

## **Samba Real Estate Fund**

Interim Condensed Financial Statements and  
Independent Auditor's Report  
For the Period Ended June 30, 2020



## *Report on review of Interim Condensed Financial Statements*

To the Unit holders and the Fund Manager of Samba Real Estate Fund:

### **Introduction**

We have reviewed the accompanying interim statement of financial position of Samba Real Estate Fund (the "Fund") as of June 30, 2020, and the related statements of comprehensive income, cash flows and changes in equity attributable to unitholders for the six-month period then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity' as endorsed in the Kingdom of Saudi Arabia. A review of 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 International Standards on Auditing, as 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to be 'Bader I. Benmohareb', written over a horizontal line.

By: \_\_\_\_\_  
Bader I. Benmohareb  
License Number 471

August 11, 2020

# Samba Real Estate Fund

## INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

		<b>June 30, 2020 (Unaudited) SAR</b>	<b>December 31, 2019 (Audited) SAR</b>	<b>June 30, 2019 (Unaudited) SAR</b>
<b>ASSETS</b>				
Cash and cash equivalents		<b>931,629</b>	10,663,309	23,562,872
Inventories - real estate properties	4	<b>231,782,653</b>	240,486,128	276,776,422
<b>TOTAL ASSETS</b>		<b>232,714,282</b>	251,149,437	300,339,294
<b>LIABILITIES</b>				
Redemption payable		<b>14,409,834</b>	9,582,997	44,706,899
Management fee payable	7	<b>14,193,744</b>	12,892,143	11,432,003
Accrued expenses		<b>1,095,991</b>	1,355,382	1,313,992
<b>TOTAL LIABILITIES</b>		<b>29,699,569</b>	23,830,522	57,452,894
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>		<b>203,014,713</b>	227,318,915	242,886,400
Units in issue		<b>19,520,390</b>	20,730,975	21,473,118
Per unit value	6	<b>SR 10.40</b>	SR 10.97	SR 11.31

The notes 1 to 13 form an integral part of these interim condensed financial statements

# Samba Real Estate Fund

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended June 30, 2020

		<b>2020</b> <b>(Unaudited)</b> <b>SAR</b>	<b>2019</b> <b>(Unaudited)</b> <b>SAR</b>
	<i>Note</i>		
<b>INCOME/(LOSS)</b>			
Loss on sale of real estate properties	5	-	(9,294,495)
Provision for changes in value of real estate properties	4	<b>(8,703,475)</b>	(1,384,406)
Other income		<b>2,730</b>	4,901
<b>TOTAL LOSS</b>		<b>(8,700,745)</b>	(10,674,000)
<b>EXPENSES</b>			
Management fee	7	<b>1,301,600</b>	1,616,096
Other expenses		-	789,306
<b>TOTAL EXPENSES</b>		<b>1,301,600</b>	2,405,402
<b>NET LOSS FOR THE PERIOD</b>		<b>(10,002,345)</b>	(13,079,402)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(10,002,345)</b>	(13,079,402)

The notes 1 to 13 form an integral part of these interim condensed financial statements

# Samba Real Estate Fund

## INTERIM STATEMENT OF CASH FLOWS

For the six months period ended June 30, 2020

	<i>Note</i>	<b>2020 (Unaudited) SAR</b>	<b>2019 (Unaudited) SAR</b>
<b>OPERATING ACTIVITIES</b>			
Net loss for the period		<b>(10,002,345)</b>	(13,079,402)
Adjustment for:			
Provision for changes in value of real estate properties	4	<b>8,703,475</b>	1,384,406
		<b>(1,298,870)</b>	(11,694,996)
Changes in operating assets and liabilities:			
Inventories – real estate properties	4	-	33,556,453
Management fee payable		<b>1,301,601</b>	1,616,096
Accrued expenses		<b>(259,391)</b>	646,077
Net cash (used in) / generated from operating activities		<b>(256,660)</b>	24,123,630
<b>FINANCING ACTIVITIES</b>			
Proceeds from units sold		<b>107,977</b>	245,407
Value of units redeemed, net		<b>(9,582,997)</b>	(6,200,367)
Net cash used in financing activities		<b>(9,475,020)</b>	(5,954,960)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>(9,731,680)</b>	18,168,670
Cash and cash equivalents at the beginning of the period		<b>10,663,309</b>	5,394,202
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>931,629</b>	23,562,872

The notes 1 to 13 form an integral part of these interim condensed financial statements

# Samba Real Estate Fund

## INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six months period ended June 30, 2020

	<b>2020</b> <b>(Unaudited)</b> <b>SAR</b>	<b>2019</b> <b>(Unaudited)</b> <b>SAR</b>
<b>EQUITY AT THE BEGINNING OF THE PERIOD</b>	<b>227,318,915</b>	300,427,294
<b>CHANGES FROM OPERATIONS</b>		
Total comprehensive loss for the period	<b>(10,002,345)</b>	(13,079,402)
<b>CHANGES FROM UNIT TRANSACTIONS *</b>		
Proceeds from units sold	<b>107,977</b>	245,407
Value of units redeemed	<b>(14,409,834)</b>	(44,706,899)
Net change from unit transactions	<b>(14,301,857)</b>	(44,461,492)
Equity at the end of the period	<b>203,014,713</b>	242,886,400

\* Subscriptions and redemptions of the units are at the net asset value calculated based on the fair value on the date of transaction.

