

SNB CAPITAL SOVEREIGN SUKUK FUND
(Managed by the SNB Capital Company)
CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2024
together with the
Independent Auditor's Review Report to the Unitholders



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كي بي إم جي للاستشارات المهنية

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

المركز الرئيسي في الرياض

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

To the Unitholders of the SNB Capital Sovereign Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2024 condensed interim financial statements of the **SNB Capital Sovereign Sukuk Fund** (the "Fund"), managed by the SNB Capital Company (the "Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2024;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2024;
- the condensed statement of changes in net assets attributable to the Unitholders for the six-month period ended 30 June 2024;
- the condensed statement of cash flows for the six-month period ended 30 June 2024; 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 IAS 34, 'Interim Financial Reporting' 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 condensed interim financial statements 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 the International Standards on Auditing 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 2024 condensed interim financial statements of the **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

Ebrahim Oboud Baeshen
License No. 382

Date: 04 Safar 1446H

Corresponding to: 08 August 2024



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كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة الإنجليزية المحدودة بضمان. جميع الحقوق محفوظة.

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

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

	<i>Notes</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	9	224	309
Investments measured at fair value through profit or loss (FVTPL investments)	10	44,455	53,237
Other receivables		7	44
Total assets		44,686	53,590
LIABILITIES			
Other payables		166	199
Net assets attributable to the Unitholders (Class A)		--	--
Net assets attributable to the Unitholders (Class B)		44,520	53,391
Units in issue in thousands (number) (Class A)		--	--
Units in issue in thousands (number) (Class B)		4,571	5,366
Net assets value per unit (SAR) (Class A)		--	--
Net assets value per unit (SAR) (Class B)		9.7397	9.9499

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

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

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2024

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

	<i>Note</i>	For the six-month period ended 30 June	
		<u>2024</u>	<u>2023</u>
Special commission income on Sukuk		787	1,164
Unrealised (loss) / gain on FVTPL investments – net		(1,068)	4,686
Realised loss on FVTPL investments – net		(655)	(2,895)
Rebate income		20	39
Total (loss) / income		<u>(916)</u>	<u>2,994</u>
Management fees	<i>11</i>	(92)	(160)
Auditors' remuneration		(49)	(19)
Shariah audit fees		(22)	(6)
Custody fees		(19)	(54)
Value added tax expense		(14)	(24)
Administrative expenses		(14)	(80)
Capital market authority fees		(4)	(3)
Tadawul fees		(3)	(3)
Total operating expenses		<u>(217)</u>	<u>(349)</u>
(Loss) / profit for the period		<u>(1,133)</u>	<u>2,645</u>
Other comprehensive income for the period		<u>--</u>	<u>--</u>
Total comprehensive (loss) / income for the period		<u>(1,133)</u>	<u>2,645</u>

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

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

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

For the six-month period ended 30 June 2024

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

	For the six-month period ended 30 June	
	<u>2024</u>	<u>2023</u>
Net assets attributable to the Unitholders at the beginning of the period (Audited)	53,391	102,847
Total comprehensive (loss) / income for the period	(1,133)	2,645
Net decrease in net assets from unit transactions during the period		
Proceeds from units issued	1,245	3,779
Value of units redeemed	(8,983)	(41,075)
	(7,738)	(37,296)
Net assets attributable to the Unitholders at the end of the period (Unaudited)	<u>44,520</u>	<u>68,196</u>

UNIT TRANSACTIONS

Transactions in units during the period are summarised as follows:

	For the six-month period ended 30 June	
	<u>2024</u> <u>Units '000</u>	<u>2023</u> <u>Units'000</u>
Units at the beginning of the period (Audited)	5,366	10,327
Units issued	129	372
Units redeemed	(924)	(4,021)
Net decrease in units	(795)	(3,649)
Units at the end of the period (Unaudited)	<u>4,571</u>	<u>6,678</u>

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

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2024

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

	<i>Note</i>	For the six-month period ended 30 June	
		<u>2024</u>	<u>2023</u>
Cash flows from operating activities			
(Loss) / profit for the period		(1,133)	2,645
<i>Adjustments for:</i>			
Unrealised loss / (gain) on FVTPL investments – net		1,068	(4,686)
Realised loss on FVTPL investments – net		655	2,895
		590	854
<i>Net changes in operating assets and liabilities:</i>			
FVTPL investments		7,059	36,400
Other receivables		37	569
Other payables		(33)	(735)
Net cash generated from operating activities		7,653	37,088
Cash flows from financing activities			
Proceeds from units issued		1,245	3,779
Value of units redeemed		(8,983)	(41,075)
Net cash used in financing activities		(7,738)	(37,296)
Net decrease in cash and cash equivalents		(85)	(208)
Cash and cash equivalents at the beginning of the period	9	309	259
Cash and cash equivalents at the end of the period	9	224	51

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

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

1. THE FUND AND ITS ACTIVITIES

SNB Capital Sovereign Sukuk Fund ("the Fund") is a Shariah compliant open-ended investment fund, established under article 31 of the Investment Funds Regulations (the "Regulations") issued by the Capital Market Authority ("CMA"), and 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.

The Fund aims to provide long term capital appreciation by primarily investing in Sovereign Sukuk denominated in Saudi Riyal issued by the Government in the Kingdom of Saudi Arabia and money market funds that are compatible with Sharia regulations.

