

FALCOM IPO FUND

(Managed by Falcom Financial Services)

**INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

FALCOM IPO FUND
(Managed by Falcom Financial Services)

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR 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 of
Falcom IPO 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 IPO Fund** (the "Fund"), managed by Falcom Financial Services (the "Fund Manager") as of 30 June 2021 and the related interim condensed statements of profit and loss and other comprehensive income, changes in net assets attributable to Unitholders and cash flows for six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting", that is 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*, that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 that are 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 that is 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 IPO 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)

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents	7	1,950,849	4,794,400
Investments at fair value through profit or loss - FVTPL	8	53,900,906	44,221,244
Dividends receivable		-	25,000
TOTAL ASSETS		55,851,755	49,040,644
<u>LIABILITIES</u>			
Accrued management fees	9	277,247	245,781
Other liabilities		14,656	15,162
TOTAL LIABILITIES		291,903	260,943
Net assets attributable to the unitholders		55,559,852	48,779,701
Units in issue (Numbers)		15,280	16,358
Net asset value - per unit (SR)		3,636.12	2,982.01

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

FALCOM IPO FUND
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**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021

(All amounts are in Saudi Riyals unless stated otherwise)

	Note	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<u>INCOME</u>			
Dividends income		498,564	475,579
Gain / (loss) on sale of investments at FVTPL, net		7,645,851	(4,295,699)
Fair value gain on investments at FVTPL		3,024,095	334,739
Total income/ (loss)		11,168,510	(3,485,381)
<u>EXPENSES</u>			
Management fee	9	(521,865)	(486,510)
Other expenses		(40,341)	(51,130)
Total expenses		(562,206)	(537,640)
Profit/ (loss) for the period		10, 606,304	(4,023,021)
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		10, 606,304	(4,023,021)

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

FALCOM IPO FUND
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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

FOR SIX MONTHS PERIOD ENDED 30 JUNE 2021

(All amounts are in Saudi Riyals unless stated otherwise)

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Net assets at 1 January (Audited)	48,779,701	62,302,081
CHANGES FROM OPERATIONS		
Profit/ (loss) and total comprehensive income/ (loss) for the period	10,606,304	(4,023,021)
CHANGES FROM UNITS TRANSACTIONS		
Proceeds from issuance of units during the period	685,781	205,783
Proceeds from redemption of units during the period	(4,511,934)	(4,840,003)
Net change from unit transactions	(3,826,153)	(4,634,220)
Net assets at 30 June (Unaudited)	55,559,852	53,644,840
UNIT TRANSACTIONS		
Transactions in units for the period ended 30 June are summarized as follows:		
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
	Units	Units
Units at 1 January (Audited)	16,358	24,495
Issuance of units during the period	207	84
Redemption of units during the period	(1,285)	(1,923)
Net change in units	(1,078)	(1,839)
Units at 30 June (Unaudited)	15,280	22,656

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

FALCOM IPO FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR 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>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit/ (loss) for the period	10,606,304	(4,023,021)
<i>Adjustments for:</i>		
Unrealized fair value gain from investments at FVTPL	(3,024,095)	(334,739)
Net Changes in operating assets and liabilities:		
Change in investments at FVTPL	(6,655,567)	17,769,338
Dividends receivable	25,000	(61,731)
Other assets	-	(2,740,300)
Accrued management fees	31,466	(43,154)
Other liabilities	(506)	(305)
Net cash generated from operating activities	982,602	10,566,088
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of units during the period	685,781	205,783
Redemption of units during the period	(4,511,934)	(4,840,003)
Net cash used in financing activities	(3,826,153)	(4,634,220)
Net change in cash and cash equivalents	(2,843,551)	5,931,868
Cash and cash equivalents at 1 January	4,794,400	3,303,004
Cash and cash equivalents at 30 June	1,950,849	9,234,872

The accompanying notes from 1 to 16 form an integral part of these interim condensed financial statements.

FALCOM IPO FUND

(Managed by Falcom Financial Services)

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

(All amounts are in Saudi Riyals unless stated otherwise)

1. GENERAL

Falcom IPO 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 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's manager is as follows:

Falcom Financial Services

Olaya Street, P.O. 884

Riyadh 11421

Kingdom of Saudi Arabia

The Fund Manager is dealing with the Unitholders 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 16 June 2008). The Fund commenced operations on 12 July 2008.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by CMA on 3 Dhul Hija 1427H (corresponding to 24 December 2006G) as amended by the resolution of CMA board on 16 Sha'aban 1437H (corresponding to 23 May 2016G). It is further amended by the resolution of CMA board on 12 Rajab 1442H (corresponding to 24 February 2021G).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These interim condensed 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 and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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. This does 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 audited financial statements").

3.2. Basis of measurement

These interim condensed financial statements have been prepared under the 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 the going concern basis.

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.

3.3. Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Fund.

FALCOM IPO FUND

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

(All amounts are in Saudi Riyals unless stated otherwise)

3.4. Financial year

The financial year of the Fund commences on 1st January and ends on 31 December of each calendar year.

3.5. Use of estimates and judgments

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.

4. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

There are no new standards issued; however, there are number of amendments to standards that are effective from 1 January 2021 and has been explained in the annual audited financial statements but they do not have a material effect on these interim condensed financial statements.

5. 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.

6. 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 in monthly basis.

