

**SNB CAPITAL SOVEREIGN SUKUK FUND**

(Managed by the SNB Capital Company)

**CONDENSED INTERIM FINANCIAL  
STATEMENTS (UNAUDITED)**

For the six-month period ended 30 June 2023  
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 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 2023 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 2023;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023;
- the condensed statement of changes in net assets attributable to the Unitholders for the six-month period ended 30 June 2023;
- the condensed statement of cash flows for the six-month period ended 30 June 2023; 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 2023 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: 14 Muharram 1445 H  
Corresponding to: 1 August 2023



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفزان وشركاء محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023

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

	<i>Notes</i>	<b><u>30 June</u> <u>2023</u> (Unaudited)</b>	<b><u>31 December</u> <u>2022</u> (Audited)</b>
<b>ASSETS</b>			
Cash and cash equivalents	9	<b>51</b>	259
Investments	10	<b>68,601</b>	103,210
Other receivables		<b>44</b>	613
<b>Total assets</b>		<b><u>68,696</u></b>	<u>104,082</u>
<b>LIABILITIES</b>			
Other payables		<b>500</b>	1,235
<b>Net assets attributable to the Unitholders (Class A)</b>		<b>--</b>	--
<b>Net assets attributable to the Unitholders (Class B)</b>		<b><u>68,196</u></b>	<u>102,847</u>
<b>Units in issue in thousands (number) (Class A)</b>		<b>--</b>	--
<b>Units in issue in thousands (number) (Class B)</b>		<b><u>6,678</u></b>	<u>10,327</u>
<b>Net assets value per unit (SAR) (Class A)</b>		<b>--</b>	--
<b>Net assets value per unit (SAR) (Class B)</b>		<b><u>10.2120</u></b>	<u>9.9590</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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Unaudited)**

For the six-month period ended 30 June 2023

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

	<i>Note</i>	<b>For the six-month period ended 30 June</b>	
		<b><u>2023</u></b>	<b><u>2022</u></b>
Special commission income on Sukuk		<b>1,164</b>	6,026
Unrealised gain / (loss) on FVTPL investments – net		<b>4,686</b>	(13,434)
Realised loss on FVTPL investments – net		<b>(2,895)</b>	(9,181)
Other income		<b>39</b>	238
<b>Total income</b>		<b><u>2,994</u></b>	<u>(16,351)</u>
Management fees	12	<b>(160)</b>	(673)
Value added tax expense		<b>(24)</b>	(101)
Administrative expenses		<b>(165)</b>	(618)
<b>Total operating expenses</b>		<b><u>(349)</u></b>	<u>(1,392)</u>
<b>Profit for the period</b>		<b><u>2,645</u></b>	<u>(17,743)</u>
<b>Other comprehensive income for the period</b>		<b><u>--</u></b>	<u>--</u>
<b>Total comprehensive income for the period</b>		<b><u>2,645</u></b>	<u>(17,743)</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 2023

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

	<b>For the six-month period ended 30 June</b>	
	<u>2023</u>	<u>2022</u>
<b>Net assets attributable to the Unitholders at the beginning of the period (Audited)</b>	<b>102,847</b>	573,886
Total comprehensive income for the period	<b>2,645</b>	(17,743)
<b>Decrease in net assets from unit transactions during the period</b>		
Proceeds from units issued	<b>3,779</b>	1,189
Value of units redeemed	<b>(41,075)</b>	(368,312)
	<b>(37,296)</b>	(367,123)
<b>Net assets attributable to the Unitholders at the end of the period (Unaudited)</b>	<b>68,196</b>	189,020

**UNIT TRANSACTIONS**

Transactions in units during the period are summarised as follows:

	<b>For the six-month period ended 30 June</b>	
	<u>2023</u>	<u>2022</u>
	<u>Units '000</u>	<u>Units '000</u>
<b>Units at the beginning of the period (Audited)</b>	<b>10,327</b>	53,980
Units issued	<b>372</b>	116
Units redeemed	<b>(4,021)</b>	(35,558)
<b>Net decrease in units</b>	<b>(3,649)</b>	(35,442)
<b>Units at the end of the period (Unaudited)</b>	<b>6,678</b>	18,538

