

FALCOM SAR MURABAHA 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 SAR MURABAHA FUND
(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 SAR Murabaha 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 SAR Murabaha 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 SAR MURABAHA FUND
(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	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets			
Cash and cash equivalents	6	12,631,122	35,942,541
Financial assets at amortised cost	7	1,428,238,269	1,098,995,093
Financial assets at fair value through profit or loss (FVTPL)	8	1,025,209,387	574,181,291
Accrued murabaha income		6,688,076	7,744,458
Total assets		2,472,766,854	1,716,863,383
Liabilities			
Accrued management fees	10	3,238,982	2,672,108
Other liabilities		80,234	46,941
Total liabilities		3,319,216	2,719,049
Net assets attributable to the Unitholders		2,469,447,638	1,714,144,334
Units in issue (units)		1,905,131,841	1,334,946,087
Net asset value per unit (Saudi Riyals)		1.30	1.28

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

FALCOM SAR MURABAHA FUND
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**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)

		30 June 2021	30 June 2020
	Note	(Unaudited)	(Unaudited)
INCOME			
Murabaha contracts commission income		20,430,948	14,757,712
Gain on sale of financial assets at FVTPL, net	8	417,328	682,935
Fair value gain on financial assets at FVTPL, net	8	5,705,509	2,366,404
Other income		137,093	-
		26,690,878	17,807,051
EXPENSES			
Management fees	10	(6,143,686)	(3,324,801)
Other expenses		(302,386)	(237,984)
		(6,446,072)	(3,562,785)
Profit for the period		20,244,806	14,244,266
Other comprehensive income for the period		-	-
Total comprehensive income for the period		20,244,806	14,244,266

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

FALCOM SAR MURABAHA FUND
(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</u> <u>2021</u>	<u>30 June</u> <u>2020</u>
Net assets attributable to the Unitholders at the beginning of the period (Audited)	1,714,144,334	890,322,215
Profit and total comprehensive income for the period	20,244,806	14,244,266
Unitholders' subscriptions and redemptions:		
Issuance of redeemable units during the period	1,341,563,842	1,151,286,615
Redemption of redeemable units during the period	(606,505,344)	(688,814,616)
Net assets attributable to the Unitholders at the end of the period (Unaudited)	<u>2,469,447,638</u>	<u>1,367,038,480</u>

Movement in number of units

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

	<u>30 June</u> <u>2021</u>	<u>30 June</u> <u>2020</u>
Number of units as at the beginning of the period (Audited)	1,334,946,087	708,502,018
Issuance of redeemable units during the period	1,039,881,731	912,107,085
Redemption of redeemable units during the period	(469,695,977)	(544,637,263)
Number of units at the end of the period (Unaudited)	<u>1,905,131,841</u>	<u>1,075,971,840</u>

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

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

	30 June 2021	30 June 2020
Note	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit for the period	20,244,806	14,244,266
Adjustments for non-cash items		
Murabaha contracts commission income	(20,430,948)	(14,757,712)
Gain on sale of financial assets at FVTPL, net	(417,328)	(682,935)
Fair value gain on financial assets at FVTPL, net	(5,705,509)	(2,366,404)
Changes in operating assets and liabilities:		
Addition to financial assets at amortised cost	(1,779,659,493)	(1,483,933,068)
Proceeds from sale of financial assets at amortised cost	1,470,847,265	1,238,550,054
Additions to financial assets at FVTPL	(688,999,997)	(469,200,000)
Proceeds from sale of financial assets at FVTPL	244,094,738	259,239,734
Accrued murabaha income	1,056,382	(3,802)
Accrued management fees	566,874	302,913
Other liabilities	33,293	9,129
Net cash flows used in operating activities	(758,369,917)	(458,597,825)
Cash flows from financing activities		
Issuance of redeemable units during the period	1,341,563,842	1,151,286,615
Redemption of redeemable units during the period	(606,505,344)	(688,814,616)
Net cash flows from financing activities	735,058,498	462,471,999
Net change in cash and cash equivalents	(23,311,419)	3,874,174
Cash and cash equivalents at the beginning of the period	35,942,541	8,442,667
Cash and cash equivalents at the end of period	6 12,631,122	12,316,841

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

FALCOM SAR MURABAHA FUND
(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)

1. GENERAL

Falcom SAR Murabaha Fund (the "Fund") is a fund established under an agreement between Falcom Financial Services ("Fund Manager") and Fund Investors ("Unitholders"). The Fund's objectives are to achieve return and provide liquidity in accordance with capital market rates on the short term, and maintain Unitholders' investments. The Fund provides to investors investment solutions in accordance with Islamic Shariah to achieve competitive returns from the market from short term Murabaha investments. The Fund is "open-ended" and does not distribute any dividends to the Unitholders. Instead, all profits collected in the fund are reinvested and reflected in the price of the Fund's unit.

