

SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND
[(formerly known as US Dollar Liquidity Fund
(Al Razeen – USD)]
(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



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المركز الرئيسي في الرياض

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

To the Unitholders of SNB Capital Al Razeen USD Liquidity Fund (formerly known as US Dollar Liquidity Fund (Al Razeen – USD))

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital Al Razeen USD Liquidity 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 Al Razeen USD Liquidity 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, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as "KPMG Al Fozan & Partners Certified Public Accountants". A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، ورأس مالها (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفران وشركاه محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي للمنتظة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجازية محدودة بضمان. جميع الحقوق محفوظة.

م.م. جي للاستشارات المهنية
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**SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND [(FORMERLY KNOWN AS
US LIQUIDITY FUND (AL RAZEEN – USD))]
(Managed by SNB Capital Company)**

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Expressed in US Dollars ‘000 (unless otherwise stated)

	<i>Notes</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	102	64
Investments	9	20,333	22,150
Other receivables		1	3
Total assets		20,436	22,217
LIABILITIES			
Other payables		30	29
Equity attributable to the Unitholders		20,406	22,187
Units in issue in thousands (number)	10	737	805
Equity per unit (USD)		27.7048	27.5742

The accompanying notes 1 to 15 form integral part of these condensed interim financial statements

SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND [(FORMERLY KNOWN AS US LIQUIDITY FUND (AL RAZEEN – USD)]
(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	
		<u>2022</u>	<u>2021</u>
	<i>Note</i>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Special commission income on Murabaha contracts		112	75
Unrealised gain on FVTPL investments – net		4	2
Realised gain on FVTPL investments – net		2	-
Other income		5	-
Total income		123	77
Management fees	11	(21)	(19)
Value added tax expense		(3)	(3)
Administrative and other expenses		(2)	(2)
Reversal of allowance for expected credit losses		1	4
Total operating expenses		(25)	(20)
Profit for the period		98	57
Other comprehensive income for the period		-	-
Total comprehensive income for the period		98	57

The accompanying notes 1 to 15 form integral part of these condensed interim financial statements

**SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND [(FORMERLY KNOWN AS
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**CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO
THE UNITHOLDERS**

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)	22,187	17,701
Total comprehensive income for the period	98	57
Net decrease/ increase in equity from unit transactions during the period		
Proceeds from units issued	342	5,222
Value of units redeemed	(2,221)	(256)
	(1,879)	4,966
Equity attributable to the Unitholders at the end of the period (Unaudited)	<u>20,406</u>	<u>22,724</u>

The accompanying notes 1 to 15 form integral part of these condensed interim financial statements

**SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND [(FORMERLY KNOWN AS
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(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	
	<i>Note</i>	<u>2022</u> <u>(Unaudited)</u>	<u>2021</u> <u>(Unaudited)</u>
Cash flows from operating activities			
Profit for the period		98	57
<u>Adjustments for:</u>			
Unrealised gain on FVTPL investments – net		(4)	(2)
Realised gain on FVTPL investments – net		(2)	-
Reversals of allowance for expected credit losses		(1)	(4)
		<u>91</u>	<u>51</u>
 <u>Changes in operating assets and liabilities:</u>			
Investments measured at amortised cost		1,584	(6,395)
Investments measured at fair value through profit or loss		239	(2,000)
Other receivables		2	-
Other payables		1	(17)
		<u>1,917</u>	<u>(8,361)</u>
Net cash generated from operating activities			
 Cash flows from financing activities			
Proceeds from units issued		342	5,222
Value of units redeemed		(2,221)	(256)
		<u>(1,879)</u>	<u>4,966</u>
Net cash (used in) / generated from financing activities			
 Net increase / (decrease) in cash and cash equivalents		<u>38</u>	<u>(3,395)</u>
Cash and cash equivalents at the beginning of the period	8	<u>64</u>	8,600
 Cash and cash equivalents at the end of the period	8	<u>102</u>	<u>5,205</u>

The accompanying notes 1 to 15 form integral part of these condensed interim financial statements

**SNB CAPITAL AL RAZEEN USD LIQUIDITY FUND [(FORMERLY KNOWN AS
US LIQUIDITY FUND (AL RAZEEN – USD))
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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 Al Razeen USD Liquidity Fund (formerly known as US Dollar Liquidity Fund (Al Razeen – USD)) (“the Fund”) is an open-ended investment fund, established under article 31 of the Investment Funds Regulations (“the Regulations”) issued by the Capital Market Authority (“CMA”), managed by SNB Capital Company (“the Fund Manager”), a subsidiary of The Saudi National Bank (“the Bank”), for the benefit of the Fund's Unitholders.

