



**SNB Capital Real Estate Fund – Annual Report
2022**

صندوق الأهلي العقاري – التقرير السنوي 2022 م

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A) Investment Fund Information
أ) معلومات صندوق الاستثمار
1) Name of the Investment Fund
1) اسم صندوق الاستثمار

SNB Capital Real Estate Fund

صندوق الأهلي العقاري

2) Assets in which the fund is investing in
2) الأصول التي يستهدف الصندوق الاستثمار فيها

The fund has invested in real estate development project located in Al Khomrah District, south Jeddah & OKAZ district south of Riyadh city.

استثمر الصندوق في مشروع تطوير عقاري يقع في جنوب مدينة جدة بحي الخمرة و جنوب مدينة الرياض بحي عكاظ.

B) Fund Performance
ب) أداء الصندوق
1) A comparative table covering the last (3) financial years/or since inception
1) جدول مقارنة يغطي السنوات المالية الثلاث الأخيرة/ أو منذ التأسيس

السنة	2022	2021	2020	Year
صافي قيمة أصول الصندوق (مليون ريال سعودي)	44.21	43.79	170.3	Net Asset Value (in millions of SAR)
صافي قيمة أصول الصندوق لكل وحدة*	2.51	2.49	9.69	NAV per Unit*
أعلى سعر وحدة*	2.51	2.49	12.12	Highest Price Per Unit*
أقل سعر وحدة*	2.45	2.48	11.81	Lowest Price Per Unit*
عدد الوحدات (ألف وحدة)	17,580	17,580	17,580	Number of Units (Thousand Units)
التوزيعات الرأسمالية لكل وحدة*	-	-	-	Capital Distribution per Unit*
نسبة الرسوم والمصروفات	1.96%	0.76%	1.77%	Fees & Expense Ratio
نسبة الأصول المقترضة من إجمالي قيمة الأصول، ومدة انكشافها وتاريخ استحقاقها (إن وجدت)	-	-	6.66%	Percentage of borrowed assets from the total asset value, the period of their exposure period and due date (if any)

*In Saudi Riyal

*بالريال السعودي

2) A performance record that covers the following

(2) سجل أداء يغطي ما يلي

a) The total return for the fund for 1 year, 3 years, 5 years and since inception (annualized)

أ. العائد الإجمالي للصندوق لسنة واحدة، وثلاث سنوات، خمس سنوات ومنذ التأسيس (سنوي)

Period	منذ التأسيس Since Inception	5 Years 5 سنوات	3 Years 3 سنوات	1 Year سنة	الفترة
Return %	-10.15%	-28.53%	-40.79%	0.99%	عائد الصندوق %

b) The annual total return for the fund:

ب. العائد السنوي للصندوق

Year	2022	2021	2020	2019	2018	السنة
Return %	0.99%	-79.45%	-3.99%	-6.44%	-10.32%	عائد الصندوق %
Year	2017	2016	2015	2014	2013	السنة
Return %	-27.28%	-19.92%	1.32%	8.78%	12.56%	عائد الصندوق %

c) The percentage of the Fund's costs to the Fund total assets value:

ج. نسبة التكاليف التي تحملها الصندوق من إجمالي قيمة الأصول:

Fees and Expenses	النسبة المئوية - %	المبلغ بالريال السعودي	الرسوم والمصروفات
Management Fee	0%	0	رسوم الإدارة
Administrative Fee	-	-	الرسوم الإدارية
Other Fees and Expenses	1.96%	865 ألف	الرسوم والمصاريف الأخرى

The Fund Manager has waived the management fee and therefore no fee was charged to the Fund starting from March 01, 2021

تنازل مدير الصندوق عن رسوم الإدارة وبالتالي لم يتم تسجيل أي استحقاق مقابل هذه الرسوم ابتداء من 1 مارس 2021

ج) التغييرات والتطورات الجوهرية خلال الفترة

C) Changes and Material Development

1) Fundamental Changes / Material Development:

1) التغييرات الأساسية / التطورات الجوهرية:

- There are no fundamental changes occurred in 2022

- لا توجد أي تغييرات جوهرية حدثت فيه سنة 2022 م

2) Non-Fundamental Changes

2) تغييرات غير أساسية خلال الفترة

- Appointing of AlBilad Capital Company as an independent custodian of fund. The reason for the appointment is to comply with the updated Real Estate Investment Funds Regulations.
- Updating the Fund Terms and Conditions to comply with the requirements of Annex (1) of the amended Real Estate Investment Funds Regulations.

