

YAQEEEN SAUDI EQUITY ETF FUND
(formerly Falcom Saudi Equity ETF Fund)
(Managed by Yaqeen Capital - formerly Falcom Financial
Services)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 AND
INDEPENDENT AUDITOR'S REPORT

YAQEEEN SAUDI EQUITY ETF (formerly Falcom Saudi Equity ETF)
(Managed by Yaqeen Capital – formerly Falcom Financial Services)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders

Yaqeen Saudi Equity ETF Fund (formerly Falcom Saudi Equity ETF Fund)

(Managed by Yaqeen Capital – formerly Falcom Financial Services)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yaqeen Saudi Equity ETF Fund (formerly Falcom Saudi Equity ETF Fund) (the “Fund”) managed by Yaqeen Capital (formerly Falcom Financial Services) (the “Fund Manager”), which comprise the statement of financial position as of 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 are independent of the Fund and Fund Manager in accordance with the professional code of conduct and ethics that are 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

Key audit matters (continued)

Valuation of financial assets at fair value through profit or loss - FVTPL

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2021, the Fund has investments in listed equity securities amounting to SR 35.26 million. These investments are classified as fair value through profit or loss and are measured at fair value with corresponding fair value changes recognized in profit or loss.</p> <p>The fair value of listed equity securities is based on the closing market prices from Tadawul (the Saudi Stock Exchange) on the last valuation day of the financial year.</p> <p>We considered this as a key audit matter given the significance of the valuation on the financial position of the Fund and also due to significant increase in the value of the investment during the year.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the Fund's policies related to investments and compared with applicable accounting standards and pronouncements; • Agreed carrying value of the investments classified at fair value through profit or loss to the list of investments; • Verified fair value for sample of investments based on market price from Tadawul on the last valuation day of the financial year; and • Evaluated the adequacy and appropriateness of disclosures made in the financial statements.

Refer to note 4 for accounting policy and note 6 for related disclosures.

Other information

Other information comprises the Fund's performance report included in the annual report, but does not include the financial statements and our audit report thereon. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the requirements of the Investment Funds Regulations as published by the Capital Market Authority ("CMA") in the Kingdom of Saudi Arabia and the Fund's Terms and Conditions, information memorandum and key information summary with respect to the preparation and presentation of financial statements, and for such internal control as management 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, management 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 management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance, in particular the Fund Board, are responsible for overseeing the Fund's financial reporting process.

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 ISAs 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 ISAs that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional skepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 the management and 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.

We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the Financial Statements (continued)

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
License No. 362



Riyadh, on: 28 Sha'ban 1443 (H)
Corresponding to: 31 March 2022 (G)

YAQEEN SAUDI EQUITY ETF FUND (formerly Falcom Saudi Equity ETF Fund)
 (Managed by Yaqeen Capital – formerly Falcom Financial Services)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(All amounts are in Saudi Riyals unless stated otherwise)

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	5	292,300	149,979
Financial assets at fair value through profit or loss (FVTPL)	6	35,260,537	19,246,483
Dividends receivable		-	8,283
TOTAL ASSETS		35,552,837	19,404,745
LIABILITIES			
Management fee payable	7	50,582	59,554
Other liabilities	8	50,582	-
TOTAL LIABILITIES		101,164	59,554
Net assets attributable to the unitholders		35,451,673	19,345,191
Units in issue (Numbers)		750,000	550,000
Net asset value per unit (Saudi Riyals)		47.27	35.17
Contingencies and commitments	9	-	-

The accompanying notes from 1 to 17 form an integral part of these financial statements.

YAQEEEN SAUDI EQUITY ETF FUND (formerly Falcom Saudi Equity ETF Fund)
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(All amounts are in Saudi Riyals unless stated otherwise)

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
INCOME			
Dividend income		691,653	535,559
Gain on sale of financial assets at FVTPL, net	6	-	47,602
Fair value gain on financial assets at FVTPL, net	6	6,886,841	450,271
		7,578,494	1,033,432
EXPENSES			
Management fee	10	(160,031)	(115,660)
Others		(160,031)	(115,660)
		(320,062)	(231,320)
Profit for the year		7,258,432	802,112
Other comprehensive income for the year		-	-
Total comprehensive income for the year		7,258,432	802,112

The accompanying notes from 1 to 17 form an integral part of these financial statements.