Other expenses

The Fund Manager recovers from the Fund any other expense incurred on behalf of the Fund at rates specified in the Terms and Conditions of the Fund. These expenses include audit fee, benchmark fee, regulatory fee, legal, brokerage, director's remuneration, and other similar charges.

7. CASH AND CASH EQUIVALENTS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash at banks – current account	1,950,849	4,794,400

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

(All amounts are in Saudi Riyals unless stated otherwise)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - FVTPL

The Fund invests in the shares of enterprises within the targeted indicator portfolio, taking into account 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	31 December 2020
	(Unaudited)	(Audited)
Investments in listed equity securities (note 8.1)	50,890,818	34,455,628
Investments in public fund (note 8.2)	3,010,088	9,765,616
	53,900,906	44,221,244

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	31 December 2020
	(Unaudited)	(Audited)
Opening balance	44,221,244	59,292,746
Purchase during the period/ year	47,825,519	145,427,199
Sold during the period/ year	(48,815,803)	(169,254,856)
	43,230,960	35,465,089
Net changes in investments at FVTPL		
Realized fair value gain, net for the period/ year	7,645,851	5,246,197
Unrealized fair value gain, net for the period/ year	3,024,095	3,509,958
Net fair value gain on investments at FVTPL	10,669,946	8,756,155
Investment at 30 June 2021/ 31 December 2020	53,900,906	44,221,244

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

	30 June 2021		31 December 2020
	(Unaudited)		(Audited)
	%	%	
Raw materials	21%	29%	10,137,487
Energy	19%	12%	4,203,745
Real estate	14%	8%	2,911,009
Retailing	8%	6%	1,932,141
Professional services	7%	9%	2,923,158
Consumer services	6%	8%	2,705,587
Investment	4%	5%	1,613,926
Health care	3%	7%	2,482,865
Long-term commodities	3%	7%	2,289,330
Complementary commodities	3%	3%	1,120,980
Banks	3%	0%	-
Insurance	3%	0%	-
Utilities	3%	0%	-
Transportation	2%	6%	2,135,400
Software & Services	1%	0%	-
	100	100	34,455,628

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

(All amounts are in Saudi Riyals unless stated otherwise)

8. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS – FVTPL (CONTINUED)

8.2 This represents an investment in units of Falcom SAR Murabaha Fund (open-ended Fund) managed by Falcom Financial Services. The primary activity of Falcom SAR Murabaha Fund is to invest in Shari'ah-compliant Murabaha contracts.

9. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Fund transacts with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund Board. Related parties comprise the Fund Board and Fund Manager.

Significant transactions and balances with related parties in the ordinary course of Fund's business included in the interim condensed financial statements are summarized below:

	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 Management services	fees	(521,865)	(486,510)	(277,247)	(245,781)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Investments based on inputs other than quoted prices included within level 1, that are observable for the asset or liability are categorised as level 2, These investments have been valued using the net asset value of the funds available on Tadawul (Saudi stock exchange).

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values.

The following table includes the hierarchy analysis for the fair value of Fund's assets and liabilities (by class) measured at fair value as at 30 June 2021 and 31 December 2020:

	Level 1	Level 2	Level 3	Total
30 June 2021 (Unaudited)				
Investment at FVTPL	50,890,818	3,010,088	-	53,900,906
31 December 2020 (Audited)				
Investment at FVTPL	34,455,628	9,765,616	-	44,221,244

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

(All amounts are in Saudi Riyals unless stated otherwise)

10. FAIR VALUE ESTIMATION (CONTINUED)

Classification of financial instruments

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Financial asset at amortized cost		
Cash and cash equivalents	1,950,849	4,794,400
Dividend receivable	-	25,000
	<u>1,950,849</u>	<u>4,819,400</u>
Financial assets at fair value through profit or loss		
Investments at FVTPL (note 7)	53,900,906	44,221,244
	<u>53,900,906</u>	<u>44,221,244</u>

11. IMPACT OF COVID-19 ON THE FUND

The COVID-19 pandemic that developed rapidly in 2020 has remained to be a concern in 2021, especially as new variants of the virus been linked to a resurgence of COVID-19 in some countries. However, due the successful roll-out of the vaccination program in the Kingdom the cases are under control in Saudi Arabia.

Measures taken to contain the virus has affected certain economic activities during the first half of 2021. We have taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people.

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 people.

12. UNIT VALUE RECONCILIATION

In accordance with CMA circular no. 1/6/7218/17 dated 13 Rabi al-Thani 1439H (corresponding to 31 December 2017), the CMA Board decided on 10 Rabi al-Thani 1439H (corresponding to 28 December 2017) to restrict the recording of expected credit losses (ECL) calculated in accordance with IFRS 9 only for the purpose of financial reporting.

All financial assets held at amortized cost were considered for ECL as on 30 June 2021. However, the impact of ECL on these assets was immaterial as cash and cash equivalents 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 ECL adjustment 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.

13. CONTINGENCIES AND COMMITMENTS

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

14. LAST VALUATION DAY

The Fund units are valued, and the net assets value is calculated at the end of each working day (valuation day). The last valuation day for the purpose of the preparation of these interim condensed financial statements is 30 June 2021.

FALCOM IPO FUND

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

(All amounts are in Saudi Riyals unless stated otherwise)

15. COMPARATIVE FIGURES

Certain prior year amounts in the interim condensed statements of cash flows have been reclassified to conform to the presentation in the current period.

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund's Board on 10 Muharram 1443H (corresponding to 18 August 2021G).
