

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND

(Managed by SNB Capital Company –
formerly known as NCB Capital Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2021
together with the

Independent Auditor's Review Report



KPMG Professional Services

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

Commercial Registration No. 10104245494

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 on review of condensed interim financial statements

To the Unitholders of AlAhli Small and Mid-Cap Equity Fund

Introduction

We have reviewed the accompanying 30 June 2021 condensed interim financial statements of **AlAhli Small and Mid-Cap Equity Fund** ("the Fund"), managed by SNB Capital Company (formerly known as NCB Capital Company) ("the Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2021;
- the condensed statement of comprehensive income for the six-month period ended 30 June 2021;
- the condensed statement of changes in equity attributable to the Unitholders for the six-month period ended 30 June 2021;
- the condensed statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed interim financial statements of **AlAhli Small and Mid-Cap Equity Fund** are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
License No. 348

Date: 9 Muharram 1443H
Corresponding to: 17 August 2021



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كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاء محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	<i>Notes</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents	7	5,489	10,855
Investment at fair value through profit and loss ("FVTPL")	8	153,018	99,115
Total assets		158,507	109,970
LIABILITY			
Other payables		329	222
Equity attributable to the unitholders		158,178	109,748
Units in issue (number in thousand)	9	51,084	47,811
Equity value per unit (SAR)		3.0964	2.2955

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	<i>Note</i>	For the six-month period ended 30 June	
		<u>2021</u>	<u>2020</u>
Dividend income		1,034	1,021
Realised gain of FVTPL investments		34,119	3,427
Unrealised gain / (loss) of FVTPL investments		5,411	(3,948)
Other income		11	--
Total income		<u>40,575</u>	<u>500</u>
Management fee	10	(1,192)	(705)
Value added tax expense		(179)	(35)
Professional fees		(19)	(19)
Custody fees		(15)	(17)
Shariah audit fee		(15)	(14)
Fund Board remuneration		(12)	(10)
Administrative expenses		(12)	(10)
CMA fee		(4)	(4)
Total operating expenses		<u>(1,448)</u>	<u>(814)</u>
Profit / (loss) for the period		<u>39,127</u>	<u>(314)</u>
Other comprehensive income for the period		<u>--</u>	<u>--</u>
Total comprehensive income / (loss) for the period		<u>39,127</u>	<u>(314)</u>

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2021</u>	<u>2020</u>
Equity attributable to the unitholders at the beginning of the period (Audited)	109,748	79,507
Total comprehensive income / (loss) for the period	39,127	(314)
Increase in equity from unit transactions during the period		
Proceeds from units issued	15,265	3,190
Value of units redeemed	(5,962)	(1,571)
	9,303	1,619
Equity attributable to the unitholders at the end of the period (Unaudited)	158,178	80,812

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Profit / (loss) for the period	39,127	(314)
<i>Adjustment for:</i>		
Realized gain on FVTPL investments	(34,119)	(3,427)
Unrealized (gain) / loss on FVTPL investments	(5,411)	3,948
	(403)	207
Changes in operating assets and liabilities:		
Investment at fair value through profit and loss	(14,373)	(1,992)
Dividend receivable	--	(207)
Other payables	107	(11)
Net cash used in operating activities	(14,669)	(2,003)
Cash flow from financing activities		
Proceeds from units issued	15,265	3,190
Value of units redeemed	(5,962)	(1,571)
Net cash generated from financing activities	9,303	1,619
Decrease in cash and cash equivalents	(5,366)	(384)
Cash and cash equivalents at the beginning of the period	10,855	4,583
Cash and cash equivalents at the end of the period	5,489	4,199

The accompanying notes 1 to 13 form an integral part of these condensed interim financial statements.

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

AlAhli Saudi Small and Mid-Cap Equity Fund (the "Fund") is a Shariah compliant, open-ended investment fund, managed by SNB Capital Company (formerly known as NCB Capital Company) (the "Fund Manager"), a subsidiary of The Saudi National Bank (formerly known as The National Commercial Bank) (the "Bank"), for the benefit of the Fund's Unitholders. NCB Capital Company has completed its merger proceedings with the Samba Capital & Investment Management Company and effective July 9, 2021 and the name has been changed to SNB Capital Company. The Fund is established under article 31 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 securities activities:

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

The Fund's objective is to generate long-term capital growth through investing in small and mid-cap companies in the Saudi equity market in accordance with the Shariah guidelines issued by the Fund Shariah Board. In addition, Fund may also invest in Funds that invest in Saudi or GCC markets.

The terms and conditions of the Fund were originally approved by the CMA through their letter dated 30 June 2008. The Fund commenced its activities on 23 June 2008.

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by Capital Market Authority ("CMA") on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437 H (corresponding to 23 May 2016). The Regulation was further amended (the "Amended Regulations") on 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442 H (corresponding to 1 May 2021).

2. BASIS OF ACCOUNTING

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority, the Fund's terms and conditions and the Information Memorandum.

The condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Fund's annual financial statements as 31 December 2020. Further, the results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

3. BASIS OF MEASUREMENT

The condensed interim financial statements have been prepared on a historical cost convention using the accrual basis of accounting and going concern concept except for investments measured at fair value through profit or loss 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 condensed interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These condensed interim financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency. All amounts have been rounded to the nearest thousand SAR, unless otherwise indicated.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim 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. The significant assumptions made by the Fund Manager in applying the Fund’s accounting policies and the key sources of estimation uncertainty are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

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 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

a) Fair value estimation (continued)

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 fair value through profit or loss (FVTPL) per the fair value hierarchy as level 1. During the period there has been no transfer in fair value hierarchy for investments at FVTPL. Other financial instruments such as cash and cash equivalents, dividend receivables and other payables, the carrying values are a reasonable amounts approximation of the fair value.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

a. 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 1 January 2021. 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 16 – Covid – 19 Related Rent Concessions

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

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES

b. 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 IAS 37	Onerous Contracts: Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41	Annual improvements to IFRS standards 2018-2020	1 January 2022
Amendments to IFRS 3	Reference to the conceptual Framework	1 January 2022
Amendments to IAS 1	Classification of liabilities as current and non-current	1 January 2023
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS practice statements 2	Disclosure of accounting policies	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor or Joint Venture	Available for optional adoption / effective date deferred indefinitely

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

7. CASH AND CASH EQUIVALENTS

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

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
(Managed by SNB Capital Company - formerly known as NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

8. INVESTMENT AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

The composition of investments measured at fair value through profit or loss by industry sector is summarised below:

<i>Industry Sector</i>	<i>30 June 2021 (Unaudited)</i>		
	<i>% of Total</i>		
	<i>Investment</i>	<i>Cost</i>	<i>Fair Value</i>
	<i>(Fair Value)</i>		
Retail	31.01	39,460	47,456
Petrochemical Industries	15.52	15,649	23,756
Real Estate Development	14.54	20,654	22,248
Building and Construction	9.65	11,830	14,750
Transportation	7.14	11,124	10,929
Cement	6.50	8,562	9,942
Banks and Financial Services	5.70	6,697	8,724
Insurance	5.46	7,910	8,359
Telecom	4.48	6,408	6,854
	100	128,294	153,018

<i>Industry Sector</i>	<i>31 December 2020 (Audited)</i>		
	<i>% of Total</i>		
	<i>Investment</i>	<i>Cost</i>	<i>Fair Value</i>
	<i>(Fair Value)</i>		
Retail	26.39	19,351	26,152
Cement	18.58	16,544	18,418
Petrochemical Industries	13.62	11,080	13,503
Transportation	12.27	10,757	12,165
Mutual Fund	8.37	4,500	8,293
Banks and Financial Services	4.31	4,287	4,270
Insurance	5.13	3,995	5,082
Building and Construction	3.47	3,227	3,441
Industrial Investment	2.80	1,695	2,774
Others	5.06	4,366	5,017
	100	79,802	99,115

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

9. UNITS TRANSACTIONS

Transactions in units during the period are summarised as follows:

	For the six-month period ended 30 June	
	<u>2021</u>	<u>2020</u>
	<i>Units' 000</i>	<i>Units' 000</i>
Units at the beginning of the period (Audited)	47,811	42,266
Units issued	5,529	1,701
Units redeemed	(2,256)	(880)
Net increase in units during the period	3,273	821
Units at the end of the period (Unaudited)	<u>51,084</u>	<u>43,087</u>

As at 30 June 2021, top 5 unitholders (30 June 2020: top 5) represented 52.72%% (30 June 2020: 58.11%) of the Fund's units.

10. 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 party of the Fund includes Fund Manager, funds managed by the Fund Manager, The Saudi National Bank, and Affiliate.

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 1.85% 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.

Transactions with related parties

During the period, 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.

ALAHLI SAUDI SMALL AND MID-CAP EQUITY FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2021

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions and balances with related parties (continued)

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Balance as at</u>	
		<u>For the six-month period ended 30 June</u>		<u>30 June</u>	<u>31 December</u>
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
				<u>(Unaudited)</u>	<u>(Audited)</u>
SNB Capital Company	Management fee	1,192	705	162	192
	Expenses paid on behalf of the Fund	256	109	--	--
AlAhli Saudi Trading Equity Fund	Subscription of units	--	--		
	Redemption of units	--	--	13,895	10,301

11. IMPACT OF COVID-19

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing re swinging waves 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 effective measures taken by the Government. The Government's vaccination drive is in full swing and it is expected that the majority of the population will be vaccinated in the near future.

The Fund Manager however continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time and is closely monitoring it's exposures.

12. LAST VALUATION DAY

The last valuation day of the period was 30 June 2021 (2020: 31 December 2020).

13. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Manager on 8 Muharram 1443H corresponding to 16 August 2021.