

US Dollar Liquidity Fund
(Al Razeen - USD)

Interim Condensed Financial Statements and
Independent Auditor's Report
For the Period Ended June 30, 2021

US Dollar Liquidity Fund (Al Razeen - USD)
Interim Condensed Financial Statements
For the Period Ended June 30, 2021

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Report on review of Interim Condensed Financial Statements

To the Unit holders and the Fund Manager of US Dollar Liquidity Fund (Al Razeen – USD):

Introduction

We have reviewed the accompanying interim statement of financial position of US Dollar Liquidity Fund (Al Razeen – USD) (the "Fund") as at June 30, 2021, and the related interim statements of comprehensive income, cash flows and changes in equity attributable to unitholders for the six-months period then ended and other explanatory notes. The Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

August 16, 2021



US Dollar Liquidity Fund (Al Razeen – USD)

INTERIM STATEMENT OF FINANCIAL POSITION

As at

	<i>Note</i>	<i>June 30, 2021 (Unaudited) USD</i>	<i>December 31, 2020 (Audited) USD</i>	<i>June 30, 2020 (Unaudited) USD</i>
ASSETS				
Cash at bank	5,8	503,690	396,800	467,676
Investments measured at amortised cost, net	4	20,249,881	17,351,997	20,958,185
Investments measured at fair value through income statement (FVIS)		2,002,477	-	-
TOTAL ASSETS		22,756,048	17,748,797	21,425,861
LIABILITIES AND EQUITY				
LIABILITIES				
Redemption payables		1,000	-	1,000
Management fee payable	5	11,517	17,024	30,511
Other liabilities		18,830	30,332	38,541
TOTAL LIABILITIES		31,347	47,356	70,052
EQUITY ATTRIBUTABLE TO UNITHOLDERS		22,724,701	17,701,441	21,355,809
Units in issue		825,957	645,428	780,177
Per unit value	6	USD 27.51	USD 27.43	USD 27.37

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

US Dollar Liquidity Fund (Al Razeen – USD)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended June 30

	<i>Note</i>	2021 (Unaudited) USD	2020 (Unaudited) USD
INVESTMENT INCOME			
Special commission income		74,812	220,373
Unrealized gain on investments at FVIS		2,477	-
TOTAL INCOME		77,289	220,373
EXPENSES			
Management fee	5	21,866	64,781
Others	5	2,366	10,870
Reversal of loss allowance		(4,338)	(8,660)
TOTAL EXPENSES		19,894	66,991
NET INCOME FOR THE PERIOD		57,395	153,382
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57,395	153,382

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

US Dollar Liquidity Fund (Al Razeen – USD)

INTERIM STATEMENT OF CASH FLOWS

For the six month period ended June 30

	<i>Note</i>	2021 (Unaudited) USD	2020 (Unaudited) USD
OPERATING ACTIVITIES			
Net income for the period		57,395	153,382
<i>Adjustment for:</i>			
Reversal of loss allowance		(4,338)	(8,660)
Unrealized gain on investments at FVIS		(2,477)	-
		<u>50,580</u>	<u>144,722</u>
<i>Changes in operating assets and liabilities:</i>			
Investments measured at amortised cost		(6,395,983)	8,491,273
Investments measured at FVIS		(2,000,000)	
Management fee payable		(5,507)	(12,299)
Other liabilities		(11,502)	(4,055)
Net cash (used in) / generated from operating activities		<u>(8,362,412)</u>	<u>8,619,641</u>
FINANCING ACTIVITIES			
Proceeds from units sold		5,222,306	1,333,549
Value of units redeemed, net		(255,441)	(11,658,958)
Net cash generated from/ (used in) financing activities		<u>4,966,865</u>	<u>(10,325,409)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(3,395,547)	(1,705,768)
Cash and cash equivalents at the beginning of the period	8	<u>8,600,116</u>	<u>16,056,483</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	<u>5,204,569</u>	<u>14,350,715</u>

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

US Dollar Liquidity Fund (Al Razeen – USD)

INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six month period ended June 30

	2021 (Unaudited) USD	2020 (Unaudited) USD
EQUITY VALUE AT THE BEGINNING OF THE PERIOD	17,701,441	31,528,836
CHANGES FROM OPERATIONS		
Total comprehensive income for the period	57,395	153,382
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	5,222,306	1,333,549
Value of units redeemed	(256,441)	(11,659,958)
Net change from unit transactions	4,965,865	(10,326,409)
EQUITY VALUE AT THE END OF THE PERIOD	22,724,701	21,355,809

Transactions in units for the periods ended June 30 are summarized as follows:

	2021 (Unaudited) Units	2020 (Unaudited) Units
UNITS AT THE BEGINNING OF THE PERIOD	645,428	1,158,839
Units sold	189,859	48,820
Units redeemed	(9,330)	(427,482)
Net change in units	180,529	(378,662)
UNITS AT THE END OF THE PERIOD	825,957	780,177

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

US Dollar Liquidity Fund (Al Razeen – USD)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six month period ended 30 June 2021

1 GENERAL

US Dollar Liquidity Fund (Al Razeen – USD) (the “Fund”) is an open-ended investment fund designed for investors seeking liquidity and capital appreciation. The assets of the Fund are invested in money market instruments. All income is reinvested in the Fund and reflected in the unit price.

The Capital Market Authority (the “CMA”) on May 31, 2021 has approved the merger of Samba Capital and Investment Management Company (“Samba Capital”) into NCB Capital by way of a statutory merger, which will result in all of the rights and obligations of Samba Capital being transferred to NCB Capital. On July 9, 2021, upon the completion of the merger, Samba Capital ceased to exist as a legal entity and NCB Capital continued to exist as the successor legal entity. As a result, NCB Capital replaced Samba Capital as the manager of the Fund and the Fund’s terms and conditions were amended accordingly. English name of NCB Capital is amended to become SNB Capital (the “Fund Manager”).