YAQEEEN SAUDI EQUITY ETF FUND (formerly Falcom Saudi Equity ETF Fund)
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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Saudi Riyals unless stated otherwise)

	31 December 2021	31 December 2020
Net assets attributable to the Unitholders as at 1 January	19,345,191	23,835,250
Profit and total comprehensive income for the year	7,258,432	802,112
Unitholders subscriptions and redemptions:		
Issuance of redeemable units during the year	10,009,020	-
Redemption of redeemable units during the year	(1,160,970)	(5,292,171)
Net assets attributable to the Unitholders as at 31 December	35,451,673	19,345,191

MOVEMENT IN NUMBER OF UNITS

The movement in number of units for the year ended 31 December is as follows:

	31 December 2021	31 December 2020
	Units	
Number of units as at 1 January	550,000	725,000
Issuance of redeemable units during the year	225,000	-
Redemption of redeemable units during the year	(25,000)	(175,000)
Number of units as at 31 December	750,000	550,000

The accompanying notes from 1 to 17 form an integral part of these financial statements.

YAQEEN SAUDI EQUITY ETF FUND (formerly Falcom Saudi Equity ETF Fund)
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	31 December 2021	31 December 2020
<u>Cash flows from operating activities</u>			
Profit for the year		7,258,432	802,112
Adjustment for non-cash items:			
Fair value gain on financial assets at FVTPL, net	6	(6,886,841)	(450,271)
Changes in operating assets and liabilities:			
Financial assets at FVTPL, net		-	(47,602)
Additions to financial assets at FVTPL	6	(9,127,213)	(275,912)
Proceeds from sale of financial assets at FVTPL	6	-	5,246,469
Management fee payable		(8,972)	-
Other liabilities		50,582	57
Dividends receivable		8,283	(8,283)
Net cash (used in) / from operating activities		<u>(8,705,729)</u>	<u>5,266,570</u>
<u>Cash flows from financing activities</u>			
Issuance of redeemable units during the year		10,009,020	-
Redemption of redeemable units during the year		(1,160,970)	(5,292,171)
Net cash from / (used in) financing activities		<u>8,848,050</u>	<u>(5,292,171)</u>
Net increase / (decrease) in cash and cash equivalents		142,321	(25,601)
Cash and cash equivalents at the beginning of the year		149,979	175,580
Cash and cash equivalents at the end of the year	5	<u>292,300</u>	<u>149,979</u>

The accompanying notes from 1 to 17 form an integral part of these financial statements.

YAQEEEN SAUDI EQUITY ETF FUND (formerly Falcom Saudi Equity ETF Fund)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts are in Saudi Riyals unless stated otherwise)

1. GENERAL

Yaqeen Saudi Equity ETF (formerly Falcom Saudi Equity ETF) (the “Fund”) is a fund established under an agreement between Yaqeen Capital (formerly 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.

In the general assembly meeting held on 17 Jumada al-Ula 1443 (H) corresponding to 21 December 2021 (G), the name of the Fund Manager was changed from “Falcom Financial Services” to “Yaqeen Capital”. Subsequent to the year end, the fund amended its terms and conditions and accordingly name of the Fund was changed from “Falcom Saudi Equity ETF” to “Yaqeen Saudi Equity ETF”.

The address of the Fund manager is as follows:

Yaqeen Capital
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. In addition, the Unitholders are considered as owners benefiting from the Fund's assets.

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 9 Rajab 1429H (corresponding to 12 July 2008).

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).

1.1 Covid-19 update

A novel strain of coronavirus (Covid-19) was first identified at the end of December 2019 and subsequently declared as a pandemic in March 2020 by the World Health Organization (WHO). Covid-19 continues to spread all regions around the world, including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities and hence a slowdown of economic activities and shutdown of many sectors at global and local levels.

The Fund does not foresee a going concern issue due to the above for at least 12 months after the reporting period. The Fund will further continue to evaluate the nature and extent of the impact on its operations and financial results.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The Fund has also complied with Investment Funds Regulations published by CMA and Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”) with respect to preparation and presentation of these financial statements.