- تعيين شركة البلاد المالية كأمين حفظ مستقل علما بأن سبب التعيين هو الالتزام بلائحة صناديق الاستثمار العقاري المحدثة، حيث أوجبت تعيين أمين حفظ مستقل للصناديق الاستثمارية العقارية العامة.
- تعديل شروط وأحكام الصندوق للالتزام بمتطلبات الملحق (1) من لائحة صناديق الاستثمار العقاري المعدلة.

D) Fund Board Annual Report

د) تقرير مجلس إدارة الصندوق السنوي

The Fund Board held two meetings during the year 2022, the following subjects were discussed:

عقد مجلس إدارة الصندوق اجتماعين خلال العام 2022م، وتم مناقشة المواضيع التالية:

- Main updates relating to the Fund such as: Developments in the Fund's assets and performance.
- Approving the appointment of AlBilad Investment Company as independent custodian for the Fund.
- Approving the non-Fundamental changes made to the Fund's Terms and Conditions.

- أبرز مستجدات الصندوق مثل: آخر التطورات بأصول الصندوق وأدائه.
- الموافقة على تعيين شركة البلاد للاستثمار كأمين حفظ مستقل للصندوق.
- الموافقة على التغييرات الغير أساسية التي تمت على شروط وأحكام الصندوق.

