



صندوق الأهلي للصكوك بالدولار الأمريكي

AlAhli US Dollar Sukuk Fund

التقرير السنوي - 2020

Annual Report - 2020



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AlAhli US Dollar Sukuk Fund

صندوق الأهلي للصكوك بالدولار الأمريكي

Investment Fund Information

معلومات صندوق الاستثمار

Investment Objective

أهداف الاستثمار

AlAhli US Dollar Sukuk Fund aims to provide competitive returns through investing in Sukuk, Murabaha and other Sharia-compliant fixed income instruments.

صندوق الأهلي للصكوك بالدولار الأمريكي هو صندوق استثماري مفتوح متوافق مع المعايير الشرعية يهدف إلى تقديم عوائد منافسة عن طريق الاستثمار في الصكوك وصفقات المراجعة بالإضافة إلى أدوات الدخل الثابت الأخرى المتوافقة مع الشريعة الإسلامية.

Investment Policies

سياسات الاستثمار وممارساته

Investing primarily in Sharia compliant fixed income instruments, financial instruments and trade transactions, including, but not limited to Murabaha, Wakala, Mudaraba and Musharaka transactions, and Sharia compliant alternatives of swaps, repo and reverse repos, as well as structured certificates and asset-backed securities.

يستثمر الصندوق بشكل أساسي في أدوات الدخل الثابت والأدوات المالية الأجل المتوافقة مع المعايير الشرعية وهي على سبيل المثال: الصكوك، وصفقات المراجعة والوكالة والمضاربة والمشاركة، والبدائل الشرعية اتفاقيات المبادلة، واتفاقيات إعادة الشراء وإعادة الشراء المعاكس، بالإضافة إلى المنتجات المهيكلية والأوراق المالية المدعومة بأصول.

Distribution of Income & Gain Policy

سياسة توزيع الدخل والأرباح

All profit will be reinvested in the Fund. No income will be distributed to Unitholders.

يتم إعادة استثمار الدخل والأرباح في الصندوق، ولا يتم توزيع أي دخل وأرباح على مالكي الوحدات.

- The fund's reports are available upon request free of charge.

- متاح تقارير الصندوق عند الطلب وبدون مقابل.

Fund Performance

أداء الصندوق

Fund performance for the last three years

أداء الصندوق للسنوات الثلاث الأخيرة:

Year	2020	2019	2018	السنة
Net Asset Value (NAV)*	17,048,611.38	16,731,010	16,587,390	صافي قيمة الأصول*
NAV per Unit*	1.24	1.17	1.09	صافي قيمة الأصول لكل وحدة*
Highest NAV per Unit*	1.24	1.18	1.09	أعلى سعر وحدة*
Lowest NAV per Unit*	1.13	1.09	1.07	أقل سعر وحدة*
Number of Units	13,742,256	14,251,598	15,236,419	عدد الوحدات
Income Distribution per unit	-	-	-	الأرباح الموزعة لكل وحدة
Fees & Expense Ratio	1.05%	0.79%	0.97%	إجمالي نسبة الرسوم والمصروفات

*In US Dollars

*بالدولار الأمريكي

Total return compared to the benchmark:

العائد الإجمالي للصندوق مقارنة بالمؤشر:

Period	5 سنوات – 5 Years	3 سنوات - 3 Years	سنة - 1 Year	الفترة
Total Return %	3.22	4.43	5.68	عائد الصندوق %
Benchmark %	4.99	5.71	7	عائد المؤشر %

Annual total return for the fund since its launch:

العائد الإجمالي السنوي للصندوق منذ إنطلاقه:

Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	السنة
Return %	5.68	7.84	-0.07	2.28	0.61	0.24	0.58	0.34	2.46	1.37	العائد %
Benchmark %	7	9.79	0.57	4.05	3.77	-0.61	0.12	0.19	0.25	0.74	المؤشر %

Actual fees and fund expenses paid by the investment fund during the year as a percentage of average Net Asset Value:

مقابل الخدمات والعمولات والأتعاب التي تحملها الصندوق على مدار العام كنسبة مئوية من متوسط صافي قيمة أصول الصندوق:

Fees and Expenses	ألف دولار USD '000	النسبة المئوية %	الرسوم والمصروفات
Management Fee Expense	127	0.75	رسوم الإدارة
VAT on Management Fee	13	0.11	ضريبة القيمة المضافة على رسوم الإدارة
Audit Fee Expense	11	0.07	مراجعة حسابات الصندوق
Fund Administration	6	0.03	العمليات الإدارية
CMA Fee	2	0.01	هيئة السوق المالية
Tadawul Fee	1	0.01	تداول
Custody Fees	1	0.00	رسوم الحفظ
Shariah Audit Fee Expense	8	0.05	المراجعة الشرعية
Fund Board Fee Expense	3	0.02	مجلس إدارة الصندوق
Total Fees and Expenses	172	1.05	مجموع الرسوم والمصاريف

Material Changes

In response to the COVID19 pandemic, the Federal Reserve Cut interest rates twice during march 2020 (total of 150 bps) to 0.25%, down from 1.75% Compared to the previous year. The Fed also revived and expanded its QE program, encouraged lending, and supported credit.

