

**FALCOM SAUDI EQUITY ETF FUND**  
(Managed by Falcom Financial Services)

**INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021 AND  
INDEPENDENT AUDITOR'S REVIEW REPORT**

**FALCOM SAUDI EQUITY ETF**  
(Managed by Falcom Financial Services)

**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED  
FINANCIAL STATEMENTS**

**To the Unitholders and the Fund Manager of  
Falcom Saudi Equity ETF Fund  
(Managed by Falcom Financial Services)  
Riyadh, Kingdom of Saudi Arabia**

**Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Falcom Saudi Equity ETF Fund (the "Fund"), managed by Falcom Financial Services (the "Fund Manager") as of 30 June 2021 and the related interim condensed statements of profit or loss and other comprehensive income, changes in net assets attributable to the Unitholders and cash flows for the six months 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 condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements 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, as 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 condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**Other matter**

The financial statements of the Fund for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 April 2021. Also, the interim condensed financial statements of the Fund for the period ended 30 June 2020 were reviewed by the same auditor, who issued an unmodified conclusion on those interim condensed financial statements on 24 August 2020.

**For Dr. Mohamed Al-Amri & Co.**



Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



Riyadh, on: 18 August 2021 (G)  
Corresponding to: 10 Muharram 1443 (H)

**FALCOM SAUDI EQUITY ETF**  
(Managed By Falcom Financial Services)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

	Notes	<u>30 June 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)
<b>Assets</b>			
Cash and cash equivalents	6	414,127	149,979
Financial assets at fair value through profit or loss (FVTPL)	7	26,220,947	19,246,483
Dividends receivable		5,712	8,283
<b>Total assets</b>		<u>26,640,786</u>	<u>19,404,745</u>
<b>Liabilities</b>			
Accrued management fees	9	70,294	59,554
<b>Total liabilities</b>		<u>70,294</u>	<u>59,554</u>
<b>Net assets attributable to the Unitholders</b>		<u>26,570,492</u>	<u>19,345,191</u>
<b>Units in issue</b>		<u>600,000</u>	<u>550,000</u>
<b>Net assets value per unit (Saudi Riyals)</b>		<u>44.28</u>	<u>35.17</u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

**FALCOM SAUDI EQUITY ETF**  
(Managed By Falcom Financial Services)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

	Note	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>Income</b>			
Dividends income		324,725	449,809
Gain / (loss) on sale of financial assets at FVTPL	7	35,666	(223,761)
Fair value gain / (loss) on financial assets at FVTPL, net	7	4,999,682	(2,479,789)
		<u>5,360,073</u>	<u>(2,253,741)</u>
<b>Expenses</b>			
Management fees	9	(64,817)	(51,672)
Other expenses		(64,817)	(51,672)
		<u>(129,634)</u>	<u>(103,344)</u>
<b>Profit / (loss) for the period</b>		<b>5,230,439</b>	<b>(2,357,085)</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income / (loss) for the period</b>		<u><b>5,230,439</b></u>	<u><b>(2,357,085)</b></u>

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

**FALCOM SAUDI EQUITY ETF**  
(Managed By Falcom Financial Services)

**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS**

**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

	<u>30 June 2021</u>	<u>30 June 2020</u>
<b>Net assets attributable to the Unitholders as at 1 January (Audited)</b>	<b>19,345,191</b>	23,835,250
Profit / (loss) and total comprehensive income / (loss) for the period	<b>5,230,439</b>	(2,357,085)
<b>Unitholders subscriptions and redemptions:</b>		
Issuance of redeemable units during the period	<b>1,994,862</b>	-
Redemption of redeemable units during the period	-	(3,519,555)
<b>Net assets attributable to the Unitholders as at 30 June (Unaudited)</b>	<b><u>26,570,492</u></b>	<b><u>17,958,610</u></b>

**Movement in number of units**

The movement in number of units for the six months period ended 30 June is as follows:

	<u>30 June 2021</u>	<u>30 June 2020</u>
<b>Number of units as at 1 January (Audited)</b>	<b>550,000</b>	725,000
Issuance of redeemable units during the period	<b>50,000</b>	-
Redemption of redeemable units during the period	-	(125,000)
<b>Number of units as at 30 June (Unaudited)</b>	<b><u>600,000</u></b>	<b><u>600,000</u></b>

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

**FALCOM SAUDI EQUITY ETF**  
(Managed By Falcom Financial Services)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**  
(All amounts are in Saudi Riyals unless stated otherwise)

