



**RSM**

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

**Mulkia IPO Fund**  
**An Open Mutual Fund**  
**(Managed by Mulkia Investment Company)**  
**Interim Financial Statements (Unaudited)**  
**For the six-month period ended 30 June 2019**  
**With Limited Report Review**

**Interim Financial Statements and Limited Review Report (unaudited)**  
**For the six-month period ended 30 June 2019**

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## RSM Allied Accountants

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### Limited Review Report For Interim Financial Statements

To,  
The Unitholders of Mulkia IPO Fund

#### Introduction

We have reviewed the accompanying interim statement of financial position of Mulkia IPO Fund (“The Fund”) as at 30 June, 2019, and the related interim statements of Profit or loss and other comprehensive income, change in net assets, and cashflows 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, 2019 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

29 Dhual-Qadah 1440H (1 August 2019)

Riyadh, Saudi Arabia



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

**Interim Statement of financial position (unaudited)**  
**As at 30 June 2019**

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	<u>Note</u>	<u>30 June 2019</u> <u>(Unaudited)</u> <u>SR</u>	<u>31 December</u> <u>2018</u> <u>(Audited)</u> <u>SR</u>
<b><u>ASSETS</u></b>			
Cash at Banks		379,859	5,049,354
Investments as at fair value through profit or loss	6	5,849,901	892,000
Prepayments		43,216	25,734
<b>Total Assets</b>		<b>6,272,976</b>	<b>5,967,088</b>
<b><u>LIABILITIES</u></b>			
Fees Payables		22,275	71,757
Accrued expenses		28,917	21,000
<b>Total Liabilities</b>		<b>51,192</b>	<b>92,757</b>
<b>NET ASSETS</b>		<b>6,221,784</b>	<b>5,874,331</b>
Units in issue (Number)		935,312	911,731
Per unit value		6.65	6.44



The accompanying notes from (1) to (14) form an integral part of these interim financial statements

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

**Interim statement of Profit or loss and other comprehensive income (Unaudited)**  
**For the six-month period ended 30 June 2019**

	<u>Note</u>	<u>For the six-month period ended 30 June 2019 (Unaudited) SR</u>	<u>For the six-month period ended 30 June 2018 (Unaudited) SR</u>
<b>Investment income</b>			
Profits/ (Losses) Investments as at fair value through profit or loss, Net	7	221,214	(918,685)
Dividends income		<u>83,220</u>	<u>117,000</u>
		304,434	(801,685)
<b>Expenses</b>			
Managements fees	8	(45,679)	(102,520)
Custodian fees		-	(25,389)
Other administrative expenses		<u>(66,554)</u>	<u>(77,329)</u>
<b>Total Expenses</b>		<u>(112,233)</u>	<u>(205,238)</u>
<b>Net Profit/ (loss) from Operations</b>		192,201	(1,006,923)
Other Comprehensive income		-	-
<b>Total comprehensive income/ (comprehensive loss) for the period</b>		<u>192,201</u>	<u>(1,006,923)</u>

The accompanying notes from (1) to (14) form an integral part of these interim financial statements



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

**Interim Statement of Change in Net Assets (Unaudited)**  
**For the six-month period ended 30 June 2019**

	For the six-month period ended 30 June 2019 (Unaudited) SR	For the six-month period ended 30 June 2018 (Unaudited) SR
Net assets at the beginning of the period	<u>5,874,331</u>	<u>15,369,842</u>
Net Profit /(loss) from operations for period	<u>192,201</u>	<u>(1,006,923)</u>
<b>Change from units transactions</b>		
Proceeds from sale of units	200,000	-
Value of units redeemed	<u>(44,748)</u>	<u>(6,464,215)</u>
Net change from units transactions	<u>155,252</u>	<u>(6,464,215)</u>
Net assets at the end of the period	<u>6,221,784</u>	<u>7,898,704</u>

**UNITS TRANSACTIONS**

Transactions in units are summarized for the period as follows:

	For the six-month period ended 30 June 2019 (Unaudited) Units	For the six-month period ended 30 June 2018 (Unaudited) Units
Units at the beginning of the period	911,731	1,772,881
Units sold	30,482	-
Units redeemed	<u>(6,901)</u>	<u>(794,709)</u>
Net increase/ (decrease) in units	<u>23,581</u>	<u>(794,709)</u>
Units at the end of the period	<u>935,312</u>	<u>978,172</u>



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The accompanying notes from (1) to (14) form an integral part of these interim financial statements

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

**Interim Statement of Cash Flows (Unaudited)**  
**For the six-month period ended 30 June 2019**

	<b>For the six-month period ended 30 June 2019 (Unaudited) SR</b>	<b>For the six-month period ended 30 June 2018 (Unaudited) SR</b>
<b>CASH FLOWS OPERATING ACTIVITIES</b>		
Net Profit / (Loss) from operations for the period	192,201	(1,006,923)
<b>Adjustments to reconcile net profit / (loss) from operations with net cash (used in) from operating activities:</b>		
Unrealized profit / (losses) on investments as at fair value through profit or loss	<u>(27,491)</u>	<u>196,451</u>
	<b>164,710</b>	<b>(810,472)</b>
<b>CHANGE IN OPERATING ASSETS AND LIABILITIES</b>		
Investments as at fair value through profit or loss	(4,930,410)	4,285,992
Accrued dividends	-	(25,800)
Prepayments	17,482	10,692
Fees Payables	(49,482)	(11,541)
Accrued expenses	<u>7,917</u>	<u>29,356</u>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b><u>(4,824,747)</u></b>	<b><u>3,478,227</u></b>
<b>CASH FLOWS FINANCING ACTIVITIES</b>		
Proceeds from sale of units	200,000	-
Value of units redeemed	<u>(44,748)</u>	<u>(6,464,215)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b><u>155,252</u></b>	<b><u>(6,464,215)</u></b>
<b>NET DECREASE IN CASH AT BANKS</b>	<b>(4,669,495)</b>	<b>(2,985,988)</b>
Cash at banks at the beginning of the period	<u>5,049,354</u>	<u>4,606,896</u>
<b>CASH AT BANKS AT THE END OF THE PERIOD</b>	<b><u>379,859</u></b>	<b><u>1,620,908</u></b>

The accompanying notes from (1) to (14) form an integral part of these interim financial statements

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## **Mulkia IPO Fund**

(Managed by Mulkia Investment Company)

### **Notes to the Interim financial statements (Unaudited) For the six-month period ended 30 June 2019**

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#### **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 Shariah guidelines, in the case that the number of listed companies decreases in the last three years to less than fifteen listed companies, the investment field of the Fund will be expanded to include the last fifteen listed companies that comply with Shariah guidelines, and to achieve return higher than the performance of Benchmark Index (Ideal Ratings Saudi IPO Legitimacy).

The Fund was approved on 8 Ramadan 1435 (corresponding to 6 July 2014) as per approval from the Capital Market Authority and commenced its operations on 16 Shawal 1435H (corresponding to 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 8).

The Loss for fund's unit since the inception amounted to (3.35) SR per unit.

The address of the fund manager is as follow:

Mulkia Investment Company - Prince Mohammed Bin Abdulaziz Road- Olaya District- P.O 52775- Riyadh 11573, Kingdom of Saudi Arabia.

#### **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. ADOPTED ACCOUNTING STANDARDS**

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. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

Except as noted below, the accounting policies applied to these condensed interim financial statements are the same as those applied to the financial statements for the previous year for the year ended 31 December 2018.

