

SNB CAPITAL CORPORATE 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 Corporate Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **SNB Capital Corporate 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 Corporate 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 مهنية مساهمة مغفلة، مسجلة في المملكة العربية السعودية، رأس مالها (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للفرزاق وشركاه محاسبون ومراجعون قانونيون"، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المسجلة والفعلية. شركة تجلزية محدودة بضمان. جميع الحقوق محفوظة.



Other matter

KPMG Professional Services

Date: 20 Muharram 1444H
Corresponding to: 18 August 2022



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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Expressed in US Dollar '000 (unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	196	212
FVTPL investments	9	12,897	59,216
Other receivables		4	616
Total assets		13,097	60,044
LIABILITIES			
Other payables		939	3,283
Total liabilities		939	3,283
Total Equity attributable to Unitholders		12,158	56,761
Equity attributable to the Unitholders (Class A)		5,241	46,727
Equity attributable to the Unitholders (Class B)		6,917	10,034
Units in issue in thousands (number) (Class A)	10	530	4,530
Units in issue in thousands (number) (Class B)	10	703	976
Equity per unit (USD) (Class A)		9.8862	10.32
Equity per unit (USD) (Class B)		9.8388	10.28

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

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the six-month period ended 30 June 2022

Expressed in US Dollars '000 (unless otherwise stated)

	Note	For the period six-months ended 30 June <u>2022</u>	For the period from 31 August to 30 June <u>2021</u>
Special commission income on Sukuk		729	2,316
Realized loss on FVTPL investments - net		(1,860)	(3)
Unrealized (loss) / gain on FVTPL investments-net		(659)	1,009
Total income		<u>(1,790)</u>	<u>3,322</u>
Management fees	11	(123)	(456)
Value added tax expense		(18)	(68)
Other expenses		(75)	(6)
Total operating expenses		<u>(216)</u>	<u>(530)</u>
(Loss) / profit for the period		<u>(2,006)</u>	<u>2,792</u>
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive (loss) / income for the period		<u>(2,006)</u>	<u>2,792</u>

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

SNB CAPITAL CORPORATE 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 US Dollars '000 (unless otherwise stated)

	For the period six-months ended 30 June 2022	For the period from 31 August to 30 June 2021
Equity attributable to the Unitholders at the beginning of the period (unaudited)	56,761	-
Total comprehensive (loss) / income for the period	(2,006)	2,792
(Decrease) / increase in equity from unit transactions during the period		
Proceeds from units issued	112	107,196
Value of units redeemed	(42,709)	(18,085)
	(42,597)	89,111
Income distribution	-	(202)
Equity attributable to the Unitholders at the end of the period (Unaudited)	12,158	91,701
Share of :		
Class - A	5,241	60,178
Class – B	6,917	31,523

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

SNB CAPITAL CORPORATE 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)

	Note	For the period six-months ended 30 June 2022	For the period from 31 August to 30 June 2021
Cash flows from operating activities			
Net (loss) / profit for the period		(2,006)	2,792
<u>Adjustments for:</u>			
Realized loss on investments at FVTPL		1,860	3
Unrealized loss / (gain) on FVTPL investments – net		659	(1,009)
<u>Changes in operating assets and liabilities:</u>			
FVTPL investments - net		43,800	(88,039)
Other receivables		612	(2,139)
Other payables		(2,344)	263
Net cash generated from / (used) in operating activities		42,581	(88,129)
Cash flows from financing activities			
Proceeds from units issued		112	107,196
Value of units redeemed		(42,709)	(18,085)
Dividend distributed to the Unitholders		-	(202)
Net cash (used in) / generated from financing activities		(42,597)	88,909
Net (decrease) / increase in cash and cash equivalents		(16)	780
Cash and cash equivalents at the beginning of the period	8	212	-
Cash and cash equivalents at the end of the period	8	196	780

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

SNB CAPITAL CORPORATE 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 Corporate Sukuk Fund (the “Fund”) is a Sharia Compliant, 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 (“the Fund Manager”), a subsidiary of The Saudi National Bank, for the benefits of the Fund’s Unitholders.

The assets of the Fund are invested in Corporate Sukuks issued by the corporates in the Kingdom of Saudi Arabia and GCC markets. All income is reinvested in the Fund and reflected in the unit price. The Fund started its operations on August 31, 2020.

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 become 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.

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

SNB CAPITAL CORPORATE 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)

5. CANGES IN 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 financial statements of the Fund for the period 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 period 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.

SNB CAPITAL CORPORATE 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 (CONTINUED)

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	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

30 June 2022 (Unaudited)			
	% of Total Investment (fair value)	Cost	Fair value
Funds managed by Fund Manager – a related party			
SNB Capital Diversified US Dollar Fund	15	1,965	1,970
Investments in Sukuk			
Corporate Sukuks	85	11,235	10,927
	100	13,200	12,897
31 December 2021 (Audited)			
	% of Total Investment (fair value)	Cost	Fair value
Funds managed by Fund Manager – a related party			
SNB Capital Diversified US Dollar Fund	24	13,861	13,873
Investments in Sukuk			
Corporate Sukuks	76	44,627	45,343
	100	58,488	59,216

Investments measured at fair value through profit and loss comprise of investment made in Sukuk of the issued by the corporates in the Kingdom of Saudi Arabia and GCC markets with yields ranging from 1.81% to 6.25% (2021 4.3% to 1.62%) per annum and having maturities up till April 2043.

SNB CAPITAL CORPORATE 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)

10. UNITS TRANSACTIONS

Transactions in units during the period are summarized as follows:

	For the period six-months ended 30 June 2022	For the period from 31 August to 30 June 2021
	-----Units in 000-----	
Units at the beginning of the period (Audited)	5,506	-
Units issued	11	10,714
Units redeemed	(4,284)	(1,773)
Net (decrease) / increase in units during the period	(4,273)	8,941
Units at the end of the period (Unaudited)	1,233	8,941

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 0.50% (2021: 0.50%) per annum for class A and 0.75% (2021:0.75%) per annum for class B of the Fund's daily 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% 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. The transactions and balances with the Fund Manager are detailed below.

SNB CAPITAL CORPORATE 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 during the period ended		Amount Payable as at	
		30 June 2022 (Unaudited)	31 August 2020 to 30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SNB Capital Company	Management fees	123	456	96	91
	Expenses paid on behalf of the Fund.	93	74		

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 maximize the use of relevant observable inputs and minimize 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 classified cash and cash equivalents and investments in corporate sukuks measured at fair value through profit or loss (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.

SNB CAPITAL CORPORATE 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 purpose 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 1444 H corresponding to 18 August 2021.