



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 2017
With Auditor's Report

Mulkia Saudi Equity Fund
Financial Statements and Auditor's Report
For The year ended 31 December 2017

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Auditor's Report

To the Unitholders of Mulkia Saudi Equity Fund

Opinion

We have audited the financial statements of Mulkia Saudi Equity Fund ("The Fund") managed by Mulkia Investment Company ("The Manager"), which comprise the balance sheet as of December 31, 2017, and the statements of operations, cash flows and change in net assets for the year then ended and the notes to the financial statements and summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mulkia Saudi Equity Fund as of December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Basis of our opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the fund in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

The key audit matter	How the matter was addressed in our audit
<p>Trading Investments The Fund has trading investments amounting to SR 9.5 million as at 31 December 2017. Its investments consist of investments in listed shares, these investments evaluated based on market price at the balance sheet date. The trading investments are valued at fair value, unrealized gains and losses on the revaluation of investments are recognized in the statement of operations. We have considered the trading investments to be a key audit matter because it is affected with fluctuation of prices in the stock market.</p>	<p>We performed the following procedures in respect of trading investments:</p> <ul style="list-style-type: none"> • Verified the fair value for the investments and match it with announced prices in the market at the balance sheet date. • Verified the calculation of the unrealized gains and losses on the revaluation of investments that recognized in the statement of operations. • Assessed the appropriateness of the disclosures in relation to the investments.

The other information

The management is responsible for the other information. Other information consists of the information included in the Fund's annual report, other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we don't express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, it is not a guarantee that an audit conducted in accordance to International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit, We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk is not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentations, structure and the content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and Regulatory Requirements

The Fund maintains duly organized accounting records, and agreements with the financial statements and recommends their approval.

RSM Allied Accountants

Dr. Abdelgadir Bannaga and Partners Company



Mohammed Al Nader

License No. 435

17 Jumada al Akhir 1439 H (5 March 2018)

Riyadh, Saudi Arabia



Mulkia Saudi Equity Fund
Balance Sheet
As at 31 December 2017

	<u>Note</u>	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
<u>Assets</u>			
Cash at Banks		731,841	7,427,991
Trading Investments	4	9,479,441	9,241,821
Prepayments		22,334	16,864
Accrued Cash Dividend		3,750	-
Total Assets		10,237,366	16,686,676
<u>Liabilities</u>			
Fees Payables	6	45,414	52,296
Accrued expenses		15,000	20,000
Total Liabilities		60,414	72,296
Net assets		10,176,952	16,614,380
Units in issue		1,559,911	2,386,739
Per unit value		6.52	6.96

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

Mulkia Saudi Equity Fund
Statement of operations
For the year ended 31 December 2017

	<u>Note</u>	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
<u>Investment income</u>			
Trading (loss) / income, Net	5	(951,634)	327,512
Dividend income		<u>344,567</u>	<u>311,046</u>
		(607,067)	638,558
<u>Expenses</u>			
Managements fees	6	(204,582)	(215,396)
Custodian fees	6	(34,097)	(35,899)
Other administrative expenses		<u>(118,689)</u>	<u>(114,816)</u>
Total Expenses		<u>(357,368)</u>	<u>(366,111)</u>
Net (Loss) / Income from Operations		<u>(964,435)</u>	<u>272,447</u>

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 2017

	2017 SR	2016 SR
Operating activities		
Net (Loss) / Income from Operations	(964,435)	272,447
Adjustments to reconcile net (loss) income from operations with net cash (used in) from operating activities:		
Unrealized losses (gain) on trading investments	492,492	(624,201)
	(471,943)	(351,754)
Change in operating assets and liabilities		
Trading investments	(730,112)	2,560,472
Prepayments	(5,470)	(130)
Accrued Cash Dividend	(3,750)	-
Fees Payables	(6,882)	(112,284)
Accrued expenses	(5,000)	-
Net cash (used in) from operating activities	(1,223,157)	2,096,304
Financing Activities		
Proceeds from sale of units	500,000	1,550,000
Value of units redeemed	(5,972,993)	(175,325)
Net cash (used in) from financing activities	(5,472,993)	1,374,675
Net (decrease) increase in cash at banks	(6,696,150)	3,470,979
Cash at banks at the beginning of the year	7,427,991	3,957,012
Cash at banks at the end of the year	731,841	7,427,991

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 2017

	2017	2016
	SR	SR
Net assets at the beginning of the year	16,614,380	14,967,258
Net (Loss) / Income from Operations	(964,435)	272,447
Change from units transactions		
Proceeds from sale of units	500,000	1,550,000
Value of units redeemed	(5,972,993)	(175,325)
Net change from units transactions	(5,472,993)	1,374,675
Net assets at the end of the year	10,176,952	16,614,380

Units Transactions

Transactions in units are summarized as follows:

	2017	2016
	Units	Units
Units at the beginning of the year	2,386,739	2,174,910
Units sold	71,753	236,881
Units redeemed	(898,581)	(25,052)
Net (decrease) increase in units	(826,828)	211,829
Units at the end of the year	1,559,911	2,386,739

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 2017

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).

The Loss for fund's unit since the inception amounted to (3.48) S.R 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- Significant accounting policies

The financial statements have been prepared in accordance with accounting standards issued by Saudi Organization for Certified Public Accountants (SOCPA).

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 statement of operations.

Mulkia Saudi Equity Fund
Notes to the financial statements (continued)
For the year ended 31 December 2017

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 statement of operations.

Expenses

Expenses are recognized on an accrual basis. The management fee and custody fee, payable quarterly in arrears, is calculated and accrued at each working day 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 2017			
	% of Market Value	Cost SR	Market Value SR	Unrealized (Losses) gain SR
Sectors				
Materials	16%	1,520,024	1,519,971	(53)
Banks and financial services	15%	1,422,694	1,443,388	20,694
Consumer Services	14%	1,608,725	1,328,705	(280,020)
Energy	13%	1,307,733	1,248,725	(59,008)
Transportation	12%	1,272,021	1,157,462	(114,559)
Capital Goods	11%	1,045,251	1,037,348	(7,903)
Insurance	11%	985,779	985,000	(779)
Health Care	8%	809,706	758,842	(50,864)
Total Investments	100%	9,971,933	9,479,441	(492,492)

The percentage of the total trading investments from the net assets of the Fund as at 31 December 2017 was 93.15%.

5- Trading (loss) / income, Net

	2017 SR	2016 SR
Realized losses from sale of trading investments, net	(459,142)	(296,689)
Unrealized (losses) gain on trading investments	(492,492)	624,201
	(951,634)	327,512

Mulkia Saudi Equity Fund
Notes to the financial statements (continued)
For the year ended 31 December 2017

6- Transactions with related parties

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

Related Party	Nature of transactions	Amount of transactions for the year ended 31 December 2017 SR	Balances at 31 December 2017 SR	Balances at 31 December 2016 SR
Mulkia Investment Company	Management fees	204,582	38,926	56,906
	Custody fees	34,097	6,488	9,484
	Expenses paid by the fund	-	-	(14,094)
			<u>45,414</u>	<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 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 31 December 2017 included 1,401,985 units held by the Fund Manager (2016: 2,000,000 units), and 8,068 units held by the employees of the fund manager (2016: 8,068 units), fund board member also hold 9,840 units in the fund as at 31 December 2017 (2016: 9,840 units)

7- Last valuation day

The last valuation day was 31 December 2017 (2016: 29 December 2016)

8- General

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