##### **(IFRS 16) Leases**

The Fund has adopted the (IFRS 16) with the accumulate effect of the initial application of this standard. The Fund will choose to apply the standard to the contracts previously identified as lease contracts by applying (IAS 17) and (IFRIC 4). The Fund will choose to use proposed exemption for lease contracts where the lease term expires within 12 months as of the submission date of the initial application, and lease contracts with asset that has a low value. The Fund has evaluated (IFRS 16) and has determined the difference in comparison with (IAS17) and (IFRIC 4) is not significant on the financial statements of the Fund as a whole. Consequently, there was no financial impact on the interim financial statements as a result of the adoption of (IFRS 16).



**Notes to the Interim financial statements (Unaudited)**  
**For the six-month period ended 30 June 2019 (continued)**

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**5. 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 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 cash equivalent**

Cash and bank balances include cash balances, deposits 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.

**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.

**Notes to the Interim financial statements (Unaudited)**  
**For the six-month period ended 30 June 2019 (continued)**

**5-SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**6. 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 2019			
	% of Market Value	Cost SR	Market Value SR	Unrealized (Loss) gain SR
<b>First: Stock investment (according to sectors)</b>				
Management and development properties	%22	1,291,302	1,314,870	23,568
Health Care	%17	1,082,268	1,004,850	(77,418)
Transportation	%14	883,340	832,320	(51,020)
Consumer Services	%13	749,183	764,250	15,067
Retail luxury goods	%10	546,267	544,000	(2,267)
Materials	%8	443,478	444,838	1,360
Professional and commercial services	%7	324,300	408,900	84,600
<b>Second: Investment Fund</b>				
Real Estate Fund	%9	502,272	535,873	33,601
<b>Total Investments</b>	<b>%100</b>	<b>5,822,410</b>	<b>5,849,901</b>	<b>27,491</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 2019 was 94.02%. (31 December 2018: 15.2%).

**Notes to the Interim financial statements (Unaudited)**  
**For the six-month period ended 30 June 2019 (continued)**

**6-INVESTMENTS AS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

	As at 31 December 2018			
	% of Market Value	Cost SR	Market Value SR	Unrealized (Loss) gain SR
<b>A: Stock investment (according to sectors)</b>				
Health Care	%56,2	486,220	502,000	15,780
<b>B: Funds</b>				
Real Estate Funds	%43,8	401,804	390,000	(11,804)
<b>Total Investments</b>	<b>%100</b>	<b>888,024</b>	<b>892,000</b>	<b>3,976</b>

**7. Profit (Losses) Investments as at fair value through profit or loss, Net**

	For the six-month period ended 30 June 2019 (Unaudited) SR	For the six-month period ended 30 June 2018 (Unaudited) SR
Realized gain/ (losses) from sale of investments as at fair value through profit or loss, net	193,723	(722,234)
Unrealized gain/ (losses) on investments as at fair value through profit or loss, net	27,491	(196,451)
	<b>221,214</b>	<b>(918,685)</b>

**8. 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 2019 (Unaudited) SR	Balances at 30 June 2019 (Unaudited) SR	Balances at 31 December 2018 (Audited) SR
Mulkia Investment Company	Management fees	45,679	22,275	24,507
			<b>22,275</b>	<b>24,507</b>

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. During 2019 the custodian decided not charge the fund custodian fees from 1 January 2019.

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

The unit holders' account at 30 June 2019 included 30,482 units (31 December 2018: zero units) held by member of the fund's board of directors.



**Notes to the Interim financial statements (Unaudited)**  
**For the six-month period ended 30 June 2019 (continued)**

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**9. 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.

**10. 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 30 June 2019.

**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 Fund 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.

**11. LAST VALUATION DAY**

The last valuation day for the period was 27 June 2019 (31 December 2018: 31 December 2018).

**12. GENERAL**

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

**13. SUBSEQUENT EVENTS**

In the opinion of management, there have been no significant subsequent events since the period ended 30 June 2019 to the date of approval for these interim financial statements which could have a material impact on these interim financial statements of the Company as at 30 June 2019.

**14. APPROVAL OF FINANCIAL STATEMENTS**

The interim financial statements were approved by the fund manager on 29 Dhual-Qadah 1440H (1 August 2019).