<b>Financing Activities</b>		
Proceeds from sale of units	<b>1,550,000</b>	59,185,937
Value of units redeemed	<b>(175,325)</b>	(34,898,772)
<b>Net cash from financing activities</b>	<b>1,374,675</b>	24,287,165
<b>Net increase in cash at banks</b>	<b>3,470,979</b>	3,957,012
Cash at banks at the beginning of the year / period	3,957,012	-
<b>Cash at banks at the end of the year / period</b>	<b>7,427,991</b>	3,957,012

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

**Mulkia Saudi Equity Fund**  
**Statement of Changes in Net Assets**  
**For the year ended 31 December 2016**

	<b>2016</b>	The period from 26 August 2014(since inception) to 31 December 2015
	<b>SR</b>	SR
<b>Net assets at the beginning of the year / period</b>	<b>14,967,258</b>	-
<b>Net Income / (Loss) from Operations</b>	<b>272,447</b>	(9,319,907)
<b>Change from units transactions</b>		
Proceeds from sale of units	1,550,000	59,185,937
Value of units redeemed	(175,325)	(34,898,772)
Net change from units transactions	1,374,675	24,287,165
<b>Net assets at the end of the year / period</b>	<b>16,614,380</b>	14,967,258

**Units Transactions**

Transactions in units are summarized as follows:

	<b>2016</b>	The period from 26 August 2014(since inception) to 31 December 2015
	<b>Units</b>	Units
Units at the beginning of the year / period	2,174,910	-
Units sold	236,881	7,327,604
Units redeemed	(25,052)	(5,152,694)
Net increase in units	211,829	2,174,910
<b>Units at the end of the year / period</b>	<b>2,386,739</b>	2,174,910

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

**Mulkia Saudi Equity Fund**  
**Notes to the financial statements**  
**For the year ended 31 December 2016**

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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 26 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 26 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.

**Investment valuation**

Investments which are purchased for trading purposes are valued at their market price as at the valuation date. 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.



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

**3- 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 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			
Sectors	% of Market Value	Cost SR	Market Value SR	Unrealized gain SR
Banks and financial services	%48	4,110,972	4,401,357	290,385
Agriculture and food industries	%8	716,815	766,391	49,576
Transportation	%11	780,494	984,022	203,528
Multi-investment	%4	286,295	341,964	55,669
Building & Construction	%12	1,179,182	1,105,685	(73,497)
Retail	%17	1,543,862	1,642,402	98,540
<b>Total Investments</b>	<b>%100</b>	<b>8,617,620</b>	<b>9,241,821</b>	<b>624,201</b>

**5- Trading income / (loss), Net**

	2016 SR	The period from 26 August 2014(since inception) to 31 December 2015 SR
Realized losses from sale of trading investments, net	(296,689)	(8,261,563)
Unrealized gain (losses) on trading investments	624,201	(850,160)
	<b>327,512</b>	<b>(9,111,723)</b>

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

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**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>	<u>Amount of transactions for the year ended 31 December 2016</u> SR	<u>Balances at 31 December 2016</u> SR
Mulkia Investment Company	Management fees	215,396	56,906
	Custody fees	35,899	9,484
	Expenses paid by the fund	(14,094)	(14,094)
			<u>52,296</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 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 2,000,000 units held by the Fund Manager and 8,068 units held by the employees of the fund manager, fund board member, also hold 9,840 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.