2.2 Basis of measurement

These 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.

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2.2 Basis of measurement (continued)

Furthermore, these financial statements are prepared, using the accrual basis of accounting and are based on 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 statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyal (SR), which is also the functional currency of the Fund. All financial statements presented has been rounded to the nearest SR unless stated otherwise.

2.4 Foreign currency transactions and balances

Foreign currency transactions and balances are translated into Saudi Riyals using exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals using prevailing exchange rates at the statement of financial position date. Foreign exchange losses and gains of these transactions are included in the statement of profit and loss and other comprehensive income.

2.5 Financial year

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

2.6 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected. There are no areas of significant judgment or critical assumption used in the preparation of these financial statements.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

3.1 New standards, interpretations and amendments effective in current year

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 but they had no material impact on these financial statements. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Fund. The Fund intends to use the practical expedients in future periods if they become applicable.

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3.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Fund has decided not to adopt early. The most significant of these are as follows:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 16	Property and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 3	Reference to Conceptual Framework	1 January 2022
IAS 1	Disclosure of Accounting Policies	1 January 2023
IAS 8	Definition of Accounting Estimates	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023

3.3 Others

The Fund does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Fund. The Fund is yet to assess the impact of the above amendments in its financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise current account with the bank

4.2 Financial instruments

4.2.1 Initial recognition and measurement

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4.2.2 De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

4.2.3 Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income; or
- Financial assets at amortised cost.

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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:

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

• **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in statement of profit or loss. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

• **Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at financial assets at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special finance income and foreign exchange gains and losses on the instrument's amortised cost are recognized in statement of profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special finance income' using the effective interest rate method.

• **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortised cost or FVOCI are classified as financial assets at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the year in which it arises.

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 net assets. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at FVTPL, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investments at FVOCI. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, 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 recognized in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

4.2.4 Impairment of financial assets

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

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(All amounts are in Saudi Riyals unless stated otherwise)

4.2.4 Impairment of financial assets (continued)

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The value of financial assets held at amortised cost has been taken into account in the calculation of expected credit loss. Financial assets held at amortised cost include bank balances. Bank balances are held at banks with high credit rating.

4.2.5 Classification and measurement of financial liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method.

4.2.6 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price because this price provides a reasonable approximation of the exit price.

4.2.7 Offsetting

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

4.3 Equity attributable to unitholders

The net assets attributable to the unitholders comprise units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

(i) Redeemable Units

Units subscribed and redeemed are recorded at the net assets value per unit on the Valuation Day for which the subscription request and redemption applications are received.

The Fund classifies its 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 net assets 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 net assets.
- 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 recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

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4.3 Equity attributable to unitholders (continued)

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 recognized equity or the change in the fair value of the recognized and unrecognized 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 IAS 32. 16(A-B) 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 paragraphs 16A and 16B of International Accounting Standard (IAS 32), 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 recognized in net assets attributable to unit holders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

(ii) Trading in the units

Units of the Fund are made available for purchase only in the Kingdom of Saudi Arabia at Yaqeen Capital (formerly Falcom Financial Services) branches by natural and corporate persons. The net asset value of the Fund is determined on the Valuation Day by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

4.4 Net assets value per unit

Net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Funds by the number of units in issue at the reporting date.

4.5 Zakat and income tax

Zakat and income tax are the obligations of the Unitholders and are not provided for in these financial statements.

4.6 Revenue recognition

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

Realized gains and losses on investments at FVTPL sold are determined on a weighted average cost basis.

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

4.7 Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. These expenses are recognised on accrual basis. Management and custody fee are based on predetermined rates as specified in the Terms and Conditions of the Fund. In accordance with terms and conditions of the Fund, the annual rate of the Fund's expenses shall not exceed 1% of net assets value. Detailed policies are as follows:

4.7.1 Management fee

The Fund Manager charges the Fund, on every valuation day, a management fee at an annual rate of 0.5% (31 December 2020: 0.5%) of the Fund's net assets value. These charges are calculated and accrued on each dealing day.

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4.7.2 Custody fee

The Fund accrues custody fee expense at an annual rate of 0.03% (31 December 2020: 0.03%) of the net assets value. These charges are calculated and accrued on each dealing day.

