

SNB CAPITAL US DOLLAR SUKUK FUND
(Managed By SNB Capital Company)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2022
together with the
Independent Auditor's Review Report to the Unitholders



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد 92876
الرياض 11663
المملكة العربية السعودية
سجل تجاري رقم 1010425494

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of SNB Capital US Dollar Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital US Dollar Sukuk Fund** (the "Fund"), managed by SNB Capital Company (the "Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed statement of changes in equity attributable to the Unitholders for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; 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 International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"), that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions. 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 International Standards on Auditing ("ISAs") 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 2022 condensed interim financial statements of **SNB Capital US Dollar Sukuk Fund** are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

إبراهيم عبود باشن

Ebrahim Oboud Baeshen
License No. 382

Date: 19 Muharram 1444H
Corresponding to: 17 August 2022



SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)

(Managed by SNB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	23	77
Investments	9	13,129	17,772
Other receivables		22	31
Total assets		13,174	17,880
LIABILITIES			
Other payables		17	30
Equity attributable to the Unitholders		13,157	17,850
Units in issue in thousands (number)	10	11,232	14,401
Equity per unit (USD)		1.1713	1.2395

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

SNB CAPITAL US DOLLAR SUKUK FUND (Formerly Known as ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2022</u>	<u>2021</u>
Special commission income on Sukuk		222	240
Unrealised loss FVTPL investments – net		(3)	(4)
Realised (loss) / gain on FVTOCI investments – net		(82)	14
Realised gain on FVTPL investments – net		13	80
Other income		9	12
Total income		<u>159</u>	<u>342</u>
Management fees	11	(55)	(65)
Value added tax expense		(8)	(10)
Professional fees		(7)	(7)
Shariah audit fees		(4)	(4)
Fund Board remuneration		-	(2)
Administrative expenses		(1)	(1)
Capital Market Authority fees		(1)	(1)
Custody fees		(1)	(1)
Other Expenses		(3)	-
Total operating expenses		<u>(80)</u>	<u>(91)</u>
Net Profit for the period		<u>79</u>	<u>251</u>
Items that are or maybe reclassified subsequently to profit or loss			
Unrealised loss on FVOCI investments		(927)	(255)
Total comprehensive loss for the period		<u>(848)</u>	<u>(4)</u>

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

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)

(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>
Equity attributable to the Unitholders at the beginning of the period (audited)	17,850	17,049
Total comprehensive loss for the period	(848)	(4)
(Decrease) / Increase in equity from unit transactions during the period		
Proceeds from units issued	37	1,311
Value of units redeemed	(3,882)	(942)
	(3,845)	369
Equity attributable to the Unitholders at the end of the period (unaudited)	13,157	17,414

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

SNB CAPITAL US DOLLAR SUKUK FUND (Formerly Known as ALAHLI US DOLLAR SUKUK FUND)**(Managed by SNB Capital Company)****CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

		For the six-month period ended 30 June	
	Note	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Profit for the period		79	251
Adjustment for:			
Realized (gain) on FVOCI investments		82	(80)
Unrealised loss on FVTPL investments		3	4
Realised (gain) on FVTPL investments		(13)	(14)
		<u>151</u>	<u>161</u>
Net changes in operating assets and liabilities:			
FVOCI investments		1,929	(1,067)
FVTPL investments		1,715	610
Other receivables		9	2
Other payables		(13)	247
		<u>3,791</u>	<u>(47)</u>
Net cash generated / (used in) from operating activities			
Cash flows from financing activities			
Proceeds from units issued		37	1,311
Payments on redemptions of the units		(3,882)	(942)
		<u>(3,845)</u>	<u>369</u>
Net cash (used in) / generated from financing activities			
Net increase in cash and cash equivalents		(54)	322
Cash and cash equivalents at the beginning of the period	8	<u>77</u>	<u>35</u>
Cash and cash equivalents at the end of the period	8	<u>23</u>	<u>357</u>

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

SNB CAPITAL US DOLLAR SUKUK FUND (Formerly Known as ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

SNB Capital US Dollar Sukuk Fund ("the Fund") is a Shariah compliant open-ended investment fund managed by SNB Capital Company ("the Fund Manager") established under article 31 of the Investment Fund Regulations ("the Regulations") issued by the Capital Market Authority ("CMA"), a subsidiary of The Saudi National Bank ("the Bank"), for the benefit of the Fund's Unitholders.

The Fund invests in Shariah compliant open-ended investment fund, which aims to provide competitive returns through investing in Sukuk, Murabaha transactions and other Shariah compliant Fixed Income Instruments.

