



RSM

RSM Allied Accountants
Dr.abdelgadir Bannaga & Partners Co.

Mulkia IPO Fund
An Open Mutual Fund
(Managed by Mulkia Investment Company)
Financial Statements For the year ended 31 December 2018
With Auditor's Report

**Mulkia IPO Fund
(Managed by Mulkia Investment Company)**

**Financial Statements with Auditor's Report
For the year ended 31 December 2018**

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Auditor's Report

To the Unitholders of Mulkia IPO Fund

Opinion

We have audited the financial statements of Mulkia IPO Fund ("The Fund") managed by Mulkia Investment Company ("The Manager"), which comprise Statement of financial position as of December 31, 2018, and the statements of Profit or loss and other comprehensive income, change in net assets and cash flows 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 IPO Fund as of December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi organization for certified public accountants.

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.

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.

RSM Allied Accountants**Dr. Abdelgadir Bannaga and Partners Company**

Mohammed Al Nader
License No. 435
Riyadh, Saudi Arabia
27 Jumada Al-Akhar 1440H (4 March 2019)



Mulkia IPO Fund
(Managed by Mulkia Investment Company)

Statement of financial position
As at 31 December 2018

	<u>Note</u>	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
<u>Assets</u>				
Cash at Banks		5,049,354	4,606,896	20,756,859
Investments as at fair value through profit or loss	7	892,000	10,824,186	37,937,428
Prepayments & other debit balances		25,734	25,734	22,334
Total Assets		<u>5,967,088</u>	<u>15,456,816</u>	<u>58,716,621</u>
<u>Liabilities</u>				
Fees Payables		71,757	71,974	264,504
Accrued expenses		21,000	15,000	20,000
Total Liabilities		<u>92,757</u>	<u>86,974</u>	<u>284,504</u>
Net assets		<u>5,874,331</u>	<u>15,369,842</u>	<u>58,432,117</u>
Units in issue (Number)		<u>911,731</u>	<u>1,772,881</u>	<u>5,827,341</u>
Per unit value		<u>6.44</u>	<u>8.67</u>	<u>10.03</u>

The accompanying notes from (1) to (15) form an integral part of these financial statements

Mulkia IPO Fund
(Managed by Mulkia Investment Company)

statement of Profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	For the year ended 31 December 2018 SR	For the year ended 31 December 2017 SR
<u>Investment income</u>			
Losses Investments as at fair value through profit or loss, Net	8	(2,349,892)	(4,502,116)
Dividends income		135,600	370,515
		(2,214,292)	(4,131,601)
<u>Expenses</u>			
Managements fees	9	(153,132)	(565,933)
Custodian fees		(56,889)	(94,322)
Other administrative expenses		(136,439)	(130,782)
Total Expenses		(346,460)	(791,037)
Net Loss from Operations		(2,560,752)	(4,922,638)
Other Comprehensive income		-	-
Total comprehensive income for the period		(2,560,752)	(4,922,638)

The accompanying notes from (1) to (15) form an integral part of these financial statements

Mulkia IPO Fund
(Managed by Mulkia Investment Company)

Statement of Change in Net Assets
For the year ended 31 December 2018

	For the year ended 31 December 2018	For the year ended 31 December 2017
	SR	SR
Net assets at the beginning of the year	<u>15,369,842</u>	<u>58,432,117</u>
Net loss from operations for year	<u>(2,560,752)</u>	<u>(4,922,638)</u>
Change from units transactions		
Proceeds from sale of units	-	51,188
Value of units redeemed	<u>(6,934,759)</u>	<u>(38,190,825)</u>
Net change from units transactions	<u>(6,934,759)</u>	<u>(38,139,637)</u>
Net assets at the end of the year	<u><u>5,874,331</u></u>	<u><u>15,369,842</u></u>

Units Transactions

Transactions in units are summarized for the year as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	Units	Units
Units at the beginning of the year	<u>1,772,881</u>	<u>5,827,341</u>
Units sold	-	5,227
Units redeemed	<u>(861,150)</u>	<u>(4,059,687)</u>
Net decrease in units	<u>(861,150)</u>	<u>(4,054,460)</u>
Units at the end of the year	<u><u>911,731</u></u>	<u><u>1,772,881</u></u>

The accompanying notes from (1) to (15) form an integral part of these financial statements

Mulkia IPO Fund
(Managed by Mulkia Investment Company)

Statement of Cash Flows
For the year ended 31 December 2018

	For the year ended 31 December 2018	For the year ended 31 December 2017
	SR	SR
Operating activities		
Net Loss from operations for the year	(2,560,752)	(4,922,638)
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	(3,976)	1,029,504
	(2,564,728)	(3,893,134)
Change in operating assets and liabilities		
Investments as at fair value through profit or loss	9,936,162	26,083,738
Prepayments & other debit balances	-	(3,400)
Fees Payables	(217)	(192,530)
Accrued expenses	6,000	(5,000)
Net cash from operating activities	7,377,217	21,989,674
Financing Activities		
Proceeds from sale of units	-	51,188
Value of units redeemed	(6,934,759)	(38,190,825)
Net cash used in financing activities	(6,934,759)	(38,139,637)
Net increase / (decrease) in cash at banks	442,458	(16,149,963)
Cash at banks at the beginning of the year	4,606,896	20,756,859
Cash at banks at the end of the year	5,049,354	4,606,896

The accompanying notes from (1) to (15) form an integral part of these financial statements

Mulkia IPO Fund

Notes to the financial statements For the year ended 31 December 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).

During 2018, the fund made some amendments on the terms and conditions for the fund. The main change in the terms and conditions is related to the appointment of Saudi Fransi Capital Company as an independent custodian (note 9).

