

FALCOM GOLD FUND

**FINANCIAL STATEMENTS FOR THE PERIOD
FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT**

**FALCOM GOLD FUND
FINANCIAL STATEMENTS FOR THE PERIOD FROM APRIL 8, 2020
(DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2020**

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Independent auditor's report to the unitholders and the Fund's manager of Falcom Gold Fund

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Falcom Gold Fund (the "Fund") as at December 31, 2020, and its financial performance and its cash flows for the period from April 8, 2020 (date of commencement of operations) to December 31, 2020 in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the period from April 8, 2020 (date of commencement of operations) to December 31, 2020;
- the statement of changes in equity attributable to the unitholders for the period from April 8, 2020 (date of commencement of operations) to December 31, 2020;
- the statement of cash flows for the period from April 8, 2020 (date of commencement of operations) to December 31, 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the code of professional 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.

Responsibilities of the Fund's manager and those charged with governance for the financial statements

The Fund's manager is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, and the Fund's terms and conditions, and for such internal control as the Fund's manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund's manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund's manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Independent auditor's report to the unitholders and the Fund's manager of Falcom Gold Fund (continued)

Auditor's responsibilities for the audit of the financial statements

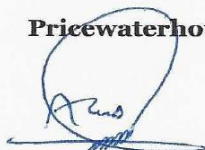
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing, that are 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 part of an audit in accordance with the International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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 obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as 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 manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund's manager.
- Conclude on the appropriateness of the Fund's manager'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 a 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 presentation, structure and 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.

PricewaterhouseCoopers



Ali H. Al Basri
License Number 409

April 5, 2021

FALCOM GOLD FUND
STATEMENT OF FINANCIAL POSITION
 (All amounts in US Dollars unless otherwise stated)

	Note	As at December 31, 2020
Assets		
Cash and cash equivalents		93,824
Fair value through statement of income (FVSI) - investment in gold contracts	4	<u>4,082,285</u>
Total assets		<u>4,176,109</u>
Liabilities		
Accrued management fee	5	5,962
Accrual and other liabilities		<u>5,963</u>
Total liabilities		<u>11,925</u>
Equity attributable to the unitholders		<u>4,164,184</u>
Units in issue		<u>3,787,227</u>
Equity per unit in US Dollars		<u>1.10</u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

FALCOM GOLD FUND
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in US Dollars unless otherwise stated)

	Note	For the period from April 8, 2020 (date of commencement of operations) to December 31, 2020
Income		
Realised gain on sale of investment in gold contracts		775
Unrealised gain in fair value of investment in gold contracts		<u>369,081</u>
Total income		<u>369,856</u>
Expenses		
Management fee	5	(15,525)
Other expenses		<u>(19,327)</u>
Total expenses		<u>(34,852)</u>
Net income for the period		335,004
Other comprehensive income for the period		<u>-</u>
Total comprehensive income for the period		<u>335,004</u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

FALCOM GOLD FUND
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
(All amounts in US Dollars unless otherwise stated)

	For the period from April 8, 2020 (date of commencement of operations) to December 31, 2020
Equity attributable to the unitholders at the beginning of the period	-
Total comprehensive income for the period	335,004
Unitholders' subscription and redemptions:	
Issuance of redeemable units during the period	4,910,683
Redemption of redeemable units during the period	(1,081,503)
Equity attributable to the unitholders at the end of the period	<u>4,164,184</u>

Movement in the number of units:

The movement in the number of units for the period from April 8, 2020 (date of commencement of operations) to December 31, 2020 is summarised as follows:

	For the period from April 8, 2020 (date of commencement of operations) to December 31, 2020
Units at the beginning of the period	-
Issuance of redeemable units during the period	4,786,294
Redemption of redeemable units during the period	(999,067)
Number of units at the end of the period	<u>3,787,227</u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

FALCOM GOLD FUND
STATEMENT OF CASH FLOWS
(All amounts in US Dollars unless otherwise stated)

	For the period from April 8, 2020 (date of commencement of operations) to December 31, 2020
Cash flows from operating activities	
Net income for the period	335,004
Adjustments for:	
Realised gain on sale of investment in gold contracts	(775)
Unrealised gain in fair value of investment in gold contracts	(369,081)
Net changes in operating assets and liabilities:	
Purchase of investment in gold contracts	(3,829,973)
Proceeds from sale of investment in gold contracts	117,544
Accrued management fee	5,962
Accrual and other liabilities	5,963
Net cash used in operating activities	<u>(3,735,356)</u>
Cash flows from financing activities	
Issuance of redeemable units during the period	4,910,683
Redemption of redeemable units during the period	<u>(1,081,503)</u>
Net cash generated from financing activities	<u>3,829,180</u>
Net increase in cash and cash equivalents	93,824
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>93,824</u>

The accompanying notes from 1 to 10 form an integral part of these financial statements.

**FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020**

(All amounts in US Dollars unless otherwise stated)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Falcom Gold Fund (the "Fund") is a Fund established under an agreement between Falcom Financial Services ("Fund's manager") and Fund Investors ("Unitholders"). The Fund is an "open-ended" Shariah compliant "public" Fund that invests passively in Gold. The Fund's objectives are to achieve long-term capital gains and growth through tracking the index performance of gold commodity currency (XAU/USD - Gold Spot US Dollar).

The address of the Fund's manager is as follows:

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

In dealing with the Unitholders, the Fund's manager considers the Fund as an independent accounting unit. Accordingly, the Fund's 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 to establish the Fund was obtained on Jumada Al-Thani 10, 1441H (corresponding to February 4, 2020). The Fund commenced its activities on Shaban 14, 1441H (corresponding to April 8, 2020).

The Fund is governed by the provisions of Investment Funds Regulations issued by the CMA on Dhul Hijja 3, 1427H (corresponding to December 24, 2006) as amended by the CMA Board on Shaaban 16, 1437H (corresponding to May 23, 2016) detailing requirements for the operation of investment funds within the Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements have been prepared on a historical cost convention, except for the re-measurement of investment in Gold contracts which are shown at fair value through statement of income (FVSI).

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 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.

2.2 Critical accounting estimates and judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future years affected. There are no areas of significant judgment or critical assumption used in the preparation of these financial statements.

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These financial statements are presented in US Dollars which is the Fund's functional and presentation currency as the gold contracts are entered into and traded in International markets in US dollars. Further the index performance of gold commodity currency is also US dollars based.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020
(All amounts in US Dollars unless otherwise stated)

Transactions and balances

Foreign currency transactions are translated into US Dollars using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into US Dollars using the exchange rates prevailing at the reporting date. Foreign exchange gains and losses arising from the translation of monetary assets and liabilities at exchange rate prevailing at the reporting date and from the settlement of transactions are included in the statement of comprehensive income. The Fund transacts transactions in either US dollars (USD) or Saudi Riyals (SAR) and since in KSA, the SAR is pegged to USD, there is no foreign currency revaluation gain / loss during the current period.

2.4 Cash and cash equivalents

For the year ended December 31, 2020, for the purposes of the statement of cash flows, cash and cash equivalents comprise balance with Banque Saudi Fransi. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.5 Financial instruments

All regular-way purchases and sales of financial assets are recognised and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities are initially recognised on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

2.5.1 Measurement methods

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument i.e. Trade date.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of comprehensive income (FVSI), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVSI are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment loss being recognised in the statement of comprehensive income when an asset is newly originated.

2.5.2 Classification and measurement of financial instruments

The Fund classifies its equity instruments at FVSI and other financial assets at amortised cost. The classification requirements for equity and debt instruments are described below:

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's equity.

The Fund classifies its investments as held at FVSI. The Fund subsequently measures all equity investments at FVSI, except where the Fund's manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of comprehensive income when the Fund's right to receive dividend is established.

The subsequent unrealised revaluation gains / loss on investment held at FVSI is recognised in the statement of comprehensive income.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
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Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on the business model and cash flow characteristics, the debt financial assets can be classified as held at amortised cost, FVSI and FVOCI.

2.5.3 Impairment of financial assets held at amortised cost

The Fund assesses expected credit losses on a prospective basis for its assets carried at amortised cost. The Fund recognises a provision for such losses at each reporting date. The measurement of expected credit losses reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- Time value of resources; and
- Reasonable and supported information available at no cost or undue effort at the reporting date on past events, current conditions or expectations of future economic conditions.

The value of financial assets held at amortised cost has been taken into account in the calculation of expected credit loss. However, the expected credit loss was insignificant. Accordingly, it has not been presented in these financial statements. Financial assets held at amortised cost include bank balances. Bank balances are held at banks with high credit rating.

2.5.4 De-recognition of financial instruments

A financial asset is derecognised, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognised if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Fund has not retained control of the financial asset. The Fund recognises separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognised only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

2.5.5 Financial liabilities

All financial liabilities are initially recognised at fair value less transaction cost except for financial liabilities measured at FVSI where transaction cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the statement of comprehensive income. The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVSI.