Risk	Risk Description	الوصف	المخاطر
Development Risks	The Fund's main objective is to achieve capital gains by investing in real estate developments. Real Estate developments are subject to numerous risks including, but not limited to delays in construction, cost overruns or force majeure, that may increase project costs. Moreover, given the nature of the existing assets (land plots which are expected to be developed), the Fund is further exposed to new project commencement risks such as the receipt of zoning, occupancy and other required governmental approvals and permits and development costs in connection with projects that are not pursued to completion.	الهدف الرئيسي للصندوق هو تحقيق مكاسب رأسمالية من خلال الاستثمار في التطوير العقاري. تخضع عمليات التطوير العقاري للعديد من المخاطر بما في ذلك، على سبيل المثال لا الحصر، التأخير في البناء أو تجاوز التكاليف أو الظروف القاهرة، والتي قد تزيد من تكاليف المشروع. علاوة على ذلك، نظراً لطبيعة الأصول الحالية (قطع الأراضي التي من المتوقع تطويرها)، يتعرض الصندوق أيضاً لمخاطر بدء المشروع الجديد مثل استلام التقسيم إلى مناطق والإشغال والموافقات والتصاريح الحكومية الأخرى المطلوبة وتكاليف التطوير المتعلقة بذلك. مع المشاريع التي لم يتم متابعتها حتى الانتهاء.	مخاطر التطوير
Concentration Risk	100% of the Fund's holdings are 2 land plots located in Riyadh and Jeddah. Moreover, given the issue with the revocation of Riyadh Derab land's title deed, Koz Jeddah Land now constitutes 100% of the Fund's real assets.	100% من حيازات الصندوق عبارة عن قطعتي أرض في الرياض وجدة. علاوة على ذلك، وبالنظر إلى قضية إلغاء ملكية أرض ديراب، فإن كنوز جدة تشكل الآن 100% من أصول الصندوق العقارية.	مخاطر التركيز
Valuation Risk	The valuation of real estate investments depends on various factors and can be difficult to establish. Hence there is a risk that the market value of the Fund is materially lower than its Net Asset Value. This might be due to an overvaluation of the underlying assets due to changes in economic, political, regulatory and market conditions.	يعتمد تقييم الاستثمارات العقارية على عوامل مختلفة ويمكن أن يكون من الصعب تحديدها. ومن ثم، هناك خطر يتمثل في أن القيمة السوقية للصندوق أقل بشكل جوهري من صافي قيمة أصوله. قد يكون هذا بسبب المبالغة في تقييم الأصول الأساسية بسبب التغيرات في الظروف الاقتصادية والسياسية والتنظيمية والسوق.	مخاطر التقييم
Liquidity Risk	Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to distribute to the unitholders. Moreover, given the open-ended nature of the Fund, the Fund might not be in a position to satisfy unitholders redemption requests. Subsequent to the significant event related to the revocation of Riyadh Derab title deed by the Supreme Court, the Fund Manager has decided to suspend subscription and redemption of Fund Units and hence reducing the liquidity events for the unitholders.	مخاطر السيولة هي مخاطر عدم قدرة الصندوق على توليد موارد نقدية كافية لتوزيعها على مالكي الوحدات. علاوة على ذلك، وبالنظر إلى الطبيعة المفتوحة للصندوق، فقد لا يكون الصندوق في وضع يسمح له بتلبية طلبات مالكي الوحدات للاسترداد. عقب الحدث الهام المتعلق بإلغاء صك ملكية الرياض ديراب من قبل المحكمة العليا، قرر مدير الصندوق تعليق الاشتراك في الصندوق والاسترداد منه، وبالتالي تقليل احتمالية انعدام السيولة السيولة لمالكي الوحدات.	مخاطر السيولة
Under-performance Risk	The risk that the underlying assets will not perform as expected due to idiosyncratic factors, which consequently leads to underperformance of the Fund and lower returns to the unitholders. As of 31 st December 2022, the Fund's per unit value is SAR 2.51 which is 75% lower than the initial unit price because of the revocation of the titled deed.	الخطر المتمثل في عدم أداء الأصول الأساسية كما هو متوقع بسبب عوامل خاصة، مما يؤدي بالتالي إلى ضعف أداء الصندوق وانخفاض العوائد على مالكي الوحدات. اعتباراً من 31 ديسمبر 2022، بلغت قيمة الوحدة للصندوق 2.45 ريال سعودي وهو ما يقل بنسبة 75% عن سعر الوحدة الأصلي، ويعود ذلك إلى إلغاء صك أرض ديراب.	مخاطر الأداء
Fund Manager Risk	Unitholders might not have the opportunity to participate in or control the Fund's daily operations or decisions including investment decisions and actions taken by the Fund Manager, which may have an impact on the performance of the Fund.	قد لا تتاح لمالكي الوحدات فرصة المشاركة في أو التحكم في العمليات أو القرارات اليومية للصندوق، بما في ذلك قرارات الاستثمار والإجراءات التي يتخذها مدير الصندوق، والتي قد يكون لها تأثير على أداء الصندوق.	مخاطر مدير الصندوق

Country Risk	The risk that new governmental regulation, policy and taxation; or political and social instability, could negatively impact the Fund's performance and/ or its liquidity.	مخاطر اللوائح والسياسات الحكومية الجديدة والضرائب؛ أو عدم الاستقرار السياسي والاجتماعي ، قد يؤثر سلبًا على أداء الصندوق و / أو سيولة الصندوق.	المخاطر الجغرافية
Economic Risk	The risk that a deteriorated macroeconomic situation might negatively impact the performance and value of the underlying assets and consequently the Fund.	الخطر المتمثل في أن تدهور حالة الاقتصاد الكلي قد يؤثر سلبًا على أداء وقيمة الأصول الأساسية وبالتالي على الصندوق.	المخاطر الاقتصادية
Compliance & Legal Risks	Failure of the Fund to adhere to laws, rules and regulations. This risk includes: Legal, Regulatory and Sharia Compliance risks.	عدم التزام الصندوق بالقوانين والأنظمة واللوائح. تشمل هذه المخاطر ما يلي: مخاطر الامتثال القانوني والتنظيمي والشرعي.	مخاطر الالتزام

