

**FALCOM IPO FUND**

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**FALCOM IPO FUND**

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FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020**

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## ***Independent auditor's review report on the condensed interim financial statements***

To the Unitholders and the Fund Manager of Falcom IPO Fund

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Falcom IPO Fund (the "Fund") as of June 30, 2020, and the related interim statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes (the "condensed interim financial statements"). The Fund Manager is responsible for the preparation and presentation of these condensed interim 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 condensed interim 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 financial information 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to read "Ali H. Al Basri", is written over a blue horizontal line.

Ali H. Al Basri  
License Number 409

August 24, 2020

**FALCOM IPO FUND****INTERIM STATEMENT OF FINANCIAL POSITION**

(All amounts are in Saudi Riyals unless stated otherwise)

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	Note	As at June 30, 2020	As at December 31 2019
<b>Assets</b>		<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents		9,234,872	3,303,004
Financial assets at fair value through statement of income (FVSI)	5	41,858,147	59,292,746
Other assets		2,740,300	-
Dividends receivable		61,731	-
<b>Total assets</b>		<b>53,895,050</b>	<b>62,595,750</b>
<b>Liabilities</b>			
Accrued management fees	6	237,038	280,192
Other liabilities		13,172	13,477
<b>Total liabilities</b>		<b>250,210</b>	<b>293,669</b>
<b>Equity attributable to the unitholders</b>		<b>53,644,840</b>	<b>62,302,081</b>
Units in issue (units)		22,656	24,495
Unit value (Saudi Riyals)		2,367.80	2,543.46

The accompanying notes on page 6 to page 8 form an integral part of these condensed interim financial statements.

**FALCOM IPO FUND****INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

(All amounts are in Saudi Riyals unless stated otherwise)

	Note	For the six-month period ended June 30,	
		2020	2019
<b>INCOME</b>			
Dividends income		475,579	721,853
Loss on sale of financial assets at FVSI		(4,295,699)	(6,747,256)
Gain on change in fair value of financial assets at FVSI		334,739	8,934,110
<b>Total (loss) / income</b>		<b>(3,485,381)</b>	<b>2,908,707</b>
<b>EXPENSES</b>			
Management and other fees	6	(486,510)	(541,445)
Other expenses		(51,130)	(34,746)
<b>Total expenses</b>		<b>(537,640)</b>	<b>(576,191)</b>
<b>Net (loss) / income for the period</b>		<b>(4,023,021)</b>	<b>2,332,516</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(4,023,021)</b>	<b>2,332,516</b>

The accompanying notes on page 6 to page 8 form an integral part of these condensed interim financial statements.

**FALCOM IPO FUND****INTERIM STATEMENT OF CHANGES IN EQUITY  
ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)**

(All amounts are in Saudi Riyals unless stated otherwise)

	<b>For the six-month period ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Equity attributable to the unitholders as at January 1,</b>	<b>62,302,081</b>	62,093,558
Total comprehensive (loss) / income for the period	<b>(4,023,021)</b>	2,332,516
<b>Unitholders subscriptions and redemptions:</b>		
Issuance of redeemable units during the period	<b>205,783</b>	3,729
Redemption of redeemable units during the period	<b>(4,840,003)</b>	(4,989,229)
<b>Equity attributable to the unitholders as at June 30,</b>	<b>53,644,840</b>	<b>59,440,574</b>

**The movement in number of units**

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

	<b>For the six-month period ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Number of units at the beginning of the period</b>	<b>24,495</b>	28,981
Issuance of redeemable units during the period	<b>84</b>	2
Redemption of redeemable units during the period	<b>(1,923)</b>	(2,306)
<b>Number of units at the end of the period</b>	<b>22,656</b>	<b>26,677</b>

The accompanying notes on page 6 to page 8 form an integral part of these condensed interim financial statements.

**FALCOM IPO FUND****INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

(All amounts are in Saudi Riyals unless stated otherwise)