The Saudi Central bank (SAMA) lowered its policy rates twice (total of 125 bps) during 2020, the Reverse Repo rate to 0.50% down from 1.75 %, and Repo rate to 1.00% down from 2.25%. SAMA also launched stimulus and support packages, as well as injected liquidity into the banking sector to support liquidity and private sector credit.

The Saudi Ministry of Finance (MoF) also took new fiscal measures to raise more non-oil revenues and rationalize spending including increasing the Value-Added-Tax (VAT) from 5% to 15% effective in July 2020.

Total Saudi Government debt issuances during 2020 amounted to SAR 220 bln, above the original target of SAR 120 bln, which was increased as an extraordinary funding requirement due to the COVID19 pandemic.

Brent crude oil price decreased from an average of \$64.60 per barrel in 2019 to \$41.63 per barrel in 2020, mainly due to a

تغيرات جوهرية حدثت خلال الفترة

قام المجلس الاحتياطي الفيدرالي بخفض طارئ لأسعار الفائدة مرتين خلال شهر مارس 2020م (إجمالي 150 نقطة أساس) كخطوة استثنائية لدعم الاقتصاد وسط تفشي جائحة كوفيد-19، حيث بلغ معدل الفائدة الفيدرالي 0.25% في نهاية العام انخفاضاً من 1.75% مقارنة بالعام السابق. كما قام المجلس الاحتياطي الفيدرالي بإعادة إطلاق وزيادة حجم برنامج التيسير الكمي بالإضافة إلى تحفيز الإقراض ودعم الائتمان.

كما قام البنك المركزي السعودي (مؤسسة النقد العربي السعودي) بخفض معدل اتفاقية إعادة الشراء المعاكس (الريبو العكسي) ومعدل اتفاقية إعادة الشراء (الريبو) مرتين خلال العام 2020م (إجمالي 125 نقطة أساس)، انخفض معدل اتفاقية إعادة الشراء المعاكس (الريبو العكسي) من 1.75% إلى 0.50%، ومعدل اتفاقية إعادة الشراء (الريبو) من 2.25% إلى 1.00%. كما قام البنك المركزي السعودي بإطلاق برامج تحفيز وتيسير الكمي، بالإضافة إلى ضخ السيولة في القطاع المصرفي لدعم الإقراض والائتمان في القطاع الخاص. قامت الوزارة المالية السعودية برفع نسبة ضريبة القيمة المضافة من 5% إلى 15% اعتباراً من يوليو 2020م كجزء من السياسة المالية الجديدة للمملكة لإعادة هيكلة الإنفاق ولزيادة الإيرادات غير النفطية في ظل أحداث العام .

ارتفع إجمالي إصدارات سندات الحكومة السعودية الفعلية خلال العام 2020م إلى 220 مليار ريال سعودي مقارنة بـ 120 مليار ريال سعودي المخطط له في بداية العام تماشياً مع خطة الاقتراض الاستثنائية بسبب جائحة كوفيد-19 .



global decline in demand for oil as governments enforced curfews/lockdowns, restricted travel, and temporarily closed businesses as precautionary and containment measures against the COVID19 pandemic. In addition, a dispute between Saudi Arabia and Russia regarding production levels in an oversupplied market.

انخفض متوسط سعر خام برنت من 64.60 دولار للبرميل في عام 2019 إلى 41.63 دولار للبرميل في عام 2020م، ويعود ذلك بشكل رئيسي إلى انخفاض الطلب على النفط على المستوى العالمي مع فرض الحكومات حظر التجول، والحجر الصحي، وتقييد السفر، وإغلاق المحلات التجارية مؤقتاً كإجراءات احترازية واحتوائية ضد جائحة كوفيد-19. بالإضافة إلى اختلافات حول مستويات الإنتاج بين المملكة العربية السعودية وروسيا في حين ارتفاع العرض عن الطلب مما أثر سلباً على أسعار النفط.

Exercising of voting rights

No voting rights were exercised during the year.

ممارسات التصويت السنوية

لم تتم أي ممارسات تصويت خلال العام.