القوائم المالية

SNB CAPITAL REAL ESTATE FUND
(formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
together with the
Independent Auditor's Report to the Unitholders



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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund)

Opinion

We have audited the financial statements of **SNB Capital Real Estate Fund** (the "Fund") managed by the SNB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in net assets attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 10 of the financial statements, which explains that the title deed of one of the Fund's real estate property was revoked by the Supreme Court in the Kingdom of Saudi Arabia in the previous year. Accordingly, the Fund Manager is maintaining an allowance thereagainst amounting to SAR 126.5 million representing the estimate of the loss expected to be incurred. Due to the significance of the foregoing matter and corresponding amount, the Fund Manager has suspended all unit subscription and redemption requests until resolution thereof.

Our audit opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Fund for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2022.

Independent Auditor's Report

To the Unitholders of SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund)
(continued)

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, and to comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by the Capital Market Authority ("CMA") and the Fund's terms and conditions for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund Board, are responsible for overseeing the Fund's financial reporting process

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


Independent Auditor's Report

To the Unitholders of SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund)
(continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **SNB Capital Real Estate Fund** ("the Fund").

KPMG Professional Services


Ebrahim Oboud Baeshen
License No. 382

Riyadh: 7 Ramadan 1444H
Corresponding to 29 March 2023



SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

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

	<i>Notes</i>	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	8	74	8,963
FVTPL investments	9	7,991	--
Inventories – real estate properties	10	52,068	52,387
Other receivables		815	78
Total assets		60,948	61,427
LIABILITIES			
Other payables		16,737	17,636
Total liabilities		16,737	17,636
Net assets attributable to the Unitholders		44,211	43,791
Units in issue in thousands (number)		17,580	17,580
Net assets value per unit (SAR)		2.5148	2.4910

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

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

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

	<i>Note</i>	For the year ended 31 December	
		<u>2022</u>	<u>2021</u>
Unrealised gain on FVTPL investments – net		41	--
Other income		19	5
Total income		60	5
Reversal of NRV write down of real estate projects		1,225	1,387
Other expenses		(865)	(1,340)
Management fees	<i>11</i>	--	(77)
Provision against inventory – real estate property		--	(126,496)
Total operating income / (expenses)		360	(126,526)
Profit / (loss) for the year		420	(126,521)
Other comprehensive income for the year		--	--
Total comprehensive income / (loss) for the year		420	(126,521)

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

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2022

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

	For the year ended 31 December	
	<u>2022</u>	<u>2021</u>
Net assets attributable to the Unitholders at the beginning of the year	43,791	170,312
Total comprehensive income / (loss) for the year	420	(126,521)
Net assets attributable to the Unitholders at the end of the year	<u>44,211</u>	<u>43,791</u>

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

SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

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

	<i>Note</i>	<u>For the year ended 31 December</u>	
		<u>2022</u>	<u>2021</u>
Cash flows from operating activities			
Profit / (loss) for the year		420	(126,521)
<i>Adjustments for:</i>			
Reversal of NRV write down of real estate projects		(1,225)	(1,386)
Unrealised gain on FVTPL investments – net		(41)	--
Provision against inventory – real estate property		--	126,496
		<u>(846)</u>	<u>(1,411)</u>
<i>Net changes in operating assets and liabilities:</i>			
FVTPL investments		(7,950)	--
Inventories – real estate properties		1,544	48,707
Other receivables		(738)	(77)
Other payables		<u>(899)</u>	<u>(38,403)</u>
Net cash (used in) / generated from operating activities		<u>(8,889)</u>	<u>8,816</u>
Net (decrease) / increase in cash and cash equivalents		(8,889)	8,816
Cash and cash equivalents at the beginning of the year	8	<u>8,963</u>	146
Cash and cash equivalents at the end of the year	8	<u>74</u>	<u>8,963</u>

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

**SNB CAPITAL REAL ESTATE FUND (formerly known as SAMBA Real Estate Fund)
(Managed by the SNB Capital Company)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

1. THE FUND AND ITS ACTIVITIES

SNB Capital Real Estate Fund (formerly known as SAMBA Real Estate Fund) (“the Fund”) is an open-ended Shariah compliant, real estate investment fund, managed by the SNB Capital Company (“the Fund Manager”), a subsidiary of the Saudi National Bank (“the Bank”), for the benefit of the Fund’s Unitholders. Al Bilad Capital Company acts as the custodian of the Fund.

