

FALCOM GOLD FUND

(Managed by Falcom Financial Services)

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)**

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
INDEPENDENT AUDITOR'S REVIEW REPORT

FALCOM GOLD 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 INFORMATION**

**To the Unitholders and the Fund Manager of
Falcom Gold 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 Gold 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 this 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 GOLD FUND
(Managed By Falcom Financial Services)

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

(All amounts in US Dollars unless otherwise stated)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	6	938	93,824
Investments at fair value through profit or loss (FVTPL)			
- Investment in gold contracts	7	<u>3,795,997</u>	<u>4,082,285</u>
Total assets		<u>3,796,935</u>	<u>4,176,109</u>
<u>LIABILITIES</u>			
Accrued management fee	8	5,624	5,962
Accrual and other liabilities	9	4,597	5,963
Due to a related party	8	<u>29,877</u>	-
Total liabilities		<u>40,098</u>	<u>11,925</u>
Net assets attributable to the unitholders		<u>3,756,837</u>	<u>4,164,184</u>
Units in issue		<u>3,697,322</u>	<u>3,787,227</u>
Net assets per unit in US Dollars		<u>1.02</u>	<u>1.10</u>

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

FALCOM GOLD 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 in US Dollars unless otherwise stated)

	Note	For the six months period ended 30 June 2021 (Unaudited)	For the period from 8 April 2020 to 30 June 2020 (Unaudited)
Income			
Realised gain on sale of investments at FVTPL		-	775
Unrealised (loss) / gain in fair value of investments at FVTPL, net	7	<u>(286,288)</u>	<u>162,087</u>
		<u>(286,288)</u>	<u>162,862</u>
Expenses			
Management fee	8	<u>(11,173)</u>	<u>(4,046)</u>
Other expenses		<u>(10,151)</u>	<u>(5,630)</u>
		<u>(21,324)</u>	<u>(9,676)</u>
(Loss) / profit for the period		(307,612)	153,186
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive (loss) / income for the period		<u>(307,612)</u>	<u>153,186</u>

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

FALCOM GOLD FUND

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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts in US Dollars unless otherwise stated)

	For the six months period ended 30 June 2021	For the period from 8 April 2020 to 30 June 2020
Net assets attributable to the Unitholders at the beginning of the period (Audited)	4,164,184	-
(Loss) / profit and total comprehensive (loss) / income for the period	(307,612)	153,186
Changes from unit transactions		
Issuance of redeemable units during the period	216,998	3,754,344
Redemption of redeemable units during the period	(316,733)	(362,462)
Net assets attributable to the Unitholders at the end of the period (Unaudited)	<u>3,756,837</u>	<u>3,545,068</u>

Movement in the number of units:

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

	For the six months period ended 30 June 2021	For the period from 8 April 2020 to 30 June 2020
Number of units at the beginning of the period (Audited)	3,787,227	-
Issuance of redeemable units during the period	238,848	3,752,857
Redemption of redeemable units during the period	(328,753)	(358,273)
Number of units at the end of the period (Unaudited)	<u>3,697,322</u>	<u>3,394,584</u>

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

FALCOM GOLD FUND

(Managed By Falcom Financial Services)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts in US Dollars unless otherwise stated)

	<u>Note</u>	For the six months period ended 30 June 2021 (Unaudited)	For the period from 8 April 2020 to 30 June 2020 (Unaudited)
Cash flows from operating activities			
(Loss) / profit for the period		(307,612)	153,186
Adjustments for:			
Realised gain on sale of investments at FVTPL		-	(775)
Unrealised loss / (gain) in fair value of investments at FVTPL, net	7	286,288	(162,087)
Net changes in operating assets and liabilities			
Purchase of investments at FVTPL		-	(3,137,156)
Proceeds from sale of investments at FVTPL		-	117,544
Accrued management fee		(338)	4,046
Accrual and other liabilities		(1,366)	4,701
Due to a related party		29,877	-
Net cash from / (used in) operating activities		6,849	(3,020,541)
Cash flows from financing activities			
Issuance of redeemable units during the period		216,998	3,754,344
Redemption of redeemable units during the period		(316,733)	(362,462)
Net cash (used in) / from financing activities		(99,735)	3,391,882
Net change in cash and cash equivalents			
		(92,886)	371,341
Cash and cash equivalents at the beginning of the period		93,824	-
Cash and cash equivalents at the end of the period	6	938	371,341

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

FALCOM GOLD FUND

(Managed By Falcom Financial Services)

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

(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 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 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 Manager considers the Fund as an independent accounting unit. Accordingly, the 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 10 Jumada al-thani 1441H (corresponding to 4 February 2020). The Fund commenced its activities on 14 Shaban 1441H (corresponding to 8 April 2020).

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 FVTPL which 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 FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021

(All amounts in US Dollars unless otherwise stated)

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 US Dollars which is the Fund’s functional 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.

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 custodian does not charge the fund any fees while the Swiss bank Intesa Sanpaolo Private Bank Suisse (the “Sub-Custodian”) charges fees at 0.10% of the total value of the assets under custody. The total custodian’s fee becomes 0.10% of the total value of the fund’s assets under custody and is paid quarterly to the sub-custodian.

6. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash at banks	938	93,824

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in US Dollars unless otherwise stated)

**7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) -
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 Sub-Custodian at a secured vault in Geneva, Switzerland, under the delegated authority from the Fund 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:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
At the beginning of the period	4,082,285	-
Additions to investment in gold contracts	-	3,829,973
Disposal of investment in gold contracts	-	(116,769)
Unrealised (loss) / gain on investment in gold contracts, net	(286,288)	369,081
At the end of the period	3,795,997	4,082,285

8. 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 net assets value of the Fund calculated on each valuation day.

Following table summarises the details of transactions with related parties:

Related party	Nature of relationship	Nature of transaction	For the six months period ended 30 June 2021 (Unaudited)	For the period from 8 April 2020 to 30 June 2020 (Unaudited)
Falcom Financial Services	Fund Manager	Management fee	(11,173)	(4,046)

Following table summarises the details of balances with related parties:

Related party	Nature of balance	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Falcom Financial Services	Accrued management fee	(5,624)	(5,962)
	Payment made on behalf of the Fund	(29,877)	-

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in US Dollars unless otherwise stated)

9. ACCUAL AND OTHER LIABILITIES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accrued audit fees	2,294	3,284
Other accruals	2,303	2,678
	4,597	5,962

10. 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.

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 interim condensed financial statements are not significantly different from the carrying values included in the interim condensed financial statements.

30 June 2021 (Unaudited)	Fair value			Total
	Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>				
Investment at FVTPL	-	3,795,997	-	3,795,997

31 December 2020 (Audited)	Fair value			Total
	Level 1	Level 2	Level 3	
<i>Financial assets measured at fair value</i>				
Investment at FVTPL	-	4,082,285	-	4,082,285

Classification of financial instruments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<i>Financial asset at amortized cost</i>		
Cash and cash equivalents	938	93,824
<i>Financial liabilities at amortized cost</i>		
Due to a related party	29,877	-

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(All amounts in US Dollars unless otherwise stated)

11. 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.

12. CONTINGENCIES AND COMMITMENTS

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

13. 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.

14. 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. 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.

As we operate in investment in gold, we witnessed a drop in the price of gold during first half of 2021. During these periods when financial markets are optimistic gold prices tend to decline, owing to investors moving away from safer assets like gold into investing in riskier assets.

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 jeopardizing the health and safety of our people.

15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

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