Fund Board Annual Report

The Board of Directors consists of the following members, who were appointed by the fund manager and approved by the Capital Market Authority:

Naif Al Mesned	Chairman (Non-independent)
Lloyd Kawara	Non-independent member
Basmah AlTuwaijri	Independent member
Abdulaziz Abalkhail	Independent member

تقرير مجلس إدارة الصندوق السنوي

يتكون مجلس إدارة الصندوق من الأعضاء التاليين، والذين تم تعيينهم من قبل مدير الصندوق بعد موافقة هيئة السوق المالية:
نايف بن مسند المسند رئيس مجلس إدارة الصندوق (عضو غير مستقل)
لويد كورا عضو غير مستقل
بسمة بنت مزيد التويجري عضو مستقل
عبد العزيز بن صالح أبا الخيل عضو مستقل

The Fund's Board of Directors held four meetings during 2020. The following is a summary of the key decisions approved and the matters discussed by the Fund's Board of Directors:

- Fund's performance review.
- Risks related to the funds; including: liquidity, market, operational risks.
- Ensuring fund's compliance to all applicable rules and regulations.

عقد مجلس إدارة الصندوق أربعة اجتماعات خلال العام 2020م، وفيما يلي ملخصاً لأهم القرارات التي تم إقرارها والمواضيع التي تمت مناقشتها من قبل مجلس إدارة الصندوق:
- مناقشة أداء الصندوق خلال العام.
- المخاطر المتعلقة بالصندوق بما في ذلك مخاطر السيولة، السوق، والتشغيل.
- التزام الصناديق بلوائح هيئة السوق المالية مع مسؤول المطابقة والالتزام.

Fund Manager

NCB Capital Company, Saudi Arabia
Tower B, King Saud Road, P.O. Box 22216, Riyadh 11495
Tel: +966 920000232
Website: www.alahlicapital.com

مدير الصندوق

شركة الأهلي المالية، المملكة العربية السعودية
البرج ب، طريق الملك سعود، ص.ب. 22216، الرياض 11495
هاتف: +966 920000232
الموقع: www.alahlicapital.com

Sub-Manager / Investment Adviser

None

مدير الصندوق من الباطن و/أو مستشارين الاستثمار

لا يوجد

Investment Activities

During the year 2020, the fund underweighted the duration of the benchmark with the strategy that global economic and political uncertainties will pressure credit spreads and interest rates. The Fed Cut its' target benchmark rate twice in march by a total of 150 bps, starting the year at 1.75% and ending at 0.25%. The 10Y UST Yield decreased by -52.4% during the year, going from 1.92% to 0.91%.

أنشطة الاستثمار
خلال عام 2020م، قام الصندوق بخفض معدل استحقاق الصندوق مقارنة بالمؤشر الاسترشادي، ويعود ذلك لتوجه استراتيجية الصندوق في ظل الضغوط الاقتصادية والسياسية العالمية على أسعار الفائدة والائتمان وسط تفشي جائحة كوفيد-19، حيث قام المجلس الاحتياطي الفيدرالي بخفض طارئ لأسعار الفائدة مرتين خلال شهر مارس (إجمالي 150 نقطة أساس) ليصل معدل الفائدة الفيدرالي 0.25% في نهاية العام انخفاضاً من 1.75% مقارنة بالعام السابق. كما انخفض العائد على سندات الولايات المتحدة لمدة 10 سنوات بنسبة -52.4%، من 1.9% إلى 0.9%.

Performance

Fund Performance	5.68%
Benchmark Performance	7.00%

تقرير الأداء

أداء الصندوق	5.68%
أداء المؤشر	7.00%

The fund underperformed the benchmark by 132 bps.

انخفض أداء الصندوق عن أداء المؤشر بفارق 132 نقطة أساس.

Terms & Conditions and information memorandum Material Changes

There are no changes in the terms and condition, and Information Memorandum.

تغيرات حدثت في شروط وأحكام الصندوق و مذكرة المعلومات

لا توجد تغيرات في الشروط والأحكام ومذكرة المعلومات.