The Fund’s investment objective is to provide Unitholders with long term capital growth through acquiring, developing and selling residential, commercial and industrial land and existing buildings. The Fund can also invest in real estate private equity and in shares of listed local real estate companies.

The terms and conditions of the Fund were approved by the Capital Market Authority (“CMA”) on 16 Shawwal 1427H (corresponding to 7 November 2006). The Fund commenced its activities on 17 Dhul-Hijjah 1427H (corresponding to 7 January 2007).

The Fund is governed by the Real Estate Investment Funds Regulations (the “Regulations”) published by the CMA in the Kingdom of Saudi Arabia on Jumad-al-Thani 19, 1427H (corresponding to 15 July 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

2. BASIS OF ACCOUNTING

These financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”), and comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by the Capital Market Authority and Fund’s terms and conditions.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on 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”) and investments in real estate projects which are recorded at fair value and lower of cost and net realisable value respectively.

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 statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These 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 FUND’S TERMS AND CONDITIONS

The Fund Manager has updated the terms and conditions of the Fund during the period. The change includes change in the custodian of the Fund as stated above and name of the Fund.

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6. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

Fair value of financial assets and financial liabilities

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 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 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 year 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 measures fair value in investments in open-ended investment funds using unadjusted net assets value and have classified them as level 2 as per fair value hierarchy. During the year, there has been no transfer in fair value hierarchy for FVTPL investments. 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 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.

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6. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)

Net realizable value of real estate investment projects

Investments in real estate projects are measured at lower of cost and net realizable value ('NRV'). NRV is based on estimated selling price less estimate costs of completion and estimated costs necessary to make the sale. When NRV falls below cost, a NRV write is recorded in the statement of profit or loss and other comprehensive income to the extent the cost exceeds the NRV. Where the NRV write down subsequently reverses, the carrying amount of the investment in real estate projects is increased to the revised estimate of its NRV to the extent of its cost. A reversal of NRV write down is recognised as income immediately in the statement of profit or loss and other comprehensive income.

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

7.1 *Cash and cash equivalents*

Cash and cash equivalents include cash at bank and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7.2 *Investments in real estate projects*

Land and buildings under construction, including buildings held for sale in the ordinary course of business, are initially recognised at cost. If the payment for the land is deferred, the consideration payable is recognised initially at the present value of the amount payable. Development in progress comprises construction costs and other related direct costs.

Investments in real estate projects are subsequently measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell.

7.3 *Financial assets and liabilities*

Classification of financial assets

On initial recognition, a financial asset is measured at its fair value and classified at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest / commission on the principal amount outstanding.

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7. SIGNIFICANT ACCOUNTING POLICIES

7.3 *Financial assets and liabilities (continued)*

Classification of financial assets (continued)

Financial assets measured at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest / commission on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets measured at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Business model assessment

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 *Financial assets and liabilities (continued)*

Classification of financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest / commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest or 'commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example: liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest / commission, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (for example, non-recourse asset arrangements); and
- features that modify consideration of the time value of money – for example, periodical reset of interest / commission rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets and liabilities measured at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 *Financial assets and liabilities*

Subsequent measurement

Financial assets measured at FVTPL are subsequently measured at fair value. Net gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'realized and unrealized gain / (loss) on FVTPL investments – net' in the statement of profit or loss and other comprehensive income.

Financial assets and financial liabilities measured at amortised cost are subsequently measured at amortised cost using the effective interest / commission rate method and is recognized in the statement of profit or loss and other comprehensive income. Any gain or loss on de-recognition is also recognized in the statement of profit or loss and other comprehensive income. The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative commission using effective interest / commission rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statement of profit or loss and other comprehensive income. Any commission in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.4 *Provisions*

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

7.5 *Net assets value per unit*

The value of the Fund's portfolio is determined semi-annually. The net assets value per unit is calculated by dividing the net assets attributable to the Unitholders included in the statement of financial position by the number of units outstanding at the year end.