The Loss for fund's unit since the inception amounted to (3.56) 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 financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi organization for certified public accountants.

4- Adoption of new Standards, and Amendments

These financial statements are the first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) 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 financial statements have been prepared by the Fund in accordance with International Financial Reporting Standards (IFRS) as at 31 December 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 financial statements

For the year ended 31 December 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 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.

Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that may affect the value of restricted assets and liabilities, and disclosure of potential assets and liabilities in the date of the financial statements, and the value of revenue and expenses were disclosure to the period of the financial statement's preparation. Although these estimates and judgments are based on management's best knowledge and events available to the management in the date of the financial statements, it is possible that actual final results differ from these estimates.

These estimates and assumptions are reviewed on a continual basis and effects resulting from these accounting changes will be disclosed in the year and future period which are affected by it.

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 form 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 cash equivalents

Cash and cash equivalents 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 statement of profit or loss.

Notes to the financial statements
For the year ended 31 December 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 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 statements of financial position 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 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 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 year 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 31 December 2018			
	% of Market Value	Cost SR	Market Value SR	Unrealized (Loss) gain SR
Sectors				
A: Equity investments				
Health Care	%56,2	486,220	502,000	15,780
B: Funds				
Real Estate Funds	%43,8	401,804	390,000	(11,804)
Total Investments	%100	888,024	892,000	3,976

The percentage of the total investments as at fair value through profit or loss from the net assets of the Fund as at 31 December 2018 was 15.2% (31 December 2017: 70.42%) (1 January 2017: 64.93%)

Mulkia IPO Fund

Notes to the financial statements

For the year ended 31 December 2018 (continued)

7- Investments as at fair value through profit or loss (continued)

As at 31 December 2017				
	% of Market Value	Cost SR	Market Value SR	Unrealized (Loss) gain SR
A: Equity investments				
Capital Goods	11%	1,252,915	1,207,058	(45,857)
Transportation	19%	2,595,925	2,082,447	(513,478)
Consumer Services	23%	3,158,061	2,476,925	(681,136)
Health Care	15%	1,503,143	1,587,524	84,381
	<u>68%</u>	<u>8,510,044</u>	<u>7,353,954</u>	<u>(1,156,090)</u>
B: Funds				
Open ended Murabaha funds	29%	2,959,327	3,100,632	141,305
Real-Estate funds	3%	384,319	369,600	(14,719)
	<u>32%</u>	<u>3,343,646</u>	<u>3,470,232</u>	<u>126,586</u>
Total Investments	<u>100%</u>	<u>11,853,690</u>	<u>10,824,186</u>	<u>(1,029,504)</u>

As at 1 January 2017				
	% 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
	<u>%34</u>	<u>12,797,016</u>	<u>13,095,716</u>	<u>298,700</u>
B: Funds				
Open ended Murabaha funds	%66	24,271,850	24,841,712	569,862
Total Investments	<u>%100</u>	<u>37,068,866</u>	<u>37,937,428</u>	<u>868,562</u>

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

	For the year ended 31 December 2018 SR	For the year ended 31 December 2017 SR
Realized losses from sale of investments as at fair value through profit or loss, net	(2,353,868)	(3,472,612)
Unrealized gain / (loss) on investments as at fair value through profit or loss	3,976	(1,029,504)
	<u>(2,349,892)</u>	<u>(4,502,116)</u>

Notes to the financial statements
For the year ended 31 December 2018 (continued)

9- Transactions with related parties

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

Related Party	Nature of transactions	Amount of transactions for the year ended 31 December 2018 SR	Balances at 31 December 2018 SR	Balances at 31 December 2017 SR	Balances at 1 January 2017 SR
Mulkia Investment Company	Management fees	153,132	24,507	61,692	226,718
	Custody fees	9,639	-	10,282	37,786
			24,507	71,974	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 working day and is paid after end of each year's quarter.

Additionally, the terms & conditions had been amended by date 3 April 2018, to be Saudi Fransi Capital Company as an independent custodian instead of Mulkia Company (Fund manager), and the fund has been charged annual custody fee by rate 0.06% from the net assets of the fund as minimum SR 60,000 per year, calculated daily and paid monthly.

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

The unit holders' account at 31 December 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 year ended 31 December 2018, are the first Financial Statements prepared in accordance with IFRS as endorsed in KSA. For the financial Statements, for the periods including 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 31 December 2018, with the comparison statements of financial position as at 1 January 2017 and the statements of financial position as at 31 December 2017. the Notes from (10-1) to (10-4) 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 financial statements

For the year ended 31 December 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 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

10-4 Explanation for Reconciliation

The investment portfolio was reclassified by amount SR 10,824,186 as at 31 December 2017 and amount SR 37,937,428 as at 1 January 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- Risk Management

Credit Risk

Is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The fund's management believe that the fund has no significant concentration of credit risk. Cash is substantially placed with national banks with high credit ratings.

Commission rate risk

Risk arising from the fluctuation of the value of financial instruments is the result of fluctuations in commission rates prevailing in the market. The Fund has no significant assets or liabilities associated with commission rates as at 31 December 2018.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The fund is not subject to currency risk since all the significant transactions are in Saudi Riyals.

Liquidity risk

Liquidity risk is the risk that a Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that sufficient bank balances and cash are available.

13- Last valuation day

The last valuation day for the year was 31 December 2018 (31 December 2017: 31 December 2017).

14- General

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

15- Approval of financial statements

The financial statements were approved by the fund manager on 27 Jumada Al-Akhar 1440H (4 March 2019).