Investments in other Investment Funds <p>The fund management fee is 0.75% of NAV. Management fees charged by investments in the following funds have been rebated:</p> <ul style="list-style-type: none"> - AlAhli Diversified US Dollar Fund 	الاستثمار في صناديق استثمارية أخرى <p>نسبة رسوم الإدارة المحتسبة على الصندوق هي 0.75% من صافي قيمة أصول الصندوق. وقد تم التنازل عن رسوم الإدارة للصناديق الاستثمارية التي يستثمر بها الصندوق الموضحة أدناه: - صندوق الأهلي المتنوع بالدولار الأمريكي</p>
Investment Limitation Breaches <p>A violation of the investment Limitations of the fund's Terms and Conditions was detected due to an action taken by the Fund Manager that violates point (3,b), which prohibits fund manager to invest more than 30% of its NAV in investment funds</p>	مخالفة قيود الاستثمار <p>تم رصد مخالفة لقيود الاستثمار المنصوص عليها في شروط وأحكام الصندوق بسبب إجراء اتخذه مدير الصندوق تحديداً الفقرة (3،ب) والتي تحظر على مدير الصندوق استثمار أكثر من 30% من صافي قيمة أصوله في الصناديق الاستثمارية</p>
Special Commission <p>No special commissions were received during the period</p>	عمولات خاصة <p>لم يحصل مدير الصندوق على أي عمولات خاصة خلال الفترة.</p>
Conflict of Interests <p>None</p>	تعارض في المصالح <p>لا يوجد</p>
Fund Distribution During The Year <p>None</p>	توزيعات الصندوق خلال العام <p>لا يوجد</p>
Incorrect Valuation or Pricing <p>None</p>	خطأ في التقويم والتسعير <p>لا يوجد</p>
Investment Limitation Breaches <p>There were no breaches to any of the Investment Restrictions, limitations and borrowing powers applicable to IFR.</p>	مخالفة قيود الاستثمار <p>لم تتم مخالفة أي من قيود و حدود الاستثمار وصلاحيات الاقتراض المعمول بها في لائحة صناديق الاستثمار.</p>
Custodian <p>AlBilad Capital King Fahad Road, P.O. Box 140, Riyadh 11411, Saudi Arabia Tel: +966 92000 3636 Website: www.albilad-capital.com</p>	أمين الحفظ <p>شركة البلاد للاستثمار (البلاد المالية) طريق الملك فهد، ص.ب. 140، الرياض 11411، المملكة العربية السعودية هاتف: +966 92000 3636 الموقع الإلكتروني: www.albilad-capital.com</p>
Custodian's duties and responsibilities <ul style="list-style-type: none"> - The custodian shall be held responsible for compliance with Investment Funds Regulations whether he performed his duties directly or delegated to any third party. The custodian shall be held responsible to the fund manager and unitholders for any losses caused to the investment fund due to the custodian fraud, negligence, misconduct or willful default. - The custodian shall be responsible for taking custody and protecting the fund's assets on behalf of unitholders, and taking all necessary administrative measures in relation to the custody of the fund's assets. - The Fund Manager acknowledges that the responsibilities vested in the custodian does not include ensuring the fund manager's compliance with the contents of subparagraphs (a,b,c) of paragraph (d-3) of annex 5 of the Investment Funds Regulations. 	واجبات ومسؤوليات أمين الحفظ <ul style="list-style-type: none"> - يعد أمين الحفظ مسؤولاً عن التزاماته وفقاً لأحكام لائحة صناديق الاستثمار، سواء أدى مسؤولياته بشكل مباشر أم كلف بها طرفاً ثالثاً بموجب أحكام لائحة صناديق الاستثمار أو لائحة مؤسسات السوق المالية. ويُعد أمين الحفظ مسؤولاً تجاه مدير الصندوق ومالكي الوحدات عن خسائر الصندوق الناجمة بسبب احتيال أو إهمال أو سوء تصرف أو تقصيره المتعمد. - يعد أمين الحفظ مسؤولاً عن حفظ أصول الصندوق وحمايتها لصالح مالكي الوحدات، وهو مسؤول كذلك عن اتخاذ جميع الإجراءات الإدارية اللازمة فيما يتعلق بحفظ أصول الصندوق. - يقر مدير الصندوق بأن المسؤوليات المنوطة بأمين الحفظ لا تشمل إبداء رأيه حول ما إذا كان مدير الصندوق قد قام بالأنشطة في الفقرات الفرعية (أ،ب،ج) من الفقرة (د-3) من الملحق (5) من لائحة صناديق الاستثمار.



Fund Manager Opinion

- Units were Issued, transferred and redeemed in accordance with the provision of the IFR and fund Terms and Conditions
- Units were valued and calculated in accordance with the provisions of IFR, Fund and fund Terms and Conditions.
- Other than mentioned above, there were no breaches to any of the Investment Restrictions, Limitations and borrowing powers applicable to IFR.

رأي مدير الصندوق

- تم إصدار ونقل واسترداد الوحدات بموجب أحكام لائحة صناديق الاستثمار وشروط وأحكام الصندوق.
- تم تقويم وحساب سعر الوحدات بموجب أحكام لائحة صناديق الاستثمار وشروط وأحكام الصندوق.
- بخلاف ما تم ذكره أعلاه لم تتم مخالفة أي من قيود و حدود الاستثمار وصلاحيات الاقتراض المعمول بها في لائحة صناديق الاستثمار.

Auditor

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Tel: +966 12 6989595
Website: www.kpmg.com/sa

المحاسب القانوني

كي بي ام جي الفوزان وشركاه
مركز زهران للأعمال – شارع الأمير سلطان ص.ب 55078،
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هاتف: +966 12 698 9595
الموقع: www.kpmg.com/sa

Auditor's Opinion

Accompanying financial statements have complied with the requirements of the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, and the Fund's Terms and Conditions and the Information Memorandum in so far as they affect the preparation of the financial statements and accordingly nothing has been reported by the auditor in their report which is in compliance with the SOCPA requirements.