7.6 *Units in issue*

Redeemable units of the Fund are issued and redeemed on the Fund's termination. The net assets value (NAV) of the units is calculated as the total assets of the Fund less the total liabilities divided by the total number of units of the Fund as of the valuation date. As the Fund will be investing substantially all of its assets in the projects, its valuation will be predominantly based on the valuation of the projects. The Fund Manager shall evaluate the Fund's land and projects at least once every six months based on the two valuations done by independent valuers.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- they entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- they are in the class of instruments that are subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- The instruments do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

7.7 *Taxation / Zakat*

Under the current system of Zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any Zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the financial statements.

The value added tax ("VAT") deducted is recognised as a receivable.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.8 *Revenue recognition from real estate projects*

The Fund develops and sells residential properties. Revenue is recognised at when control has been transferred to the customer. The properties have generally no alternative use for the Fund. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at 'point in time' when the legal title has passed to the customer and control transferred.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in some circumstances, the deferral does not exceed twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

7.9 *Management fees*

Management fees expense is recognised in the statement of profit or loss and other comprehensive income as the related services are performed.

7.10 *Accrued expenses and other payables*

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission method.

7.11 *New standards, interpretations and amendments thereof, adopted by the Fund*

Below amendments to accounting standards and interpretations 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.

Standards, interpretations and amendments

COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16

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

Annual Improvements to IFRS Standards 2018-2020

Reference to the Conceptual Framework (Amendments to IFRS 3)

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.12 *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 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 IFRS 17	Insurance Contracts	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback Transaction	1 January 2024
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 bank having sound credit rating.

9 FVTPL INVESTMENTS

	31 December 2022		31 December 2021	
	Cost	Fair value	Cost	Fair value
SNB Capital Saudi Riyal Trade Fund – a related party	7,950	7,991	--	--

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10 INVENTORIES – REAL ESTATE PROPERTIES

Investments in real estate projects comprises of the following:

	31 December 2022	31 December 2021
Development land	52,068	52,387

- a) SNB Capital, the Fund Manager, has formed a Special Purpose Vehicle (“SPV”), Samba Real Estate Investment Company (the “SPV”), registered under Commercial Registration no. 1010715022 dated 23 Shawwal 1438H (corresponding to 17 July 2017). The primary objective of the SPV is to retain and register real estate assets related to the Fund in its name.
- b) The title deeds of the land are registered in the name of the SPV. Since the Fund is the beneficial owner of this land, the land has been recorded in these financial statements.
- c) The fair value of the investments in real estate projects is based on the average evaluation of two independent evaluators. The valuation of the properties as at 31 December 2022 was carried out by ESNAD Real Estate Valuation and Valustrat which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM). The valuers have used the comparable approach to evaluate the value of the real estate projects.
- d) The carrying value for each investment in real estate projects is as follows:

		31 December 2022		
Project Description	Note	Cost	Net realizable value	Carrying value
Derab Riyadh	i)	126,496	-	-
Knoz Jeddah		70,000	52,068	52,068
		196,496	52,068	52,068

		31 December 2021		
Project Description	Note	Cost	Net realizable value	Carrying value
Derab Riyadh	i)	126,496	-	-
Knoz Jeddah		70,000	52,387	52,387
		196,496	52,387	52,387

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10. INVENTORIES – REAL ESTATE PROPERTIES (CONTINUED)

- i) The Fund Manager on 23 March 2021 received a copy of the Supreme Court decision revoking a number of title deeds which included the title deed for the real estate property owned by the Fund located in Derab, Riyadh.

The Fund Manager has appointed a legal advisor and has filed an appeal against the revocation order with the Appeal Committee. In the event of rejection of the aforementioned appeal, the Fund intends to initiate judicial proceedings in order to recover the purchase cost of the property.