2.6 Recognition and re-measurement of investment in gold contracts

Fund investment in gold contracts are financial assets which are recognized when Fund becomes a party to the contractual provisions of the instrument i.e. Trade date. At initial recognition, the Fund measures investment in gold contracts at its fair value. Transaction costs of financial assets carried at FVSI are expensed in the statement of comprehensive income. The subsequent unrealized revaluation gain / loss on investment held at FVSI is recognised in the statement of comprehensive income.

2.7 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to off-set the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Accruals and other liabilities

Liabilities are recognised for amounts to be paid for goods or serviced received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020
(All amounts in US Dollars unless otherwise stated)

2.9 Equity attributable to the unitholders

Equity attributable to unitholders is equity and is made up of units issued and retained earnings resulting from Fund's activity.

(a) Redeemable Units

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's equity in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's equity.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund over the life of the instrument.

In addition - in order to classify instruments as equity - the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund; and
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in IFRS, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in IFRS, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

The Fund's distributions are classified as dividend distribution in the statement of changes in equity attributable to the unitholders.

(b) Trading in the units

Units of the Fund are available for purchasing only in the Kingdom of Saudi Arabia at Falcom Financial Services branches by natural and corporate persons. The equity value of the Fund is determined on the valuation day by dividing the equity value (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant valuation day.

2.10 Taxation

Taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

2.11 Zakat

Zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

2.12 Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Realised gain or loss on disposal of investment in gold contracts is measured as the difference between the sales proceed and the carrying value before disposal.

Unrealised gain or loss on revaluation of gold contracts is recognized in the statement of comprehensive income.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020
(All amounts in US Dollars unless otherwise stated)

2.13 Fund management fee

The Fund pays 0.5% of the Fund's equity value at each valuation day of the Fund's equity value.

3. NEW AND AMENDED STANDARDS ADOPTED BY THE FUND

(i) New standard effective in current period

The International Accounting Standard Board (IASB) has issued the following amendments to accounting standards, which are effective from January 1, 2020 but do not have any significant impact on the financial statements of the Fund.

- (a) Amendments to IFRS 3: Definition of a Business
- (b) Amendments to IAS 1 and IAS 8: Definition of Material
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

(ii) Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards and amendments which were effective from periods on or after January 1, 2021. The Fund has opted not to early adopt these pronouncements and they are not expected to have a significant impact on the financial statements of the Fund.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions.
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9.
- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities.
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.
- IFRS 17, 'Insurance contracts'.

4. FVSI - INVESTMENT IN GOLD CONTRACTS

Investment in gold contracts represent spot gold contracts. The spot gold contracts enable the Fund to mimic the spot prices of gold. The Fund has an option to invest in physical gold which will be purchased by the Fund and will be deposited in safe custody of the Swiss bank Intesa Sanpaolo Private Bank Suisse ("The Sub-Custodian") at a secured vault in Geneva, Switzerland, under the delegated authority from the Fund's manager. The gold purchased will be kept in the Fund allocated account, which will be uniquely identifiable and segregated from other precious metals held by the Sub-Custodian.

The movement in investment in gold contracts is as follows:

	For the period from April 8,2020 (date of commencement of operations) to December 31, 2020
Opening as at April 8, 2020	-
Additions to investment in gold contracts	3,829,973
Disposal of investment in gold contracts	(116,769)
Unrealised gain on investment in gold contracts	369,081
Closing as at December 31, 2020	4,082,285

5. 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 pays management fee at the rate of 0.50% per annum of the Fund's equity value of the Fund calculated on each valuation day.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020
(All amounts in US Dollars unless otherwise stated)

Following table summarises the details of transactions with related parties:

Related party	Nature of relationship	Nature of transaction	For the period from April 8, 2020 (date of commencement of operations) to December 31, 2020
Falcom Financial Services	Fund's manager	Management fee	15,525
Falcom Financial Services	Fund's manager	Investment in Fund units	931,099

Following table summarises the details of balances with related parties:

Nature of balance	Related party	As at December 31, 2020
Accrued management fee	Falcom Financial Services	5,962
Investment in Fund units	Falcom Financial Services	1,024,209

6. FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Fund's objective is to ensure the Fund's ability to continue as a going concern so that it can continue to provide optimal returns for the unitholders and ensure reasonable safety of the unitholders.

The Fund's activities expose it to a variety of financial risks which include market risk, credit risk and liquidity risk.

The Fund's manager is responsible for identifying and monitoring risks. The Fund's Board of Directors oversees the Fund's manager and is ultimately responsible for the overall management of the Fund.

The risks are monitored and controlled based on the limits set by the Fund's Board of Directors. The Fund has a document of terms and conditions that define its general business strategies and expose it to risks and overall risk management and is obligated to take actions to rebalance the portfolio in line with investment guidelines.