رأي المحاسب القانوني

إن القوائم المالية المرفقة لهذا التقرير متوافقة مع متطلبات لائحة صناديق الاستثمار الصادرة عن هيئة السوق المالية، وشروط وأحكام الصندوق ومذكرة معلوماته فيما يتعلق بإعداد القوائم المالية، ولم يوجد ما يتطلب الإبلاغ عنه من قبل مراجع الحسابات في تقريره حسب متطلبات الهيئة السعودية للمحاسبين القانونيين.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2020

with

Independent Auditors' Report To The Unitholders



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Headquarter

Commercial Registration No 1010425494

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

Independent Auditor's Report

To the Unitholders of AIAhli US Dollar Sukuk Fund

Opinion

We have audited the financial statements of **AIAhli US Dollar Sukuk Fund** ("the Fund") managed by NCB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity attributable to unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, 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 issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions, and the Information Memorandum, and for such internal control as the Fund Manager 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, the Fund Manager 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 the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund's financial reporting process.

Independent Auditor's Report

To the Unitholders of AIAhli US Dollar Sukuk Fund (continued)

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 International Standards on Auditing 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 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 the Fund Manager.
- Conclude on the appropriateness of the Fund Manager'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, then 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 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 of **AIAhli US Dollar Sukuk Fund** ("the Fund").

For KPMG Professional Services



Dr. Abdullah Hamad Al Fozan
License No. 348

Riyadh: 23 Sha'ban 1442H
Corresponding to 5 April 2021



ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Notes</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
ASSETS			
Cash and cash equivalents	7	35	94
Investments	8	17,007	16,641
Other receivables		7	--
Total assets		17,049	16,735
LIABILITY			
Other payables		-	12
Equity attributable to Unitholders		17,049	16,723
Units in issue in thousands (number)	9	13,742	14,252
Equity per unit (USD)		1.2406	1.1734

The accompanying notes 1 to 14 form an integral part of these financial statements.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

		<i>For the year ended 31</i>	
		<i><u>December</u></i>	
	<i>Note</i>	<i><u>2020</u></i>	<i><u>2019</u></i>
Special commission income on Sukuks		491	565
Unrealised gain / (loss) on FVTPL investments		2	(11)
Realised gain on FVTPL investments		46	71
Realised gain / (loss) on FVOCI investments		317	(187)
Other income		<u>28</u>	<u>15</u>
Total income		<u>884</u>	<u>453</u>
Management fees	10	(127)	(129)
Value added tax		(13)	(6)
Professional fees		(12)	(11)
Shariah audit fees		(8)	(8)
Fund Board remuneration		(3)	(4)
Administrative expenses		(6)	(5)
Capital market authority fees		(2)	(2)
Custody fees		(1)	(1)
Impairment Reversal / (charge) on investments		<u>10</u>	<u>(8)</u>
Total operating expenses		<u>(162)</u>	<u>(174)</u>
Profit for the year		<u>722</u>	<u>279</u>
Other comprehensive income			
Unrealised gain on FVOCI investments		<u>194</u>	<u>998</u>
Total comprehensive income for the year		<u>916</u>	<u>1,277</u>

The accompanying notes 1 to 14 form an integral part of these financial statements.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

	<i>For the year ended 31</i>	
	<i><u>December</u></i>	
	<i><u>2020</u></i>	<i><u>2019</u></i>
Equity attributable to Unitholders at the beginning of the year	16,723	16,587
Total comprehensive income for the year	916	1,277
Decrease in equity from unit transactions during the year		
Proceeds from units sold	1,384	740
Value of units redeemed	(1,974)	(1,881)
	(590)	(1,141)
Equity attributable to Unitholders at the end of the year	<u>17,049</u>	<u>16,723</u>

The accompanying notes 1 to 14 form an integral part of these financial statements.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

		<i>For the year ended 31</i>	
		<i><u>December</u></i>	
	<i>Note</i>	<i><u>2020</u></i>	<i><u>2019</u></i>
Cash flows from operating activities			
Profit for the year		722	279
<i>Adjustment for:</i>			
Impairment (reversal) / charge on investment		(10)	8
Realised (gain) on FVTPL investments		(46)	(71)
Unrealised (gain) / loss on FVTPL investments		(2)	11
Realized loss on FVOCI Investments		(317)	(187)
		347	40
Net changes in operating assets and liabilities:			
FVOCI investments		1,433	353
FVTPL investments		(1,230)	812
Other receivables		(7)	-
Other payables		(12)	(3)
Net cash generated from operating activities		531	1,202
Cash flows from financing activities			
Proceeds from units sold		1,384	740
Value of units redeemed		(1,974)	(1,881)
Net cash used in financing activities		(590)	(1,141)
Net increase in cash and cash equivalents		(59)	61
Cash and cash equivalents at the beginning of the year	7	94	33
Cash and cash equivalents at the end of the year	7	35	94

The accompanying notes 1 to 14 form an integral part of these financial statements.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

AlAhli US Dollar Sukuk Fund ("the Fund") is a Shariah compliant open-ended investment fund, managed by NCB Capital Company ("the Fund Manager"), a subsidiary of The National Commercial Bank ("the Bank"), for the benefit of the Fund's Unitholders. The Fund is established under Article 30 of the Investment Fund Regulations ("the Regulations") issued by the Capital Market Authority ("CMA").