Consequently, the Fund Manager has created full provision against the value of the property and has suspended unit subscription and redemption requests pending the resolution of these matters.

- e) The carrying value of the investments in real estate projects is analysed as follows:

	31 December 2022	31 December 2021
Investments in real estate projects at cost	194,952	196,496
NRV write-down of real estate projects	(142,884)	(144,109)
Net realizable value of real estate projects	<u>52,068</u>	<u>52,387</u>

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Board, the Fund Manager, 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, up to an annual rate of 1% (2021: 1%) of the Fund's daily net assets value as set out in the Fund's terms and conditions. On 3 March 2021, the Fund Manager has waived the requirement for payment of management fees, therefore, no accrual has been made for the management fees.

During the year, the Fund entered into the following transactions, other than those disclosed elsewhere in these financial statements, with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund.

<u>Related party</u>	<u>Nature of transactions</u>	Amounts of transactions for the year ended 31		Payable as at 31 December	
		<u>December</u>		<u>2022</u>	<u>2021</u>
		<u>2022</u>	<u>2021</u>		
SNB Capital Company	Management fees	<u>-</u>	<u>319</u>	<u>-</u>	<u>-</u>

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12. FINANCIAL RISK MANAGEMENT

12.1 *Financial risk factors*

The Fund's activities expose it to a variety of financial risks including market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the Fund Board. The Fund's terms and conditions set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

12.1.1 *Market risk*

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates, equity prices and credit spreads – will affect the Fund's income or the fair value of its holdings in financial instruments.

a) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currencies.

The Fund does not have any foreign exchange risk since all of the transactions are carried out in SAR.

b) Commission rate risk

Commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

As at the reporting date, the Fund is not exposed to commission rate risk as its assets and liabilities are non-commission bearing.

c) Other price risk

Other price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. Other price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager daily monitors concentration of risk for equity based on securities and industries in line with defined limits while closely tracking the portfolio level volatilities. As of 31 December 2022, Fund has investments in units of SNB Capital Saudi Riyal Trade Fund ("Investee Fund") which is exposed to other price risk.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

12.1.1 Market risk (continued)

c) Other price risk (continued)

The effect on net assets attributable to the unitholders (as a result of the change in the fair value of investments) due to a reasonably possible notional change of 10% in the market value of units of Investee Fund, with all other variables held constants, is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Effect on net assets attributable to the Unitholders	$\pm 10\%$ <u>799</u>	$\pm 10\%$ <u>--</u>

12.1.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. The Fund Manager seeks to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

As at the statement of financial position date, the Fund's significant exposure to credit risk arises from cash and cash equivalents, which represents balances with a local bank having Moody's credit rating of A2 which is in line with globally understood definition of investment grade. Accordingly, there is no impact of expected credit loss allowance on these financial assets.

12.1.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The liquidity needs are monitored on a regular basis and the Fund Manager ensures that sufficient funds are available to meet any commitments as they arise.

12.1.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider, and from external factors other than credit, liquidity, market and currency risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation while achieving its investment objective of maximising returns to Unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service level agreements with the service providers, in the following areas:

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

12.1 *Financial risk factors (continued)*

12.1.4 *Operational risk (continued)*

- documentation of controls and procedures
- requirements for
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation.

12.1.4.1 *Exit risk*

Exit risk arises from the possibility that the Fund will not be able to sell its real estate investment in line with its investment objectives, as the real estate markets conditions may change, therefore, making it difficult to sell the real estate investment at all or at a price higher than the costs.

The Fund's objective is to manage the exit risk by identifying the potential buyers on timely basis, so as to balance the limiting of financial losses and damage to its reputation while achieving its investment objective of generating returns to investors.

13. LAST VALUATION DAY

The last valuation day for the year was 29 December 2022 (2021: 31 December 2021).

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no event subsequent to the statement of financial position date which required adjustment of or disclosure in the financial statements or notes thereto.

15. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 7 Ramadan 1444H corresponding to 29 March 2023.