

SNB CAPITAL CORPORATE 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 Corporate Sukuk Fund

Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial statements of the **SNB Capital Corporate 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 Corporate Sukuk Fund** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

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 مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠٠٠٠٠٠٠٠) 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 لكي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

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

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

Expressed in US Dollars '000 (unless otherwise stated)

	<i>Notes</i>	<u>30 June</u> <u>2023</u> (Unaudited)	<u>31 December</u> <u>2022</u> (Audited)
ASSETS			
Cash and cash equivalents	9	71	17
FVTPL investments	10	9,427	10,457
Other receivables		<u>52</u>	<u>2</u>
Total assets		<u>9,550</u>	<u>10,476</u>
LIABILITIES			
Other payables		<u>207</u>	<u>185</u>
Net assets attributable to the Unitholders (Class A)		<u>5,336</u>	<u>5,263</u>
Net assets attributable to the Unitholders (Class B)		<u>4,007</u>	<u>5,028</u>
Units in issue in thousands (number) (Class A)		<u>530</u>	<u>530</u>
Units in issue in thousands (number) (Class B)		<u>401</u>	<u>510</u>
Net assets value per unit (USD) (Class A)		<u>10.0679</u>	<u>9.9302</u>
Net assets value per unit (USD) (Class B)		<u>9.9925</u>	<u>9.8588</u>

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

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

	<i>Note</i>	For the six-month period ended 30 June	
		<u>2023</u>	<u>2022</u>
Special commission income on Sukuk		194	729
Unrealised gain / (loss) on FVTPL investments – net		160	(659)
Realised loss on FVTPL investments – net		(160)	(1,860)
Other income		5	--
Total income / (loss)		<u>199</u>	<u>(1,790)</u>
Management fees	12	(27)	(123)
Value added tax expense		(4)	(18)
Administrative expenses		(43)	(75)
Total operating expenses		<u>(74)</u>	<u>(216)</u>
Profit / (loss) for the period		<u>125</u>	<u>(2,006)</u>
Other comprehensive income for the period		<u>--</u>	<u>--</u>
Total comprehensive income / (loss) for the period		<u><u>125</u></u>	<u><u>(2,006)</u></u>

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

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

	For the six-month period ended 30 June	
	<u>2023</u>	<u>2022</u>
Net assets attributable to the Unitholders at the beginning of the period (Audited)	10,291	56,761
Total comprehensive income for the period	125	(2,006)
Decrease in net assets from unit transactions during the period		
Proceeds from units issued	38	112
Value of units redeemed	(1,111)	(42,709)
	(1,073)	(42,597)
Net assets attributable to the Unitholders at the end of the period (Unaudited)	9,343	12,158
of which:		
Class – A	5,336	5,241
Class – B	4,007	6,917

UNITS TRANSACTIONS

Transactions in units during the period are summarised as follows:

	For the six-month period ended 30 June	
	<u>2023</u>	<u>2022</u>
	<u>Units '000</u>	<u>Units '000</u>
Units at the beginning of the period (Audited)	1,040	5,506
Units issued	4	12
Units redeemed	(113)	(4,284)
Net decrease in units	(109)	(4,273)
Units at the end of the period (Unaudited)	931	1,233
of which:		
Class – A	530	530
Class – B	401	703

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

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

	<i>Notes</i>	For the six-month period ended 30 June	
		<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Profit / (loss) for the period		125	(2,006)
<i>Adjustments for:</i>			
Unrealised (gain) / loss on FVTPL investments – net		(160)	659
Realised loss on FVTPL investments – net		160	1,860
		<u>125</u>	<u>513</u>
<i>Changes in operating assets and liabilities:</i>			
Investments measured at FVTPL		1,030	43,800
Other receivables		(50)	612
Other payables		22	(2,344)
Net cash generated from operating activities		<u>1,127</u>	<u>42,581</u>
Cash flows from financing activities			
Proceeds from units issued		38	112
Value of units redeemed		(1,111)	(42,709)
Net cash used in financing activities		<u>(1,073)</u>	<u>(42,597)</u>
Net increase / (decrease) in cash and cash equivalents		54	(16)
Cash and cash equivalents at the beginning of the period	9	<u>17</u>	<u>212</u>
Cash and cash equivalents at the end of the period	9	<u>71</u>	<u>196</u>

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

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

1. THE FUND AND ITS ACTIVITIES

SNB Corporate 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 objective of the Fund to invest in Corporate Sukuks issued in the Kingdom of Saudi Arabia and GCC markets. All income is reinvested in the Fund and reflected in the unit price. The Fund started its operations on August 31, 2020.

The Fund has two classes of redeemable units – Class A and Class B. The Fund Manager charges the Fund a management fee of 0.50% and 0.75% 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.

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

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

6. CHANGES IN FUND'S TERMS AND CONDITIONS

During the period, there have been no changes in 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. New 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><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 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.

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

9. CASH AND CASH EQUIVALENTS

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

10. FVTPL INVESTMENTS

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Cost	Fair Value	Cost	Fair Value
Investment in open-ended investment funds				
SNB Capital Diversified US Dollar Fund – a related party	925	948	2,185	2,201
SNB Capital International Trade Fund – a related party	10	10	--	--
Investment in Sukuk				
Corporate Sukuk – note (a)	8,497	8,469	8,412	8,256
	<u>9,432</u>	<u>9,427</u>	<u>10,597</u>	<u>10,457</u>

(a) Investments measured at FVTPL include investment made in Sukuk issued in the Kingdom of Saudi Arabia and GCC markets with yields ranging from 1.81% to 7.42% per annum (2022: 1.81% to 7.31% per annum) per annum and having maturities up till 11 April 2053 (2022: 8 December 2031).

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 0.5% (2021: 0.5%) per annum for class A and 0.75% (2021: 0.75%) per annum for class B of the Fund's daily net assets as set out in the Fund's terms and conditions.

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:

Name of Related party	Nature of transactions	Amounts of transactions for the six-month period ended		Net payable balance as at	
		30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)
SNB Capital Company	Management fees	27	123	175	24
	Expenses paid on behalf of the Fund	47	93		

SNB CAPITAL CORPORATE 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 US Dollars '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			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value</u>					
Investment in open-ended investment funds	958	--	958	--	958
Investment in Sukuk	8,469	3,964	4,505	--	8,469
	<u>9,427</u>	<u>3,964</u>	<u>5,463</u>	<u>--</u>	<u>9,427</u>

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

12. FAIR VALUE MEASUREMENT (CONTINUED)

Carrying amounts and fair value (continued)

	As at 31 December 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<i><u>Financial assets measured at fair value</u></i>					
Investment in open-ended investment funds	2,201	--	2,201	--	2,201
Investment in Sukuk	8,256	3,807	4,449	--	8,256
	<u>10,457</u>	<u>3,807</u>	<u>6,650</u>	<u>--</u>	<u>10,457</u>

The Fund has classified investments in listed Sukuk measured at fair value through profit or loss as level 1, while investments in unlisted Sukuk and unlisted open-ended investment funds are classified as level 2 as per the 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.

13. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these condensed interim financial statements was 20 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.