	For the six-month period ended June 30,	
	2020	2019
<b>Cash flows from operating activities</b>		
Net (loss) / income for the period	<b>(4,023,021)</b>	2,332,516
<b>Adjustments for non-cash items</b>		
Loss on sale of financial assets at FVSI	<b>4,295,699</b>	6,747,256
Gain on change in fair value of financial assets at FVSI	<b>(334,739)</b>	(8,934,110)
<b>Changes in operating assets and liabilities:</b>		
Additions to financial assets at FVSI	<b>(82,968,149)</b>	(32,231,924)
Proceeds from sale of financial assets at FVSI	<b>96,441,788</b>	33,680,912
Dividends receivable	<b>(61,731)</b>	-
Other assets	<b>(2,740,300)</b>	2,700,403
Accrued management fees	<b>(43,154)</b>	(17,166)
Other liabilities	<b>(305)</b>	(1,924)
<b>Net cash flows generated from operating activities</b>	<b>10,566,088</b>	4,275,963
<b>Cash flows from financing activities</b>		
Issuance of redeemable units during the period	<b>205,783</b>	3,729
Redemption of redeemable units during the period	<b>(4,840,003)</b>	(4,989,229)
<b>Net cash flows used in financing activities</b>	<b>(4,634,220)</b>	(4,985,500)
<b>Net change in cash and cash equivalents</b>	<b>5,931,868</b>	(709,537)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,303,004</b>	1,456,807
<b>Cash and cash equivalents at the end of the period</b>	<b>9,234,872</b>	747,270

The accompanying notes on page 6 to page 8 form an integral part of these condensed interim financial statements.

## **FALCOM IPO FUND**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 (UNAUDITED)**

(All amounts are in Saudi Riyals unless stated otherwise)

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#### **1- GENERAL**

Falcom IPO Fund (the "Fund") is a fund established under an agreement between Falcom Financial Services ("Fund Manager") and Fund Investors ("Unit holders"). The Fund's objectives are to invest in the shares of new enterprises through its initial public offering, which can provide opportunities for long-term capital growth. The fund invests in newly recognised enterprises on the Saudi Stock Exchange. The fund also invests liquidity available in low risk assets. 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 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

The Fund Manager is dealing with unit holders as it is independent unit, therefore, the Fund Manager prepares separate financial statements for the Fund.

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

The Fund is subject to the provisions of the Investment Fund Regulations ("IFR") issued by the CMA on 3 Dhu al-Hijjah 1427H (corresponding to December 24, 2006) as amended by the CMA on 16 Shabaan 1437H (corresponding to May 23, 2016) which clarifies the requirements for the operation of the investment funds in the Kingdom of Saudi Arabia.

#### **2- BASIS OF PREPARATION**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

These condensed interim financial statements have been prepared under the historical cost convention amended by the revaluation of financial assets at FVSI.

The principal accounting policies, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2019.

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 statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions on accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. No significant estimates or assumptions have been made in the preparation of these condensed interim financial statements.

The Fund is expected to retrieve or settle all its assets and liabilities within 12 months after the reporting date.

#### **3. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING ACCOUNTING STANDARDS**

New accounting standards and amendments to existing accounting standards effective from January 1, 2020 and onwards do not have any significant effect on the Fund's condensed interim financial statements.

#### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

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



## FALCOM IPO FUND

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

(All amounts are in Saudi Riyals unless stated otherwise)

#### 5. 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 traded 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.

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 June 30, 2020 and December 31, 2019:

As at June 30, 2020 (Unaudited)

Assets Class	Level 1	Level 2	Level 3	Total
Financial assets at FVSI	32,669,792	9,188,355	-	41,858,147

As at December 31, 2019 (Audited)

Assets Class	Level 1	Level 2	Level 3	Total
Financial assets at FVSI	40,882,319	18,410,427	-	59,292,746

#### 6. 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.

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

Related Party	Nature of transaction	Transactions amount during the six-month period ended		Closing balance	
		June 30 2020 (Unaudited)	June 30 2019 (Unaudited)	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Falcom Financial Services	Management and other fees	486,510	541,445	237,038	280,192
	Investment in Fund units	6,000,000	7,700,000		
Falcom Murabaha Fund	Redemption of Fund units	13,800,000	7,200,000	9,188,355	16,869,329

## FALCOM IPO FUND

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 (UNAUDITED)

(All amounts are in Saudi Riyals unless stated otherwise)

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The Fund pays management fees, fees and other expenses calculated on each evaluation day in the percentages shown below of the Fund's equity value.

	<u>Percentage</u>
Management and other fees	1.75%
Fees and other expenses	0.25 %

In addition, the Fund Manager refunds any other expenses paid on behalf of the Fund.

#### **7. IMPACT OF COVID-19 ON THE FUND**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activities. We have 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).

At this stage, the impact on our business and results has been significant. Based on our experience and market trend, we expect the situation to normalise. As we operate in the equity market, we have found a decline in Tadawul's index with the outbreak of the pandemic due to uncertainty involved and thus a decline in investment's value resulting in losses, though the situation has improved with the easing of lockdown restrictions from the month of June 2020 and, therefore we expect the situation to improve further. We will continue to follow the Government's policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health and safety of our people.

#### **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 June 30, 2020.

#### **9. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements were approved by the Fund's Board on August 23, 2020.