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 for the establishment of the Fund on 12 Jumada Al Akhir 1429 H (corresponding to 16 June 2008). The Fund commenced operations on 9 Rajab 1429 H (corresponding to 12 July 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 consolidated 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 SAR MURABAHA FUND
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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)

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 0.02% 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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash at banks	12,631,122	35,942,541

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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 AMORTISED COST

The balance consists of the Fund's investment in murabaha contracts with low risk fixed-rate commodities at local banks and financial institution (Falcom Financial Services). These investments are initially measured at cost and are subsequently measured at amortized cost.

The following is a list of the commodities invested:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Platinum	882,708,393	719,349,745
Palladium	545,529,876	379,645,348
	<u>1,428,238,269</u>	<u>1,098,995,093</u>

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

This balance represents the Fund's investments in units of other local investment funds that invest in Murabaha and are managed by investment companies licensed by the CMA in the Kingdom of Saudi Arabia.

Following is the breakdown of investments held in Fund's units:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Alinma Saudi Riyal Liquidity Fund	464,246,351	238,519,028
Alpha Murabaha Fund	323,503,087	130,774,510
Al-Khair Capital Murabaha Fund	117,560,810	20,570,096
Alawwal Saudi Riyal Murabaha Fund	50,937,990	49,391,322
Muscat Capital Money Market Fund	39,936,451	40,127,020
Itqan Fund For Murabahat and Sukuk	29,024,698	42,033,382
Al-Murabih SAR Murabaha Fund	-	52,765,933
	<u>1,025,209,387</u>	<u>574,181,291</u>

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance	574,181,291	174,789,079
Purchase during the period / year	688,999,997	1,419,700,000
Sold during the period / year	(244,094,738)	(1,028,155,288)
	1,019,086,550	566,333,791
Net changes in investment at FVTPL		
Realized fair value gain, net for the period / year	417,328	3,844,180
Unrealized fair value gain, net for the period / year	5,705,509	4,003,320
Net fair value gain on investment at FVTPL	6,122,837	7,847,500
Closing balance	<u>1,025,209,387</u>	<u>574,181,291</u>

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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)

9. 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 date of interim condensed financial statements. 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 fair value is approximately equal to the carrying amount less any provision for impairment of other receivables and carrying value of other payables.

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.

Investments based on inputs other than quoted prices included within level 1, that are observable for the asset or liability are categorised as level 2, these investments have been valued using the net asset value of the funds available on Tadawul (Saudi stock exchange). The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values.

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 31 December 2020:

	Fair value			
30 June 2021 (Unaudited)	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	1,025,209,387	-	1,025,209,387
31 December 2020 (Audited)				
Financial assets at FVTPL	-	574,181,291	-	574,181,291

Classification of financial instruments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>Financial asset at amortized cost</i>		
Cash and cash equivalents	12,631,122	35,942,541
Financial assets at amortised cost	1,428,238,269	1,098,995,093
	1,440,869,391	1,134,937,634

10. 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. All transactions with related parties are approved by the Fund's Board.

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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)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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	(6,143,686)	(3,324,801)	(3,238,982)	(2,672,108)
Falcom Financial Services	Murabaha placements	-	-	191,208,393	211,310,318
Falcom Financial Services	Income earned on placements	4,302,270	-	710,059	1,051,937
Falcom IPO Fund	Investment in Murabaha Fund units	3,000,000	6,000,000	3,010,088	9,569,329
Falcom IPO Fund	Redemption of Murabaha Fund units	(9,798,772)	(13,800,000)	-	-

The Fund pays management fees at the rate of 0.5% per annum of the net assets value of the Fund calculated on each valuation day. In addition, the Fund Manager refunds any other expenses paid on behalf of the Fund.

11. IMPACT 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.

The impact on our business and results were not significant in first half of 2021. Due to the economic stimulus programs announced to mitigate the impact from the pandemic resulted in a drop in the interest rates and an increase in the money supply / liquidity in the market.

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.

12. 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.

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 and investment in murabaha contracts 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 adjustments 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.

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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)

13. CONTINGENCIES AND COMMITMENTS

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

14. 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.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

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