

FALCOM SAUDI EQUITY 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 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 Saudi Equity 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 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 statements are 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 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	31 December 2020
		(Unaudited)	(Audited)
Assets			
Cash and cash equivalents	6	1,396,277	15,504,255
Financial assets at fair value through profit or loss (FVTPL)	7	189,502,034	137,833,651
Dividends receivable		-	89,000
Total assets		190,898,311	153,426,906
Liabilities			
Accrued management fees	9	898,086	743,727
Other liabilities		15,998	16,167
Total liabilities		914,084	759,894
Net assets attributable to the Unitholders		189,984,227	152,667,012
Units in issue (units)		55,343,580	55,833,594
Net Assets value per unit (Saudi Riyals)		3.43	2.73

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

FALCOM SAUDI EQUITY 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		
Dividends income	2,024,822	871,235
Realized gain / (loss) on sale of financial assets at FVTPL	23,488,824	(1,598,060)
Unrealized fair value gain / (loss) on financial assets at FVTPL, net	15,023,543	(11,661,056)
	40,537,189	(12,387,881)
Expenses		
Management fees	(1,673,554)	(1,060,778)
Other expenses	(56,798)	(88,066)
	(1,730,352)	(1,148,844)
Profit / (loss) for the period	38,806,837	(13,536,725)
Other comprehensive income for the period	-	-
Total comprehensive income / (loss) for the period	38,806,837	(13,536,725)

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

FALCOM SAUDI EQUITY 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 2021</u>	<u>30 June 2020</u>
Net assets attributable to the Unitholders as at 1 January (Audited)	152,667,012	129,820,881
Profit / (loss) and total comprehensive income / (loss) for the period	38,806,837	(13,536,725)
Unitholders' subscriptions and redemptions:		
Issuance of redeemable units during the period	3,651,156	1,638,359
Redemption of redeemable units during the period	(5,140,778)	(1,851,365)
Net assets attributable to the Unitholders as at 30 June (Unaudited)	<u>189,984,227</u>	<u>116,071,150</u>

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>
Number of units as at 1 January (Audited)	55,833,594	55,625,142
Issuance of redeemable units during the period	1,221,049	746,067
Redemption of redeemable units during the period	(1,711,063)	(889,278)
Number of units as at 30 June (Unaudited)	<u>55,343,580</u>	<u>55,481,931</u>

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

FALCOM SAUDI EQUITY 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
<u>Note</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash flows from operating activities		
Profit / (loss) for the period	38,806,837	(13,536,725)
Adjustments for non-cash items		
Fair value (gain) / loss on financial assets at FVTPL, net	(15,023,543)	11,661,056
Changes in operating assets and liabilities:		
Net change in financial assets at FVTPL	(36,644,840)	21,529,529
Dividends receivable	89,000	(88,512)
Other assets	-	(6,034,700)
Accrued management fees	154,359	(37,557)
Other liabilities	(169)	(371)
Net cash flows (used in) / from operating activities	<u>(12,618,356)</u>	<u>13,492,720</u>
Cash flows from financing activities		
Issuance of redeemable units during the period	3,651,156	1,638,359
Redemption of redeemable units during the period	(5,140,778)	(1,851,366)
Net cash flows used in financing activities	<u>(1,489,622)</u>	<u>(213,007)</u>
Net change in cash and cash equivalents	(14,107,978)	13,279,713
Cash and cash equivalents at the beginning of the period	<u>15,504,255</u>	<u>4,776,931</u>
Cash and cash equivalents at the end of the period 6	<u><u>1,396,277</u></u>	<u><u>18,056,644</u></u>

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

FALCOM SAUDI EQUITY 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 Saudi Equity 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 long term capital growth through investing in securities listed on the Saudi stock exchange that meet Islamic Sharia. The Fund is "open-ended" and does not normally distribute any dividends to the Unitholders. Instead, all profits collected in the Fund are reinvested and are reflected in the price of the Fund's units.

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. In addition, the Unitholders are considered as owners benefiting from the Fund's assets.

The Capital Market Authority (CMA) license was granted to the Fund on 12 Rabi Awal 1428H (corresponding to 31 March 2007). The Fund commenced operations on 18 November 2007.

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.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(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 is obliged to pay the Fund Manager management fee of 1.75% 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 and paid on quarterly basis.

Custody fee

The Fund accrues custody fee at an annual rate of 0.02% of the Fund’s assets under custody annually. These charges are paid to the custodian on monthly basis.

6. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash at banks	1,396,277	15,504,255

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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 the securities listed on the Saudi stock exchange that meet Islamic Sharia. The Fund invests in the shares of enterprises within the targeted indicator portfolio, considering the relative weights of assets distribution, while sufficient cash is held continuously to meet expenses and any other obligations on the Fund.

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Investments in listed equity securities	189,502,034	137,833,651

Investments in listed equity securities is valued at published market price on Tadawul. The geographical dispersion of above investments is within the Kingdom of Saudi Arabia. Movement in investments carried at fair value through profit or loss is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance	137,833,651	125,609,599
Purchase during the period / year	180,898,079	483,752,661
Sold during the period / year	(167,742,063)	(494,521,237)
	150,989,667	114,841,023
Net changes in investment at FVTPL		
Realized fair value gain, net for the period / year	23,488,824	22,034,862
Unrealized fair value gain, net for the period / year	15,023,543	957,766
Net fair value gain on investment at FVTPL	38,512,367	22,992,628
Closing balance	189,502,034	137,833,651

The classification of investments at fair value through profit or loss into industry groups specified by Tadawul is summarised as follows:

	30 June 2021 (Unaudited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	%	%	%
Primary materials	31.82%	34.92%	48,126,153
Banks	17.34%	12.62%	17,393,502
Property management and development	9.80%	5.32%	7,332,074
Telecommunications	7.57%	7.34%	10,119,020
Energy	7.31%	10.58%	14,588,245
Consumer durables and apparel	5.88%	-	-
Consumer services	4.69%	9.14%	12,599,183
Retailing	3.23%	-	-
Health care	2.89%	5.87%	8,087,990
Insurance	2.85%	5.73%	7,892,168
Transportation	2.43%	3.26%	4,492,266
Commercial and professional services	2.26%	2.57%	3,546,600
Utilities	1.93%	-	-
Food production	-	2.65%	3,656,450
	100%	100%	137,833,651

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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

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.

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 31 December 2020:

	Level 1	Level 2	Level 3	Total
30 June 2021 (Unaudited)				
Financial assets at FVTPL	189,502,034	-	-	189,502,034
31 December 2020 (Audited)				
Financial assets at FVTPL	137,833,651	-	-	137,833,651

Classification of financial instruments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>Financial asset at amortized cost</i>		
Cash and cash equivalents	1,396,277	15,504,255
Dividend receivable	-	89,000
	1,396,277	15,593,255

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

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

	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	(1,673,554)	(1,060,778)	(898,086)	(743,727)

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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. 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.

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.

11. 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 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.

12. CONTINGENCIES AND COMMITMENTS

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

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.