4.7.3 Other expenses

The Fund Manager refunds any other expenses paid on behalf of the fund as per Term and Conditions of the Fund.

5. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash at banks	292,300	149,979

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

All Fund's financial assets are investments in shares of Saudi joint stock enterprises listed on the Saudi Stock Exchange.

	31 December 2021	31 December 2020
Opening balance	19,246,483	23,719,167
Purchased during the year	9,127,213	275,912
Sold during the year	-	(5,246,469)
	28,373,696	18,748,610
Net changes in investment at FVTPL		
Gain on sale of financial assets at FVTPL, net	-	47,602
Fair value gain on financial assets at FVTPL, net	6,886,841	450,271
Net fair value gain on investment at FVTPL	6,886,841	497,873
Closing balance	35,260,537	19,246,483

Detail of equity investments of the Fund is as follows:

	31 December 2021	31 December 2020
Sectors		
Energy	14,642,046	3,205,594
Material	11,034,285	4,579,167
Banks	1,725,157	5,233,045
Food and beverages	1,605,392	1,339,659
Retailing	1,348,316	427,258
Health care equipment and Services	994,545	419,870
Capital goods	856,805	210,371
Real estate management and development	827,466	1,079,420
Media and entertainment	787,908	-
Telecommunication services	705,982	1,890,390
Insurance	403,591	336,409
Utilities	329,044	525,300
	35,260,537	19,246,483

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7. MANAGEMENT FEE PAYABLE

	Note	31 December 2021	31 December 2020
Management fee payable	7.1	50,582	59,554

7.1 The Fund Manager charges the Fund, on every valuation day, a management fee at an annual rate of 0.5% (31 December 2020: 0.5%) of the Fund's net assets value.

8. OTHER LIABILITIES

	Note	31 December 2021	31 December 2020
Other fees	8.1 & 8.2	50,582	-

Other fees include custody fee and other expense which are based on predetermined rates as specified in the Terms and Conditions of the Fund. These expenses are recognised on accrual basis. Detailed policies are as follows:

8.1 Custody fee

The Fund accrues custody fee expense at an annual rate of 0.03% (31 December 2020: 0.03%) of the net assets value. These charges are calculated and accrued on each dealing day.

8.2 Other expenses

The Fund Manager refunds any other expenses paid on behalf of the fund as per Term and Conditions of the Fund.

9. CONTINGENCIES AND COMMITMENTS

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

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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	Transactions		Closing balance	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Yaqeen Capital (formerly Falcom Financial Services)	Management fees (note 7)	(160,031)	(115,660)	50,582	59,554
Yaqeen Capital (formerly Falcom Investment in/ Financial Services)	Investment in/ (disposal of) Fund's units, net	2,204,845	(3,130,172)	10,223,281	3,521,734

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10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The Fund pays management fees, fees and other expenses calculated on each valuation 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	0.22%
Custody fees	0.03%
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 net assets value. In addition, the Fund Manager refunds any other expenses paid on behalf of the Fund.

11. SEGMENT REPORTING

The Fund carries a portfolio of equity instruments of entities listed on Saudi Stock Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

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 the investment fund's financial statements .

All financial assets held at amortized cost were considered for ECL as on 31 December 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 financial statements do not contain any significant 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. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Fund's financial assets and liabilities consists of bank balances, financial assets at fair value through profit or loss, management fee payable and other liabilities.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

There were no transfers between the levels during the year.

The following table analyses, within the fair value hierarchy, the Fund's assets and liabilities (by class) measured at fair value at 31 December 2021 and 31 December 2020.

Financial assets at FVTPL

	Level 1	Level 2	Level 3	Total
31 December 2021	35,260,537	-	-	35,260,537
31 December 2020	19,246,483	-	-	19,246,483

Classification of financial instruments

	31 December 2021	31 December 2020
Financial asset at amortised cost		
Cash and cash equivalents (note 5)	292,300	149,979
Dividends receivable	-	8,283
Financial assets at fair value through profit or loss - FVTPL		
Financial assets at fair value through profit or loss (FVTPL) (note 6)	35,260,537	19,246,483
Financial liabilities at amortised cost		
Management fee payable (note 7)	50,582	59,554
Other liabilities (note 8)	50,582	-

14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

The principal investment objectives of the Fund are to provide investors with income and capital growth over the medium and long term by trading in equity and other instruments.