	<b>30 June 2021</b>	30 June 2020
<b>Note</b>	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit / (loss) for the period	<b>5,230,439</b>	(2,357,085)
<b>Adjustments for non-cash items</b>		
Fair value (gain) / loss on financial assets at FVTPL, net	<b>(4,999,682)</b>	2,479,789
<b>Changes in operating assets and liabilities:</b>		
Net change in financial assets at FVTPL	<b>(1,974,782)</b>	3,688,738
Dividends receivable	<b>2,571</b>	(100,971)
Accrued management fees	<b>10,740</b>	(11,837)
<b>Net cash flows (used in) / from operating activities</b>	<b>(1,730,714)</b>	3,698,634
<b>Cash flows from financing activities</b>		
Issuance of redeemable units during the period	<b>1,994,862</b>	-
Redemption of redeemable units during the period	<b>-</b>	(3,519,555)
<b>Net cash flows from / (used in) financing activities</b>	<b>1,994,862</b>	(3,519,555)
<b>Net increase in cash and cash equivalents</b>	<b>264,148</b>	179,079
Cash and cash equivalents at the beginning of the period	<b>149,979</b>	175,580
<b>Cash and cash equivalents at the end of the period</b>	<b>414,127</b>	354,659

The accompanying notes from 1 to 15 form an integral part of these interim condensed financial statements.

**FALCOM SAUDI EQUITY ETF**  
(Managed By Falcom Financial Services)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

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**1. GENERAL**

Falcom Saudi Equity ETF (the “Fund”) is a fund established under agreement between Falcom Financial Services (the “Fund Manager”) and investors in the Fund (the “Unitholders”). The Fund’s objectives are represented in achieving capital growth and gains on the long term through the inactive investment of a basket of shares of companies listed on the Saudi stock exchange for the purpose of achieving performance level similar to index performance before fees and expenses.

The address of the Fund manager is as follows:

Falcom Financial Services  
Olaya Street, P.O. 884  
Riyadh 11421  
Kingdom of Saudi Arabia

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

The Capital Market Authority (CMA) license was granted to the Fund on 12 Jumada Al Akhir 1429 H (corresponding to June 16, 2008). The Fund commenced operations on 9 Rajab1429H (corresponding to July 12, 2008).

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hija 1427H (corresponding to 24 December 2006) as amended by the resolution of CMA board on 16 Sha’aban 1437H (corresponding to 23 May 2016). It is further amended by the resolution of CMA board on 12 Rajab 1442H (corresponding to 24 February 2021).

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These interim condensed financial statements have been prepared in accordance with International Accounting Standard IAS-34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the interim condensed statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

The Fund has also complied with Investment Funds Regulations published by CMA and the Fund’s terms and conditions (collectively hereinafter referred to as “Terms and Conditions”).

The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of IAS 34. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2020 (“last annual financial statements”).

**2.2 Basis of measurement**

The interim condensed financial statements have been prepared on a historical cost convention, except for the financial assets at fair value through profit or loss that are measured at fair value.

Furthermore, these interim condensed financial statements are prepared using going concern basis.



**FALCOM SAUDI EQUITY ETF**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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(All amounts are in Saudi Riyals unless stated otherwise)

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**2. BASIS OF PREPARATION (continued)**

**2.3 Functional and presentation currency**

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These interim condensed financial statements are presented in Saudi Riyals which is the Fund’s functional and presentation currency.

**2.4 Critical accounting estimates and judgements**

In preparing these interim condensed financial statements, management has made the judgement, estimates, and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual audited financial statements.

The Fund has reviewed the key sources of estimation uncertainties disclosed in the last annual audited financial statements against the backdrop of Covid-19. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the last annual financial statements. The Fund will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

**3. NEW AND AMENDED STANDARDS ADOPTED BY THE FUND**

There are no new standards issued; however, there are number of amendments to standards that are effective from 1 January 2021 and have been explained in the last annual financial statements but they do not have a material effect on these interim condensed financial statements.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies, applied in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the last annual audited financial statements of the Fund for the year ended 31 December 2020.

**5. MANAGEMENT FEE, CUSTODY FEE AND OTHER EXPENSES**

The Fund’s expenses include management fee, custody fee and other expenses. These expenses are recognised on an accrual basis. Management and custody fee are based on predetermined rates specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

**Management fee**

The Fund pays 0.5% of the Fund’s net assets value at each valuation day of the Fund’s net assets value. These charges are calculated and accrued on each dealing day.

**Custody fee**

The Fund accrues custody fee at an annual rate of 0.03% of the Fund’s net assets value at each valuation day of the Fund’s net assets value. These charges are calculated and accrued on each dealing day.

**6. CASH AND CASH EQUIVALENTS**

	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Cash at banks	<b>414,127</b>	<b>149,979</b>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
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(All amounts are in Saudi Riyals unless stated otherwise)

**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

All of the Fund's financial assets are investments in shares of Saudi joint stock enterprises listed on the Saudi Stock Exchange.