The Fund uses various methods to measure and manage the different types of risks to which it is exposed. The following is an explanation of these methods:

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in currency exchange rates. These risks arise from financial instruments recognised in foreign currencies.

The Fund transacts transactions in either US dollars (USD) or Saudi Riyals (SAR) and, the SAR is pegged to USD, hence the Fund is not significantly exposed to foreign exchange risk.

(ii) Commission rate risk

Special commission rate risk arises from the possibility that changes in the market's special commission rates will affect future profitability or the fair value of financial instruments. The Fund is not subject to significant special commission rate risks, as it does not have any financial instruments that carry significant special commission.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
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31, 2020

(All amounts in US Dollars unless otherwise stated)

(iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate due to changes in market prices due to factors other than the movement of foreign exchange rates and commissions.

Price risk arises mainly from uncertainty about the future prices of financial instruments owned by the Fund. The Fund's manager closely monitors the price movements of the spot gold contracts.

The impact on equity value (as a result of change in the fair value of financial assets) is due to a reasonable possible change in gold prices, with other variables held constant is as follows:

Sector	December 31, 2020	
	Impact on equity	Reasonable possible change %
FVSI - investment in gold contracts	40,823	+/- 1%

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to the financial instrument will cause a financial loss to the other party through the inability to settle an obligation.

The Fund's policy is to conclude financial instrument contracts with reputable counterparties. The Fund seeks to reduce credit risk by monitoring credit exposures, setting limits for transactions with specific counterparties, and constantly assessing the solvency of such parties.

The Fund's manager reviews the credit concentration of the investment portfolio, depending on the counterparties. The Fund is not currently exposed to credit risk within its investment portfolio. The cash and cash equivalents balance is deposited with Banque Saudi Fransi, which has an external credit rating from Moody's with a credit quality of A1.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to generate sufficient cash resources to fully settle its obligations when they fall due, or it can only be done on terms that are not feasible.

The Fund terms and conditions stipulate the possibility of subscribing to the units on each valuation day. Therefore, the Fund is exposed to the liquidity risk resulting from the payment of the redemptions at any time. Fund investment in gold contracts are easily realisable and can be liquidated at any time. However, the Fund's manager has developed the Fund's liquidity guidelines and monitors the liquidity requirements regularly to ensure that there are sufficient funds to fulfil any obligations as they arise, either through new subscriptions, liquidation of the investment portfolio, or obtaining funding from related parties.

6.2 Capital risk management

The Fund's capital represents equity attributable to the redeemable unit holders. The value of equity attributable to the redeemable unit holders may change significantly on each valuation day, whereas the Fund is subject to subscriptions and redemptions at the discretion of the unitholders on each valuation day, in addition to changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for the unitholders and benefits for other stakeholders, and to maintain the capital base to support the development of the Fund's investment activities.

To maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions related to the assets that it is expected to be able to liquidate and to adjust the amount of distributions that the Fund may pay to the redeemable units.

The Fund's Board of Directors and the Investment Manager monitor the capital based on the value of equity attributable to the redeemable unit holders.

FALCOM GOLD FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM APRIL 8, 2020 (DATE OF COMMENCEMENT OF OPERATIONS) TO DECEMBER
31, 2020
(All amounts in US Dollars unless otherwise stated)

7. 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 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 are based on prices quoted in active markets classified as level 1 which includes quoted investment in gold contracts. The Fund does not adjust the quoted price for these instruments.

All other financial instruments of the Fund are measured at amortised cost. The fair values of financial instruments which are not measured at fair value in these financial statements are not significantly different from the carrying values included in the financial statements.

At December 31, 2020	Fair value			Total
	Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>				
Investment in gold contracts	4,082,285	-	-	4,082,285

8. LAST VALUATION DAY

The Fund units are valued, and the equity value is calculated at the end of each working day (valuation day). The last day of valuation was December 31, 2020.

9. IMPACT OF COVID-19 ON THE FUND

The COVID-19 pandemic developed rapidly in the first half of 2020, with a significant number of cases. Measures taken to contain the virus affected economic activities during that time. The Fund's manager has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home during the peak of the pandemic). However, moving to the end of 2020 and the beginning of 2021, things are looking more normal, especially with the approval of a number of vaccines for immediate use.

At this stage, the impact on our business were not significant while the Fund performance was positively impacted from the COVID-19 pandemic in 2020. As we operate in investment in gold contracts, The Fund's manager found that the gold prices have raised during 2020, owing to people moving into safer assets like gold during a pandemic coupled with the positive impact gold prices had from the growth in money supply that is taking place across the world as more and more stimulus packages have been announced to overcome the economic hardship.

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

10. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's manager on April 4, 2021.