As defined in Capital Market Authority's Regulation No. 2-83-2005 dated 21 Jumada Awal 1426H (28 June 2005) the Fund Manager conducts following security activities:

- a) Dealing;
- b) Arranging;
- c) Managing;
- d) Advising; and
- e) Custody.

The Fund invests in Shariah compliant fixed income instruments and trade transactions including but not limited to Murabaha, Wakala, Mudaraba and Musharaka transactions. The fund is also allowed to invest in Shariah compliant alternatives of Swaps, Repo and Reverse repos, as well as structured certificates and asset-backed securities.

The terms and conditions of the Fund have been approved by the CMA on 19 Dhul Hijja 1430H (corresponding to 6 December 2009). The Fund commenced its activities on 9 March 2010.

The Fund is governed by the Regulations pursuant to resolution number 1-219-2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the Resolution No. 1/61/2016 of Board of the CMA dated 16 Sha'ban 1437H (corresponding to 23 May 2016) which provided detailed requirements for all funds within the Kingdom of Saudi Arabia.

2. BASIS OF ACCOUNTING

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA") and comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, the Fund's terms and conditions and the Information Memorandum.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost convention using accrual basis of accounting and going concern concept except for investments measured at fair value through profit or loss ("FVTPL") and investments measured at fair value through other comprehensive income (FVOCI) which are recorded at fair value.

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 their liquidity.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in US Dollar (“US\$”) which is the Fund’s functional and presentation currency.

5. CHANGES IN FUND’S TERMS AND CONDITIONS

There is no change in the terms and conditions of the Fund during 2020.

6. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

a) Fair value estimation

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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 on-going basis. The Fund measures instruments quoted in an active market at a market price, because this price is reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Fund recognizes transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fund has classified the investment measured at FVTPL per the fair value hierarchy as level 2 and investments in Sukuks as Level 1. During the year there has been no transfer in fair value hierarchy for FVTPL investments. For other assets and liabilities such as cash and cash equivalents and other payables, the carrying values reasonably approximate the fair value.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

b) Assumptions and estimation uncertainties

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing Fund of similar financial assets for the purposes of measuring ECL.

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 12.1.2(a), which also sets out key sensitivities of the ECL to changes in these elements.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Fund's financial statements.

6.1 *Cash and cash equivalents*

Cash equivalents include cash at bank and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include bank balances.

6.2 *Receivables*

Receivables are initially recognised when they are originated. A receivable without a significant financing component is initially measured at the transaction price (which is equivalent of the fair value) and subsequently at their amortised cost using effective interest / commission rate method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

6.3 *Financial assets and liabilities*

On initial recognition, on initial recognition, a financial asset is measured at its fair value and classified at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss (FVTPL).

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3 *Financial assets and liabilities (continued)*

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and commission on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and commission on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Business model assessment

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly purchased financial assets going forward.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3 *Financial assets and liabilities (continued)*

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest or 'Commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example: liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and commission, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of the time value of money – for example, periodical reset of interest / commission rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. Financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'Realized and unrealized gain / (loss) on FVTPL investments' in the statement of comprehensive income.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3 *Financial assets and liabilities (continued)*

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss.

Financial assets and financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest / commission method and is recognized in the statement of comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of comprehensive income. The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principle repayments, plus or minus the cumulative commission using the effective interest / commission method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. Any commission in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized. The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

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

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

6.4 *Provisions*

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.5 *Equity per unit*

The Fund is open for subscription and redemption of units on every Saudi business day. The equity per unit is calculated by dividing the equity attributable to unitholders included in the statement of financial position by the number of units outstanding at the year end.

6.6 *Units in issue*

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date as well as in the event of the Fund's liquidation.

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it 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;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in 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.

Incremental costs directly attributable to the issue or redemption of redeemable units are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

6.7 *Taxation / zakat*

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the financial statements.

The Value Added Tax ("VAT") applicable for fees and expenses are recognized in the statement of comprehensive income.

6.8 *Management fee expense*

Management fee expense is recognized in the statement of comprehensive income as the related services are performed.

6.9 *Accrued expenses and other payables*

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

ALAHLI US DOLLAR SUKUK FUND
(Managed by NCB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.10 Special commission income and expense

Special commission income and expense presented in the statement of comprehensive income comprise commission on financial assets and financial liabilities measured at amortized cost calculated on an effective interest / commission basis.