The details of investments in equity portfolio are summarized as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Banks	8,314,100	5,233,045
Primary materials	6,334,042	4,579,167
Energy	3,384,677	3,205,594
Telecommunications	2,663,371	1,890,390
Food production	1,530,046	1,099,217
Real estate	1,355,142	1,079,420
Public utilities	645,407	525,301
Retail	562,637	427,258
Health care	639,187	419,870
Insurance	208,656	336,409
Food retail	261,888	240,442
Complementary commodities	321,794	210,370
	<b>26,220,947</b>	<b>19,246,483</b>
	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>Opening balance</b>	<b>19,246,483</b>	23,719,167
Purchase during the period / year	1,974,782	275,912
Sold during the period / year	(35,666)	(5,246,469)
	<b>21,185,599</b>	18,748,610
<b>Net changes in investment at FVTPL</b>		
Realized fair value gain, net for the period / year	35,666	47,602
Unrealized fair value gain, net for the period / year	4,999,682	450,271
Net fair value gain on investment at FVTPL	5,035,348	497,873
<b>Closing balance</b>	<b>26,220,947</b>	<b>19,246,483</b>

**8. FAIR VALUE ESTIMATION**

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of trading as at the reporting date. Instruments that have not been sold are valued on the valuation day based on the most recent bid price.

An active market is a market in which assets or liabilities are treated with sufficient movement and volume to provide price information on an ongoing basis. The carrying value less impairment provision of other receivables and carrying value of payables are assumed to approximate their fair values.

The fair value hierarchy consists of the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for assets and liabilities.

**FALCOM SAUDI EQUITY ETF**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

**8. FAIR VALUE ESTIMATION (continued)**

Investments are based on prices quoted in active markets classified as level 1, and include quoted equity instruments. The Fund does not adjust the quoted price for these instruments.

The following table includes the hierarchy analysis for the fair value of Fund's assets and liabilities (by class) measured at fair value as at 30 June 2021 and December 31, 2020:

	Fair value			Total
	Level 1	Level 2	Level 3	
<b>30 June 2021 (Unaudited)</b>				
Financial assets at FVTPL	26,220,947	-	-	26,220,947
<b>31 December 2020 (Audited)</b>				
Financial assets at FVTPL	19,246,483	-	-	19,246,483

**Classification of financial instruments**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>Financial asset at amortized cost</i>		
Cash and cash equivalents	414,127	149,979
Dividend receivable	5,712	8,283
	<b>419,839</b>	<b>158,262</b>

**9. RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Within the normal course of business, the Fund deals with related parties that are in turn subject to the Fund's terms and conditions issued by the CMA. All transactions with related parties are approved by the Fund's Board.

The Fund Manager and companies related to the Fund Manager are considered as related parties to the Fund.

Related party	Nature of transaction	Amount of transactions		Closing balance	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Falcom Financial Services	Management fees	(64,817)	(51,672)	(70,294)	(59,554)
Falcom Financial Services	Investment in/ (disposal of) Fund units	(1,953,870)	(3,499,630)	1,570,745	3,521,734

**10. UNIT VALUE RECONCILIATION**

In accordance with CMA circular no. 1/6/7218/17 dated 13 Rabi al-Thani 1439H (corresponding to 31 December 2017), the CMA Board decided on 10 Rabi al-Thani 1439H (corresponding to 28 December 2017) to restrict the recording of expected credit losses (ECL) calculated in accordance with IFRS 9 only for the purpose of financial reporting.

**FALCOM SAUDI EQUITY ETF**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless stated otherwise)

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**10. UNIT VALUE RECONCILIATION (continued)**

All financial assets held at amortized cost were considered for ECL as on 30 June 2021. However, the impact of ECL on these assets was immaterial as cash and cash equivalents are held with bank having sound credit rating and there is no history of default or recovery of these balances. Accordingly, these interim condensed financial statements do not contain any significant ECL adjustment and therefore reconciliation of the unit price calculated according to the applicable financial reporting framework to the unit price calculated for the purpose of unit transactions is not required.

**11. CONTINGENCIES AND COMMITMENTS**

There are no commitments and contingencies as at 30 June 2021 and 31 December 2020.

**12. IMPACTS OF COVID-19 ON THE FUND**

The COVID-19 pandemic that developed rapidly in 2020 has remained to be a concern in 2021, especially as new variants of the virus been linked to a resurgence of COVID-19 in some countries. However, due the successful roll-out of the vaccination program in the Kingdom the cases are under control in Saudi Arabia.

Measures taken to contain the virus has affected certain economic activities during the first half of 2021. We have taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people.

During first half of 2021, the impact on the business and results were significant in a positive note. Moving into 2021, financial markets are more optimistic, as the expectations are for the economies across the world to move back to pre-COVID levels driven by the vaccination program coupled with the economic stimulus measures announced to overcome the pandemic impact. This resulted in a sharp increase in Tadawul's index during the first half of 2021. The positivity that prevailed in the equity market aided the Fund to report a strong return during first half of 2021.

Management reassures that it will continue to follow the Government's policies and advice and, in parallel, management will do utmost to continue the operations in the best and safest way possible without jeopardising the health and safety of our people.

**13. LAST VALUATION DAY**

The Fund units are valued, and the Net assets value is calculated at the end of each working day (valuation day). The last day of valuation was 30 June 2021.

**14. COMPARATIVE FIGURES**

Certain prior year amounts in the interim condensed statement of cash flows have been reclassified to conform to the presentation in the current period.

**15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Fund's Board on 18 August 2021.