The Fund has two classes of redeemable units – Class A and Class B. The Fund Manager charges the Fund a management fee of 0.25% and 0.40% of the net assets value of Class A and Class B units respectively at each valuation day. In addition, the Fund Manager has the right to collectively charge the Fund all other expenses related to the management of the Fund, including but not limited to audit fee and legal charges subject to limits as set out in the Fund's terms and conditions.

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).

2. REGULATING AUTHORITY

The Fund is governed by the Regulations issued by the CMA's Board Resolution no. (1-219-2006) dated 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended pursuant to the CMA's Board Resolution no. (2-22-2021) dated 12 Rajab 1442 H (corresponding to 24 February 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia

3. BASIS OF ACCOUNTING

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

These condensed interim financial statements do not include all information and disclosures required for a complete set financial statements and should be read in conjunction with annual audited financial statements of the Fund as at and for the year ended 31 December 2023.

4. BASIS OF MEASUREMENT AND PRESENTATION

These condensed interim financial statements have been prepared on a historical cost convention using the accrual basis of accounting and going concern concept except for investments measured at fair value through profit or loss ("FVTPL") which are recorded at fair value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

5. 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 Riyals ("SAR") which is the Fund's functional and presentation currency and we have rounded off to the nearest thousand unless otherwise stated.

6. CHANGES IN THE FUND'S TERMS AND CONDITIONS

During the period, there have been no significant changes to the terms and conditions of the Fund.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

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

7. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires the Fund Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The basis and the methods used for critical accounting judgements, estimates and assumptions adopted are consistent with those used in the preparation of the annual audited financial statements of the Fund for the year ended 31 December 2023.

8. MATERIAL 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 2023.

a. Standards, interpretations and amendments effective during the period

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2024. The Fund Manager has assessed that the amendments have no significant impact on the Fund's condensed interim financial statements.

Amendments to IAS 1 and IFRS practice statement 2 - *Disclosure of accounting policies*

Amendments to IAS 8 - *Definition of accounting estimates*

Amendments to IAS 12 - *Deferred tax related to assets and liabilities arising from a single transaction*

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

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

<i><u>Standards, interpretations and amendments</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 19	Reducing disclosures for subsidiaries	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate 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 condensed interim financial statements.

9. CASH AND CASH EQUIVALENTS

This comprises of balances held with a local bank having Moody's credit rating of A3 which is in line with globally understood definition of investment grade.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

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

10. FVTPL INVESTMENTS

	<i>30 June 2024</i>		<i>31 December 2023</i>	
	<i>(Unaudited)</i>		<i>(Audited)</i>	
	<i>Cost</i>	<i>Fair value</i>	<i>Cost</i>	<i>Fair value</i>
Funds managed by the Fund Manager				
Units of SNB Capital Saudi Riyal Trade Fund – a related party	5,626	5,872	6,519	6,655
Investment in Sukuk				
Government Sukuk – note (a)	43,597	38,583	50,353	46,582
	<u>49,223</u>	<u>44,455</u>	<u>56,872</u>	<u>53,237</u>

(a) This represents investment made in the KSA Government Sukuks with yields ranging from 2.47% to 4.69% (2023: 2.60% to 4.69%) and having maturities up till March 2050 (2023: April 2049).

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

Following are the details of transactions and balances with related parties not disclosed elsewhere in these financial statements as at and for the six-month period ended 30 June 2024.

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% (2023: 0.25%) per annum for class A and 0.40% (2023: 0.40%) per annum for class B of the Fund's daily net assets as set out in the Fund's terms and conditions.

The Fund Manager is also entitled to recover expenses incurred on behalf of the Fund relating to audit, custody, advisory, data processing and other similar charges. The maximum amount of such expenses that can be recovered from the Fund by the Fund Manager is restricted to 0.5% (2023: 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.

Following are the details of transactions and balances with the Fund manager related to management fees and other expenses:

<i>Name of Related party</i>	<i>Nature of transactions</i>	<i>Amounts of transactions for the six-month period ended</i>		<i>Net payable balance as at</i>	
		<i>30 June 2024 (Unaudited)</i>	<i>30 June 2023 (Unaudited)</i>	<i>30 June 2024 (Unaudited)</i>	<i>31 December 2023 (Audited)</i>
SNB Capital Company	Management fees (including value added tax)	106	184	156	160
	Expenses paid on behalf of the Fund	111	165		

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

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 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: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Carrying amounts and fair value

The following table shows the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value where the carrying amount is assessed to be a reasonable approximation of fair value. All fair value measurements below are recurring.

	<i>As at 30 June 2024 (Unaudited)</i>				
	<i>Carrying amount</i>	<i>Fair Value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Financial assets measured at fair value</u>					
FVTPL investments	44,455	--	44,455	--	44,455
<i>As at 31 December 2023 (Audited)</i>					
	<i>Carrying amount</i>	<i>Fair value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Financial assets measured at fair value</u>					
FVTPL investments	53,237	--	53,237	--	53,237

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

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

12. FAIR VALUE MEASUREMENT (CONTINUED)

Carrying amounts and fair value (continued)

The Fund has classified FVTPL investments as level 2 as per the fair value hierarchy. The Fund determines fair value of investments in un-listed open-ended investment funds measured at FVTPL using unadjusted net assets value and Fair value of investment in Sukuk is determined using observable input parameters derived from comparable markets.

During the period, there has been no transfer in fair value hierarchy for any financial assets or liabilities. 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 2024 (2023: 31 December 2023).

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 CONDENSED INTERIN FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 03 Safar 1446 H corresponding to 07 August 2024.