The 'effective interest / commission rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument:

- to the carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating special commission income and expense, the effective interest / commission rate is applied to the gross carrying amount of the asset (when the assets are not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective interest / commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

6.11 *New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund*

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The Fund manager has assessed that the amendments have no significant impact on the Fund's financial statements.

Standards / Interpretations and Amendments

Amendments to IFRS 3 - Definition of a Business

Amendments to IAS 1 and IAS 8 - Definition of Material

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform – Phase 1

6.12 *Standards issued but not yet effective*

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these standards when they become effective.

<i>Standards / Interpretations and amendments</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 16	COVID-19 – Related Rent Concessions	June 1, 2020
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to IAS 37	Onerous contracts – Cost of Fulfilling a contract	January 1, 2022
amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to IFRS 3	Reference to Conceptual Framework	January 1, 2022

The above amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

ALAHLI US DOLLAR SUKUK FUND
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

Expressed in US Dollars '000 (unless otherwise stated)

6.12 Standards issued but not yet effective (Continued)

Furthermore, the Capital Market Authority, on March 1, 2021, has issued certain amendments to the Investment Funds Regulations and Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority. These amendments have effective dates starting from May 1, 2021. The Fund Manager is currently in the process of evaluating the impact, if any, of these amendments on the Fund's financial statements.

7. CASH AND CASH EQUIVALENTS

These comprises of balances held with a local Bank having a sound credit rating.

8. INVESTMENTS

	<i>31 December</i>	<i>31 December</i>
<i>Ref</i>	<i><u>2020</u></i>	<i><u>2019</u></i>
Investments - FVTPL	3,216	1,938
Investments - FVOCI		
ii)	13,791	14,703
	<u>17,007</u>	<u>16,641</u>

i) INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments measured at FVTPL comprising:

	<i>31 December</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
Units of AlAhli Diversified US Dollar Trade Fund – a related party	3,216	1,938

ii) INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments measured at fair value through other comprehensive income under IFRS 9 comprising:

	<i>31 December</i>	<i>31 December</i>
	<i><u>2020</u></i>	<i><u>2019</u></i>
Investments in Sukuks	13,791	14,713
Less: Provision for expected credit loss	--	(10)
Net Investments in Sukuks	<u>13,791</u>	<u>14,703</u>

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9. UNITS TRANSACTIONS

Transactions in units during the year are summarized as follows:

	<i>For the year ended 31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>Units' 000</i>	<i>Units' 000</i>
Units at the beginning of the year	14,252	15,236
Units sold	1,142	637
Units redeemed	(1,652)	(1,621)
Net decrease in units during the year	(510)	(984)
Units at the end of the year	13,742	14,252

As at 31 December 2020, the top 5 unitholders (2019: top 5) represented 72.50% (2019: 66.41%) of the Fund's units.

10. RECONCILIATION OF CHANGE IN EQUITY

As per the requirements of CMA circular dated 31 December 2017, the Fund calculates provision for impairment in respect of debt investments measured at amortised cost using the incurred loss model, whereas IFRS 9 requires provisions to be measured using the Expected Credit Loss (ECL) method. This has resulted in a difference between equity calculated as per the CMA circular ("trading equity") and as per requirements of IFRS 9 ("reported equity"). The Fund's units in issue are classified as equity in accordance with IAS 32, and therefore equate to the residual value of the Fund. The following table shows the reconciliation between the Fund's reported equity and trading equity:

	31 December 2020	31 December 2019
Reported equity of the Fund	17,049	16,723
Add: Provision for expected credit losses	--	10
	17,049	16,733
Less: Provision for incurred credit losses	--	--
	17,049	16,733
Traded equity of the Fund	17,049	16,733
Number of units in issue	13,742	14,252
Traded equity per unit of the Fund	1.2406	1.1741

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11. 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. The related parties of the Fund include the Fund Manager, other funds managed by the Fund Manager and Parent of the Fund Manager.

<u>Name of entity</u>	<u>Relationship</u>
National Commercial Bank (NCB)	Shareholder of Fund Manager
NCB Capital Company (NCBC)	Fund Manager

Management fee and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, daily a management fee, as determined by the Fund Manager, which should not be more than the maximum annual rate of 0.75% p.a. of the Fund's daily equity as set out in the Fund's terms and conditions.

The Fund Manager is also entitled to recover expenses incurred on behalf of the Fund relating to audit, custody, advisory, data processing and other similar charges. The maximum amount of such expenses that can be recovered from the Fund by the Fund Manager is restricted to 0.5% per annum of the Fund's equity at the respective valuation days. These expenses have been recovered by the Fund Manager on an actual basis except for custody fees, which is borne by the Fund Manager.