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 2023

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

		<b>For the six-month period ended 30 June</b>	
	<i>Notes</i>	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Cash flows from operating activities</b>			
Profit / (loss) for the period		<b>2,645</b>	(17,743)
<i>Adjustments for:</i>			
Unrealised (gain) / loss on FVTPL investments – net		<b>(4,686)</b>	13,434
Realised loss on FVTPL investments – net		<u><b>2,895</b></u>	<u>9,181</u>
		<b>854</b>	4,872
<i>Changes in operating assets and liabilities:</i>			
FVTPL investments		<b>36,400</b>	358,604
Other receivables		<b>569</b>	(1,680)
Other payables		<u><b>(735)</b></u>	<u>(1,831)</u>
<b>Net cash generated from operating activities</b>		<u><b>37,088</b></u>	<u>359,965</u>
<b>Cash flows from financing activities</b>			
Proceeds from units issued		<b>3,779</b>	1,189
Value of units redeemed		<u><b>(41,075)</b></u>	<u>(368,312)</u>
<b>Net cash used in financing activities</b>		<u><b>(37,296)</b></u>	<u>(367,123)</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(208)</b>	(7,158)
Cash and cash equivalents at the beginning of the period	9	<u><b>259</b></u>	<u>10,592</u>
<b>Cash and cash equivalents at the end of the period</b>	9	<u><b>51</b></u>	<u>3,434</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)**

**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)

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**1. THE FUND AND ITS ACTIVITIES**

SNB Capital Sovereign Sukuk Fund ("the Fund") is an open-ended investment fund, established under article 31 of the Investment Funds Regulations (the "Regulations") issued by the Capital Market Authority ("CMA"), 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 Investment Fund Regulations (the "Regulation") published 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 IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations issued by the CMA, 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 the annual audited financial statements of the Fund as at and for the year end 31 December 2022.

**4. BASIS OF MEASUREMENT AND PRESENTATION**

The 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.

**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.

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

For the six-month period ended 30 June 2023

Expressed in Saudi Arabian Riyals '000 (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.

**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 2022.

**8. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements of the fund for the year ended 31 December 2022.

*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 2023. 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*

Amendments to IFRS 17 - *Insurance contracts*

*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><b>Standards, interpretations and amendments</b></i>	<i><b>Description</b></i>	<i><b>Effective from periods beginning on or after the following date</b></i>
Amendments to IAS 1	Classification of liabilities as current or non-current and non current liabilities with covenant	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associates 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**

These comprise of bank balances held with a local bank having sound credit rating.



**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**

	<b>30 June 2023</b>		<b>31 December 2022</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>
<b>Investment in open-ended investment funds</b>				
SNB Capital Diversified Saudi Riyal Trade Fund – a related party	<b>1,450</b>	<b>1,450</b>	--	--
SNB Capital Saudi Riyal Trade Fund – a related party	<b>6,342</b>	<b>6,508</b>	21,925	22,052
<b>Investment in Sukuk</b>				
Government Sukuk – note (a)	<b>63,195</b>	<b>60,643</b>	88,139	81,158
	<b>70,987</b>	<b>68,601</b>	110,064	103,210

(a) This represents investment made in the KSA Government Sukuks with yields ranging from 2.17% to 4.64% (2022: 2.17% to 4.64%) and having maturities up till March 2050 (2022: 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.

***Management fees and other expenses***

The Fund is managed and administered by the Fund Manager. For these services the Fund accrues, daily, a management fee, which should not be more than the maximum annual rate of 0.25% (2021: 0.25%) per annum for class A and 0.40% (2021: 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% (2022: 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:

<b>Name of Related party</b>	<b>Nature of transactions</b>	<b>Amounts of transactions for the six-month period ended</b>		<b>Net payable balance as at</b>	
		<b>30 June 2023 (Unaudited)</b>	<b>30 June 2022 (Unaudited)</b>	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
SNB Capital Company	Management fees	<b>160</b>	673	<b>100</b>	509
	Expenses paid on behalf of the Fund	<b>189</b>	719		

**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 assets and financial liabilities as at 31 December, 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 if the carrying amount is a reasonable approximation of fair value

	As at 30 June 2023				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>					
Investment in open-ended investment funds	7,958	--	7,958	--	7,958
Investment in Sukuk	60,643	--	60,643	--	60,643
	68,601	--	68,601	--	68,601

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

For the six-month period ended 30 June 2023

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

**12. FAIR VALUE MEASUREMENT (CONTINUED)**

*Carrying amounts and fair value (continued)*

	As at 31 December 2022				
	Carrying amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<i><u>Financial assets measured at fair value</u></i>					
Investment in open-ended investment funds	22,052	--	22,052	--	22,052
Investment in Sukuk	81,158	--	81,158	--	81,158
	<u>103,210</u>	<u>--</u>	<u>103,210</u>	<u>--</u>	<u>103,210</u>

The Fund has classified investments in unlisted Sukuk and unlisted open-ended investment funds measured at fair value through profit or loss as level 2 as per the fair value hierarchy. During the year, there has been no transfer in fair value hierarchy. For other financial assets and liabilities, such as cash and cash equivalents, other receivables and other payables, the carrying values were determined to be a reasonable approximation of fair value due to their nature.

**13. LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these condensed interim financial statements was 22 June 2022 (2022: 29 December 2022).

**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 INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved by the Fund Board on 14 Muharram 1445 H corresponding to 1 August 2023.