

SNB CAPITAL SOVEREIGN 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



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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 Sovereign Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital Sovereign 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 Sovereign 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, 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 مبنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين كفازيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المعقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجنيذرية محدودة بضمان. جميع الحقوق محفوظة.

SNB CAPITAL SOVEREIGN SUKUK FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

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

	<i>Notes</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	3,434	10,592
Investments	9	186,771	567,990
Other receivables		2,846	1,166
Total assets		<u>193,051</u>	<u>579,748</u>
LIABILITIES			
Other payables		<u>4,031</u>	<u>5,862</u>
Equity attributable to the Unitholders (Class A)			228,262
Equity attributable to the Unitholders (Class B)		<u>189,020</u>	<u>345,624</u>
Units in issue in thousands (number) (Class A)	10	<u>-</u>	<u>21,444</u>
Units in issue in thousands (number) (Class B)	10	<u>18,538</u>	<u>32,536</u>
Equity per unit (SAR) (Class A)		<u>-</u>	<u>10.6446</u>
Equity per unit (SAR) (Class B)		<u>10.1965</u>	<u>10.6228</u>

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

SNB CAPITAL SOVEREIGN 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 Saudi Arabian Riyals ‘000 (unless otherwise stated)

		<u>For the six-month period ended 30 June</u>	
	<i>Note</i>	<u>2022</u>	<u>2021</u>
Special commission income		6,026	14,258
Realised (loss) / gain on FVTPL investments – net		(13,434)	16,723
Unrealised loss on FVTPL investments – net		(9,181)	(33,246)
Other income		238	-
Total loss		<u>(16,351)</u>	<u>(2,265)</u>
Management fees	11	(673)	(1,637)
Value added tax expense		(101)	(245)
Administrative expenses		(618)	(62)
Total operating expenses		<u>(1,392)</u>	<u>(1,944)</u>
Loss for the period		<u>(17,743)</u>	<u>(4,209)</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(17,743)</u>	<u>(4,209)</u>

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

SNB CAPITAL SOVEREIGN SUKUK FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals ‘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)	573,886	1,030,857
Total comprehensive loss for the period	(17,743)	(4,209)
Net decrease in equity from unit transactions during the period		
Proceeds from units issued	1,189	47,423
Value of units redeemed	(368,312)	(273,009)
	(367,123)	(225,586)
Equity attributable to the Unitholders at the end of the period (Unaudited)	<u>189,020</u>	<u>801,062</u>
Share of :		
Class – A	-	295,185
Class – B	189,020	505,877

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

SNB CAPITAL SOVEREIGN SUKUK FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2022

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

		For the six-month period ended 30 June	
	<i>Notes</i>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Loss for the period		(17,743)	(4,209)
<u>Adjustment for:</u>			
Realised loss / (gain) on FVTPL investments – net		13,434	(16,723)
Unrealised loss on FVTPL investments – net		<u>9,181</u>	<u>33,247</u>
		<u>4,872</u>	<u>12,315</u>
<i>Changes in operating assets and liabilities:</i>			
Investments measured at FVTPL		358,604	194,952
Other receivables		(1,680)	10,189
Other payables		(1,831)	(8,963)
		<u>359,965</u>	<u>208,493</u>
Net cash (used in) / generated operating activities			
Cash flows from financing activities			
Proceeds from units issued		1,189	47,423
Value of units redeemed		(368,312)	(273,009)
		<u>(367,123)</u>	<u>(225,586)</u>
Net cash (used in) / generated from financing activities			
Net decrease in cash and cash equivalents		(7,158)	(17,093)
Cash and cash equivalents at the beginning of the period	8	<u>10,592</u>	<u>59,863</u>
Cash and cash equivalents at the end of the period	8	<u>3,434</u>	<u>42,770</u>

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

SNB CAPITAL SOVEREIGN 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 Saudi Arabian Riyals '000 (unless otherwise stated)

1 THE FUND AND ITS ACTIVITIES

SNB Capital Sovereign Sukuk Fund (the Fund) is a public 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 aims to provide long term capital appreciation by primarily investing in Sovereign Sukuk denominated in Saudi Riyal issued by government entities in the Kingdom of Saudi Arabia.

The terms and conditions of the Fund were issued on 12 Jumada II 1440H (corresponding to 17 February 2019). The Fund commenced its activities on 1 Jumada II 1440 (corresponding to 06 February 2019).

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”) 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 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.

SNB CAPITAL SOVEREIGN 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 Saudi Arabian Riyals '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 Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

5. CHANGES IN THE FUND'S TERMS AND CONDITIONS

During the period, there have been no revisions in the terms and conditions 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 condensed interim 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 SOVEREIGN SUKUK FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

For the six-month period ended 30 June 2022

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

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

<u>Standards, interpretations and amendments</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8	Definition of accounting estimates	January 1, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 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 sound credit rating.

9. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Ref	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
		Cost	Fair Value	Cost	Fair Value
SNB Capital Saudi Riyal Trade Fund- a related party		27,243	27,283	123,034	123,108
Government Sukuk	a)	166,485	158,488	440,064	444,882
		<u>193,728</u>	<u>186,771</u>	<u>563,098</u>	<u>567,990</u>

a) Investments measured at fair value through profit and loss comprise of investment made in Sukuks of the Government of Kingdom of Saudi Arabia with yields ranging from 2.69% to 4.42% (2021: 2.17% to 4.64%) and having maturity up till April 2049.

SNB CAPITAL SOVEREIGN 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 Saudi Arabian Riyals '000 (unless otherwise stated)

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 000-----	
Units at the beginning of the period (Audited)	53,980	95,476
Units issued	116	4,369
Units redeemed	(35,558)	(25,087)
Net decrease in units during the period	(35,442)	(20,718)
Units at the end of the period (Unaudited)	18,538	74,558

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 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 0.25% (2021: 0.25%) for class A and 0.40 (2021: 0.4%) for class B of the Fund's net assets as set out in the Fund's terms and conditions.

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.

Related party	Nature of transaction	Amounts of transactions for the six-month period ended 30 June		Balance as at	
		2022 (Unaudited)	2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SNB Capital Company	Management fees	673	1,637	485	594
	Expenses paid on behalf of the Fund	719	307		

SNB CAPITAL SOVEREIGN SUKUK FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

For the six-month period ended 30 June 2022

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

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.

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 cash and cash equivalents and investments in corporate Sukuk measured at FVTPL as level 1 as per the fair value hierarchy. Further, investments in mutual funds have been classified as level 2 while the remaining financial assets and liabilities are classified as level 3. During the period, there has been no transfer in fair value hierarchy. For other financial assets and liabilities, such as cash and cash equivalents, other receivables and other payables, the carrying values were determined to be a reasonable approximation of fair value due to their nature.

13. LAST VALUATION DAY

The last valuation day for the purpose of preparation 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 Board on 20 Muharram, 1444H corresponding to 18 August 2021.