Transactions with related parties

During the year, the Fund entered into the following transactions, other than those disclosed elsewhere in the financial statements, with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions are approved by the Fund Board.

<u>Related party</u>	<u>Nature of Transaction</u>	<u>Amount of transactions</u>		<u>Balance as at</u>	
		<u>2020</u>	<u>2019</u>	<u>As at 31 December 2020</u>	<u>As at 31 December 2019</u>
NCB Capital Company	Management fee	127	129	--	--
	Expenses paid on behalf of the fund	<u>45</u>	<u>37</u>	<u>--</u>	<u>--</u>

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12. FINANCIAL RISK MANAGEMENT

12.1 Financial risk factors

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

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and 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.

12.1.1 Market risk

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings in financial instruments.

a) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency. The Fund views the United States Dollars as its functional currency.

The Fund's financial assets and liabilities are denominated in U.S. Dollar and Saudi Arabian Riyals. As the Saudi Arabian Riyal is pegged against the U.S. Dollar, there is unlikely to be any material impact on the statement of comprehensive income in respect of the financial instruments denominated in Saudi Arabian Riyal.

b) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

Currently all investments of the Fund are in Murabaha deposits and Sukuks which carry fixed commission rate. Since these investments are classified as FVOCI, any changes in the market rates would not have any impact on the net income and the net asset value of the Fund.

c) 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 financial instruments that the Fund holds. The Fund closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Fund has investments in mutual funds.

The effect on the equity (as a result of the change in the fair value of investments) due to a reasonably possible change in equity of the equities, with all other variables held constants is as follows:

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

	<u>31 December 2020</u>	<u>31 December 2019</u>
Effect on equity	$\pm 10\%$ <u>322</u>	$\pm 10\%$ <u>194</u>

12.1.2 *Credit risk*

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its investment portfolio, receivables and bank balances.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

a) *The General Approach (under ECL)*

The Fund recognizes loss allowances for ECL on the financial assets that are debt instruments that are not measured at FVTPL.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Fund considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Fund categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.2 Credit risk (continued)

- Stage 3 – for financial assets that are impaired, the Fund recognizes the impairment allowance based on life time PD.

The Fund also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

b) Expected credit loss measurement

ECL represent probability-weighted estimates of credit losses. These are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

The table below shows the financial instruments subject to impairment.

	As at 31 December 2020			As at 31 December 2019	
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
Investments measured at FVTOCI	13,054	737	--	13,791	14,713
Expected credit loss allowance	--	--	--	--	(10)
	<u>13,054</u>	<u>737</u>	<u>--</u>	<u>13,791</u>	<u>14,703</u>

The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.2 Credit risk (continued)

As at 31 December 2020, and 31 December 2019, the Fund has investments with the following credit quality:

Credit ratings	In percentage of investments	
	31 December 2020	31 December 2019
A+	2%	2%
A	16%	11%
A-	25%	28%
AA	--	4%
B	--	1%
B+	--	11%
BB+	4%	--
BBB+	7%	7%
BBB	30%	29%
BBB-	16%	7%
	100%	100%

c) Expected credit loss measurement

Allowance for expected credit loss

Investment measured at amortised cost – Sukuks

The following table explains the changes in the loss allowance of Sukuks carried at amortised cost:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime- credit impaired ECL	Total
Expected credit loss as at 1 January 2020	5	5	--	10
Net change in financial asset	(5)	(5)	--	(10)
Expected credit loss as at 31 December 2020	--	--	--	--

12.1.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Monday and Wednesday provided they are Saudi Business days and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans facilities obtained by the Fund Manager.

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12 FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

The contractual maturity profile of the assets are as follows:

	<u>Up to 6 months</u>	<u>6 months - 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>Over 5 years</u>	<u>No fixed maturity</u>	<u>Total</u>
Cash and cash equivalents	--	--	--	--	--	35	35
Investment in Sukuks	--	--	1,681	2,263	9,847	--	13,791
Receivables	7	--	--	--	--	--	7
Investment in Diversified US Dollar Trade Fund	--	--	--	--	--	3,216	3,216
31 December 2020	<u>7</u>	<u>--</u>	<u>1,681</u>	<u>2,263</u>	<u>9,847</u>	<u>3,251</u>	<u>17,049</u>
31 December 2019	<u>810</u>	<u>--</u>	<u>2,901</u>	<u>3,295</u>	<u>7,707</u>	<u>2,032</u>	<u>16,745</u>

12.1.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures
- requirements for
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.5 Considerations due to covid-19

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a “second wave” of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of the Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, a number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Fund continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time and is closely monitoring its exposures.

13. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these financial statements was 31 December 2020 (2019: 31 December 2019).

14. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Manager on 23 Sha’ban 1442H Corresponding to 5 April 2021.