The Fund is managed by Fund Manager, a wholly owned subsidiary of Saudi National Bank (the “Bank”).

The interim condensed financial statements should be read in conjunction with the annual audited financial statements of the Fund. The interim results may not be an indicator of the annual results of the Fund. There have been no changes to the risk management policies as set out in the audited financial statements for the year ended December 31, 2020.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by the CMA in the Kingdom of Saudi Arabia on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to February 24, 2021).

3 SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard – 34 “Interim Financial Reporting” (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

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

4 INVESTMENTS MEASURED AT AMORTISED COST, NET

	June 30, 2020 (Unaudited) USD	December 31, 2020 (Audited) USD	June 30, 2020 (Unaudited) USD
Money market placements with the Bank	1,000,006	-	5,000,517
Money market placements with other banks	19,258,585	17,365,045	14,958,375
Sukuks and bonds	-	-	1,005,156
Gross carrying value	20,258,591	17,365,045	20,964,048
Expected credit losses	(8,710)	(13,048)	(5,863)
Net carrying value	20,249,881	17,351,997	20,958,185

US Dollar Liquidity Fund (Al Razeen – USD)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

4 INVESTMENTS MEASURED AT AMORTISED COST, NET (CONTINUED)

Set out below are the maturity details of gross carrying value of investments:

	June 30, 2021 (Unaudited) USD	December 31, 2020 (Audited) USD	June 30, 2020 (Unaudited) USD
Maturity within 3 months	13,836,015	11,344,180	14,888,193
Maturity within 3 - 12 months	6,422,576	6,020,865	6,075,855
Maturity more than 1 year	-	-	-
	20,258,591	17,365,045	20,964,048

4.1 Expected credit loss measurement

The table below shows the maximum exposure to credit risk on financial instruments subject to impairment.

	As at June 30, 2021				As at December 31, 2020	As at June 30, 2020
	Stage 1 12-month ECL USD	Stage 2 Lifetime ECL USD	Stage 3 Lifetime ECL USD	Total USD	Total USD	Total USD
Cash at bank	503,690	-	-	503,690	396,800	467,676
Investments measured at amortised cost	20,258,591	-	-	20,258,591	17,365,045	20,964,048
Gross carrying amount	20,762,281	-	-	20,762,281	17,761,845	21,431,724
Expected credit losses	(8,710)	-	-	(8,710)	(13,048)	(5,863)
Carrying amount	20,753,571	-	-	20,753,571	17,748,797	21,425,861

5 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Fund transacts with the related parties. The principal related parties of the Fund are the Fund Manager, the Bank and the Fund Board.

The Fund records management fee payable to the Manager calculated at an annual rate of 0.30% (2020: 0.50%) of the net asset value at each Valuation Date. The Bank acts as one of the Fund's bankers. Cash at bank includes USD 67,754 (December 31, 2020: USD 40,914, June 30, 2020: USD 153,437) held with the Bank. Trade finance investments with the Bank are disclosed in note 4. Other expenses for the year include USD 2,143 (2020: USD 5,199) towards the Fund Board remuneration.

6 EFFECT ON EQUITY VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to December 31, 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to December 28, 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of the investment

US Dollar Liquidity Fund (Al Razeen – USD)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

6. EFFECT ON EQUITY VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED (CONTINUED)

fund's financial statements. Adjustment of the unit price calculated according to the applicable financial reporting framework alongside with the unit price calculated for the purpose of unit transactions is as set out below:

i) Expected credit losses on financial assets is as set out below

	June 30, 2021 (Unaudited) USD	December 31, 2020 (Audited) USD	June 30, 2020 (Unaudited) USD
Expected credit losses on financial assets	8,710	13,048	5,863
Units in issue	825,957	645,428	780,177
Per unit share in expected credit losses	0.01	0.02	0.01

ii) The equity values after incorporating expected credit losses is set out below

	June 30, 2021 (Unaudited) USD	December 31, 2020 (Audited) USD	June 30, 2020 (Unaudited) USD
Equity value per unit expected credit losses as per these interim condensed financial statements	27.51	27.43	27.37
Per unit share in expected credit losses	0.01	0.02	0.01
Equity value per unit before expected credit losses	27.52	27.45	27.38

7 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at June 30, 2021, December 31, 2020 and June 30, 2020 were classified under amortised cost category except investments at FVIS.

8 CASH AND CASH EQUIVALENTS

	June 30, 2021 (Unaudited) USD	December 31, 2020 (Audited) USD	June 30, 2020 (Unaudited) USD
Money market placements with an original maturity of three months or less	4,700,879	8,203,316	13,883,039
Cash at Bank	503,690	396,800	467,676
	5,204,569	8,600,116	14,350,715

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

9 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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The fair value of investments at FVIS is based on quoted prices in active markets and are therefore classified within Level 1.

10 LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2021 (2020: June 30, 2020).

11 IMPACT OF COVID-19

The COVID-19 pandemic had developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our operations.

The prevailing economic conditions post lock down, require the Fund to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Fund in estimation of ECL or revisions to the scenario probabilities currently being used by the Fund in ECL estimation. The Fund has made certain adjustments to the macroeconomic factors and scenario weightings during the period and has adjusted the ECL accordingly.

The Fund's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such an uncertain economic environment is judgmental and the Fund will continue to reassess its position and the related impact on a regular basis.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the Government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

12 COMPARATIVE FIGURES

Comparative figures as of June 30, 2020, in Note 4 have been reclassified to conform with the current period presentation.

13 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Management on August 16, 2021.