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 19 Dhul Hijja 1430H (corresponding to 6 December 2009).

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 became effective dates starting from 19 Ramadan 1442 H (corresponding to 1 May 2021).

2. BASIS OF ACCOUNTING

These condensed interim financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") is endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations and the Fund's terms and conditions.

These condensed interim financial statements do not include all information and disclosures required for a complete set financial statements and should be read in conjunction with annual audited financial statements of the Fund as at and for the year ended 31 December 2021.

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 ("FVTPL") 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.

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

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 US Dollar (“US\$”) which is the Fund’s functional and presentation currency and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

5. CHANGES IN THE FUNDS TERMS AND CONDITIONS

During the period, there has been no change in the terms and conditions of the fund other than the change in the name of the fund.

6. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires management to make judgements, 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 basis and the methods used for critical accounting judgements, estimates and assumptions adopted are consistent with those used in the preparation of the annual audited financial statements of the Fund as at and for the year ended 31 December 2021.

7. 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 audited financial statements of the fund for the year ended 31 December 2021

a. Standards, interpretations, and amendments effective during the year

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2022. The Fund manager has assessed that the amendments have no significant impact on the Fund’s financial statements.

Amendments to IFRS 16 – Covid - 19 Related Rent Concessions beyond 30 June 2021

Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 3 - Reference to the Conceptual Framework

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES

b. Standard, interpretations and amendments issued but not yet effective

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

Standards, interpretations and amendments	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2024
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 standards, interpretations and amendments are not expected to have a significant impact on the Fund's financial statements.

8. CASH AND CASH EQUIVALENTS

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

9. INVESTMENTS

	Ref	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Investments – FVTPL	i)	2,102	3,807
Investments – FVOCI	ii)	11,027	13,965
		13,129	17,772

i) Investments measured at fair value through profit or loss

Investments measured at fair value through profit or loss under IFRS 9 includes the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SNB Capital Diversified US Dollar Trade Fund – a related party	2,102	3,807

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

9. INVESTMENTS (CONTINUED)

ii) Investments measured at fair value other comprehensive income

Investments measured at fair value through other comprehensive income under IFRS 9 includes the following:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Gross investments in Sukuks	11,027	13,965

Investments in Sukuk carry profit rates ranging from 1.35% to 5.50% (2021: 1.35% to 5.63%) with maturity up to 8 April 2043.

10. UNITS TRANSACTIONS

Transactions in units during the period are summarized as follows:

	For the six-month Period ended 30 June	
	2022 Units'000	2021 Units'000
Units at the beginning of the period (Audited)	14,401	13,742
Units issued	30	1,064
Units redeemed	(3,199)	(766)
Net decrease in units during the period	(3,169)	298
Units at the end of the period (Unaudited)	11,232	14,040

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager, the Fund Board, other funds managed by the Fund Manager, and The Saudi National Bank, being parent of the Fund Manager.

Management fees and other expenses

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, daily a management fee, which should not be more than the maximum annual rate of 0.75% (2021:0.75%) p.a. of the Fund's net assets 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% (2021:0.5%) per annum of the Fund's net assets at the respective valuation days. These expenses have been recovered by the Fund Manager on an actual basis. Following are the details of transactions and balances and closing balance with the Fund manager related to management fees and other expenses:

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Management fees and other expenses (continued)

Related party	Nature of transaction	Amounts of transactions Issuance for the period ended 30 June (Unaudited)		Balance as at	
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SNB Capital Company	Management fee	55	65	8	11
	Expenses Paid	25	26		

12. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 determined fair value of investments in unlisted open ended investment funds measured at FVTPL using unadjusted net asset value and investments in Sukuks measured at PVOCI as level 2 as per the fair value hierarchy. During the period, there has been no transfer in fair value hierarchy for FVTPL and FVOCI investments. Cash and cash equivalents are classified under level 1, while the remaining financial assets and liabilities are classified under level 3. For other assets and liabilities such as cash and cash equivalents, investments measured at amortized cost, other receivables and other payables, the carrying values were determined to be a reasonable approximation of fair value.

SNB CAPITAL US DOLLAR SUKUK FUND (FORMERLY KNOWN AS ALAHLI US DOLLAR SUKUK FUND)
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

13. LAST VALUATION DAY

The last valuation day for the presentation of these condensed interim financial statements was 30 June 2022 (2021: 30 December 2021).

14. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Manager on 19 Muharram, 1444H corresponding to 17 August 2022.