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

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager, which is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

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.

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14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

a) Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2021	31 December 2020
Cash and cash equivalents (note 5)	292,300	149,979

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss.

All financial assets were considered for ECL as on 31 December 2021 and 31 December 2020. However, the impact of ECL on these assets was immaterial as the Fund is not exposed to significant credit risk and there is no history of default on recovery of these balances.

The Fund 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.

b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The Fund's Terms and Conditions provide for the subscription and redemptions of units on dealing days during the week and it is, therefore, exposed to the liquidity risk of meeting Unit holder's redemptions. The Fund's investments are readily realizable, and the units can easily be redeemed at any time. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio, or obtaining funding from related parties.

31 December 2021	Up to one year	More than one year and up to five year	More than five year	Total
<i>Financial liabilities</i>				
Management fee payable	50,582	-	-	50,582
Other liabilities	50,582	-	-	50,582
	101,164	-	-	101,164
		More than one year and up to five year	More than five year	
31 December 2020	Up to one year			Total
<i>Financial liabilities</i>				
Management fee payable	59,554	-	-	59,554
	59,554	-	-	59,554

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Maturity profile

The table below shows an analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled respectively. The amount disclosed are the contractual undiscounted cash flows which equal their carrying balances as the impact of discounting is not significant.

	Up to one year	More than one year	Total
Financial assets			
Cash and cash equivalents	292,300	-	292,300
Financial assets at fair value through profit or loss	35,260,537	-	35,260,537
	<u>35,552,837</u>	<u>-</u>	<u>35,552,837</u>
Financial liabilities			
Management fee payable	50,582	-	50,582
Other liabilities	50,582	-	50,582
	<u>101,164</u>	<u>-</u>	<u>101,164</u>

c) Market risk

i) Commission rate risk

Commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the date of the statement of financial position, the Fund is not exposed to significant commission rate risk as it does not have any financial instruments that carry significant special commission.

ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates.

The functional currency of the Fund is Saudi Riyals. As the Fund's financial assets and financial liabilities are denominated in its functional currency, the Fund is not subject to currency risk.

iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds.

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14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

iii) Price risk (continued)

The Fund Manager closely monitors the price movement of its financial instruments listed at Saudi Stock Exchange “Tadawul”. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

Industry concentration of the equity investments of the Fund is as follows:

Sectors	31 December 2021		31 December 2020	
		SR		SR
Energy	41.53%	14,642,046	16.66%	3,205,594
Real estate management and development	31.29%	11,034,285	23.79%	4,579,167
Health care equipment and services	4.89%	1,725,157	27.19%	5,233,045
Telecommunication services	4.55%	1,605,392	6.96%	1,339,659
Insurance	3.82%	1,348,316	2.22%	427,258
Material	2.82%	994,545	2.18%	419,870
Capital goods	2.43%	856,805	1.09%	210,371
Banks	2.35%	827,466	5.61%	1,079,420
Utilities	2.23%	787,908	0.00%	-
Retailing	2.00%	705,982	9.82%	1,890,390
Media and entertainment	1.14%	403,591	1.75%	336,409
Food and beverages	0.93%	329,044	2.73%	525,300
	100%	35,260,537	100%	19,246,483

The effect of a 5% increase in the value of the equity investments held at the reporting date would, all other variables held constant, have resulted in an increase in the net gain on financial assets at fair value through profit or loss and net assets of SR 1,763,027 (2020: SR 962,324). A 5% decrease in their value would, on the same basis, have decreased the net gain on financial assets at fair value through profit or loss and net assets by the same amount.

15. CAPITAL MANAGEMENT

The capital of the Fund is represented by net assets attributable to holders of redeemable units. The net assets attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unit holders on every valuation day, as well as 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 in order to provide returns for unit holders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Fund manager monitor capital on the basis of the value of net assets attributable to unit holders.

16. LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2021 (31 December 2020).

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund’s Board on 28 Sha’ban 1443H (corresponding to 31 March 2022).