

**FALCOM SAUDI EQUITY ETF FUND**

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

**FALCOM SAUDI EQUITY ETF**  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**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 Saudi Equity ETF Fund

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Falcom Saudi Equity ETF 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 horizontal line.

Ali H. Al Basri  
License Number 409

August 24, 2020

**FALCOM SAUDI EQUITY ETF****INTERIM STATEMENT OF FINANCIAL POSITION**

(All amounts are in Saudi Riyals unless stated otherwise)

		<b>As at June 30, 2020 (Unaudited)</b>	<b>As at December 31, 2019 (Audited)</b>
<b>Assets</b>			
Cash and cash equivalents		<b>354,659</b>	175,580
Financial assets at fair value through statement of income (FVSI)	5	<b>17,550,640</b>	23,719,167
Dividends receivable		<b>100,971</b>	-
<b>Total assets</b>		<b>18,006,270</b>	<b>23,894,747</b>
<b>Liabilities</b>			
Accrued management fees	6	<b>47,660</b>	59,497
<b>Total liabilities</b>		<b>47,660</b>	59,497
<b>Equity attributable to the Unitholders</b>		<b>17,958,610</b>	23,835,250
Units in issue (units)		<b>600,000</b>	725,000
Unit value (Saudi Riyals)		<b>29.93</b>	32.88

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

**FALCOM SAUDI EQUITY ETF****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		449,809	517,218
(Loss)/ gain on sale of financial assets at FVSI		(223,761)	266,016
(Loss)/ gain on change in fair value of financial assets at FVSI		(2,479,789)	1,973,369
<b>Total (loss)/ income</b>		<b>(2,253,741)</b>	<b>2,756,603</b>
<b>Expenses</b>			
Management fees	6	(51,672)	(66,929)
Other expenses		(51,672)	(66,929)
<b>Total expenses</b>		<b>(103,344)</b>	<b>(133,858)</b>
<b>Net (loss)/ income for the period</b>		<b>(2,357,085)</b>	<b>2,622,745</b>
<b>Other comprehensive income for the period</b>		-	-
<b>Total comprehensive (loss)/ income for the period</b>		<b>(2,357,085)</b>	<b>2,622,745</b>

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

**FALCOM SAUDI EQUITY ETF****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>23,835,250</b>	19,736,568
Total comprehensive (loss)/ income for the period	<b>(2,357,085)</b>	2,622,745
<b>Unitholders subscriptions and redemptions:</b>		
Issuance of redeemable units during the period	-	6,686,826
Redemption of redeemable units during the period	<b>(3,519,555)</b>	(1,639,196)
<b>Equity attributable to the Unitholders as at June 30</b>	<b>17,958,610</b>	<b>27,406,943</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 as at January 1</b>	<b>725,000</b>	650,000
Issuance of redeemable units during the period	-	200,000
Redemption of redeemable units during the period	<b>(125,000)</b>	(50,000)
<b>Number of units as at June 30</b>	<b>600,000</b>	<b>800,000</b>

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

**FALCOM SAUDI EQUITY ETF****INTERIM STATEMENT OF CASH FLOWS (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>Cash flows from operating activities</b>		
Net (loss)/ income for the period	<b>(2,357,085)</b>	2,622,745
<b>Adjustments for non-cash items</b>		
Loss/ (gain) on sale of financial assets at FVSI	<b>223,761</b>	(266,016)
Loss/ (gain) on change in fair value of financial assets at FVSI	<b>2,479,789</b>	(1,973,369)
<b>Changes in operating assets and liabilities:</b>		
Additions to financial assets at FVSI	<b>(18,550)</b>	(7,117,248)
Proceeds from sale of financial assets at FVSI	<b>3,484,527</b>	1,694,031
Dividends receivable	<b>(100,971)</b>	(6,786)
Accrued management fees	<b>(11,837)</b>	19,520
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>3,698,634</b>	(5,027,123)
<b>Cash flows from financing activities</b>		
Issuance of redeemable units during the period	-	6,686,826
Redemption of redeemable units during the period	<b>(3,519,555)</b>	(1,639,196)
<b>Net cash flows (used in)/ generated from financing activities</b>	<b>(3,519,555)</b>	5,047,630
<b>Net increase in cash and cash equivalents</b>	<b>179,079</b>	20,507
<b>Cash and cash equivalents at the beginning of the period</b>	<b>175,580</b>	138,938
<b>Cash and cash equivalents at the end of the period</b>	<b>354,659</b>	159,445

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

## FALCOM SAUDI EQUITY ETF

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

(All amounts are in Saudi Riyals unless stated otherwise)

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#### 1. GENERAL

Falcom Saudi Equity ETF (the "Fund") is a fund established under agreement between Falcom Financial Services (the "Fund Manager") and investors in the Fund (the "Unitholders"). The Fund's objectives are represented in achieving capital growth and gains on the long term through the inactive investment of a basket of shares of companies listed on the Saudi stock exchange for the purpose of achieving performance level similar to index performance before fees and expenses.

The address of the Fund manager is as follows:

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

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

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 9 Rajab 1429H (corresponding to 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 SAUDI EQUITY ETF

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

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	17,550,640	-	-	17,550,640

As at December 31, 2019 (Audited)

Assets class	Level 1	Level 2	Level 3	Total
Financial assets at FVSI	23,719,167	-	-	23,719,167

#### 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 issued by the CMA. 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	Amount of transactions during the period ended June 30 (Unaudited)		Closing balance	
		2020	2019	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Falcom Financial Services	Management fees	51,672	66,929	47,660	59,497
Falcom Financial Services	(Disposal of)/ Investment in Fund units	(3,499,630)	932,433	3,152,276	6,651,906

## FALCOM SAUDI EQUITY ETF

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

(All amounts are in Saudi Riyals unless stated otherwise)

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#### 6. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	<u>Percentage</u>
Management fees	0.5%
Other fees and expenses, including:	
Administrative fees	0.17%
Custody fees	0.15%
Index fees	0.10%
Listing and recording fees	0.08%

In accordance with the terms and conditions of the Fund, the annual rate of the Fund's expenses shall not exceed 1% of the equity value. In addition, the Fund Manager refunds any other expenses paid on behalf of the Fund.

#### 7. IMPACTS 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 activity. 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 and 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 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 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.