The objective of the Fund is to invest in short term money market instruments in SAR or USD and other funds that are licensed and have similar objectives and risk. The Fund may also invest in long-term Sukuks and bonds up to 20% of its net assets value.

The terms and conditions of the Fund were issued and the Fund commenced its activities on 6 Safar 1408 H (corresponding to 30 September 1987).

The Fund is governed by the Investment Funds Regulations (the “Regulations”) published by the Capital Market Authority 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 Regulations were 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 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”) that is endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations and the Fund’s terms and conditions.

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

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on going concern concept and historical cost convention using accrual basis of accounting 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 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 US Dollar (“USD”) which is the Fund’s functional and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

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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)

5. CHANGES IN THE FUND'S TERMS AND CONDITIONS

During the period, there have been no changes made to the terms and condition of the Fund other than the change in 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 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 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

b. Standards, 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.

<i>Standards, interpretations and amendments</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
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.

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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)

8. CASH AND CASH EQUIVALENTS

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

9. INVESTMENTS

		30 June 2021 (Unaudited)	31 December 2021 (Audited)
	<i>Ref</i>		
Investments measured at amortized cost	i)	18,563	20,147
Investments measured at fair value through profit or loss	ii)	1,770	2,003
		<u>20,333</u>	<u>22,149</u>

i) Investments measured at amortised cost

Investments measured at amortised cost include the following:

		30 June 2022 (Unaudited)	31 December 2021 (Audited)
	<i>Ref</i>		
Investments in Murabaha contracts	a)	18,565	201,149
Less: allowance for expected credit losses		(2)	(3)
Net investments measured at amortised cost		<u>18,563</u>	<u>20,146</u>

a) Murabaha placements are held with international banks. These carry profit rates ranging from 1.45% to 2.65% (2021: 0.25% to 1.10%) with maturity up to 6 March 2023.

ii) Investments measured at fair value through profit or loss

Investments measured at fair value through profit or loss include the following:

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
SNB Capital Saudi Riyal Trade Fund – a related party	<u>1,763</u>	<u>1,770</u>	<u>2,000</u>	<u>2,003</u>

10. UNITS TRANSACTIONS

Transactions in units during the period are summarized as follows:

	For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>
	-----Units in ‘000s-----	
Units at the beginning of the period (Audited)	805	645
Units issued	12	190
Units redeemed	(80)	(9)
Net (decrease) / increase in units during the period	(68)	181
Units at the end of the period (Unaudited)	<u>737</u>	<u>826</u>

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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

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 0.50% (2021: 0.50%) per annum 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. Following are the details of transactions and balances with the Fund manager related to management fees and other expenses:

Related party	Nature of transactions	Amounts of transactions for the six-month period ended		Balance as at	
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SNB Capital Company	Management fees	21	19	18	12
	Expenses paid on behalf of Fund	5	5	-	-

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 assessed to be a 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 transfers between levels of fair value at the end of the reporting period during which the change has occurred.

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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)

12. FAIR VALUE MEASUREMENT (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 determined fair value of investments in unlisted open ended investment funds measured at FVTPL using unadjusted net asset value and has classified it as level 2 as per the fair value hierarchy. During the period, there has been no transfer in fair value hierarchy. For other assets and liabilities, such as cash and cash equivalents, investments measured at amortised cost, other receivables and other payables, the carrying values are determined to be a reasonable approximation of fair value due to their short-term nature. The Fund has classified cash and cash equivalents as level 1 while remaining financial assets and liabilities are classified as level 3 as per the fair value hierarchy.

13. 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:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Reported equity of the Fund	20,406	22,187
Add: Allowance for expected credit losses	2	3
	20,408	22,190
Less: Provision for incurred credit losses	-	-
Traded equity of the Fund	20,408	22,190
Number of units in issue	737	805
Traded equity per unit of the Fund	27.7071	27.5652

14. LAST VALUATION DAY

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

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 20 Muharram 1444 H corresponding to 18 August 2022.