### UNIT TRANSACTIONS

Transactions in units for the period ended June 30 are summarised as follows:

	<b>2020</b> <b>(Unaudited)</b> <b>Units</b>	<b>2019</b> <b>(Unaudited)</b> <b>Units</b>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	<b>20,730,975</b>	24,968,930
Units sold	<b>9,140</b>	19,295
Units redeemed	<b>(1,219,725)</b>	(3,515,107)
Net change in units	<b>(1,210,585)</b>	(3,495,812)
<b>UNITS AT THE END OF THE PERIOD</b>	<b>19,520,390</b>	21,473,118

The notes 1 to 13 form an integral part of these interim condensed financial statements

# Samba Real Estate Fund

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months period ended June 30, 2020

### 1. GENERAL

Samba Real Estate Fund (the Fund) is an open-ended Sharia compliant public real estate investment fund, designed for investors seeking medium to 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 Fund may, depending upon market conditions and availability of cash, invest in money market instruments. The Fund commenced its operations on February 1, 2007.

The Fund is managed by Samba Capital & Investment Management Company (the Manager) a wholly owned subsidiary of Samba Financial Group (the Bank).

These interim condensed financial statements should be read in conjunction with the annual audited financial statements of the Fund. The interim results may not be an indicator of the annual results of the Fund. There have been no changes to the risk management policies as set out in the audited financial statements for the year ended December 31, 2019.

The Fund has incurred a net loss of Saudi Riyal 10 million for the period ended June 30, 2020 and has net liabilities, after excluding inventories – real estate properties, of SAR 28.77 million. The Fund's ability to meet its obligations as they become due is therefore dependent upon continued support from the Fund Manager. The Fund Manager is committed to provide the financial support to the Fund as may be required to enable it to meet its obligations, as they fall due.

### 2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (the REIFR) published by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia on Jumad Thani 19, 1427H (corresponding to July 15, 2006).

### 3. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard – 34 "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2019.

### 4. INVENTORIES - REAL ESTATE PROPERTIES

The composition of the inventories - real estate properties on the last valuation day is summarised below:

<i>June 30, 2020 (Unaudited)</i>				<i>Fair value excluding development expenses incurred SR</i>	<i>Fair value including development expenses incurred SR</i>	<i>Carrying value (Lower of cost or fair value) SR</i>
<i>Project Description</i>	<i>Cost SR</i>	<i>Development expenses incurred SR</i>	<i>Total cost SR</i>			
Derab-Riyadh	126,496,128	-	126,496,128	142,043,008	142,043,008	<b>126,496,128</b>
Sea View Tower	48,931,850	12,958,150	61,890,000	53,702,980	54,650,000	<b>54,650,000</b>
Knoz Jeddah	62,500,000	7,500,000	70,000,000	43,136,525	50,636,525	<b>50,636,525</b>
	<u>237,927,978</u>	<u>20,458,150</u>	<u>258,386,128</u>	<u>238,882,513</u>	<u>247,329,533</u>	<u><b>231,782,653</b></u>

# Samba Real Estate Fund

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six months period ended June 30, 2020

<b>December 31, 2019</b> <b>(Audited)</b>				<b>Fair value</b> <b>excluding</b> <b>development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Fair value</b> <b>including</b> <b>development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Carrying value</b> <b>(Lower of</b> <b>cost or</b> <b>fair value)</b> <b>SR</b>
<b>Project</b> <b>Description</b>	<b>Cost</b> <b>SR</b>	<b>Development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Total</b> <b>cost</b> <b>SR</b>			
Derab-Riyadh	126,496,128	-	126,496,128	154,422,200	154,422,200	<b>126,496,128</b>
Sea View Tower	48,931,850	12,958,150	61,890,000	55,271,636	68,229,786	<b>61,890,000</b>
Knoz Jeddah	62,500,000	7,500,000	70,000,000	44,600,000	52,100,000	<b>52,100,000</b>
	<u>237,927,978</u>	<u>20,458,150</u>	<u>258,386,128</u>	<u>254,293,836</u>	<u>274,751,986</u>	<u><b>240,486,128</b></u>
<b>June 30, 2019</b> <b>(Unaudited)</b>				<b>Fair value</b> <b>excluding</b> <b>development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Fair value</b> <b>including</b> <b>development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Carrying value</b> <b>(Lower of</b> <b>cost or</b> <b>fair value)</b> <b>SR</b>
<b>Project</b> <b>Description</b>	<b>Cost</b> <b>SR</b>	<b>Development</b> <b>expenses</b> <b>incurred</b> <b>SR</b>	<b>Total</b> <b>cost</b> <b>SR</b>			
Derab-Riyadh	126,496,128	-	126,496,128	143,350,628	143,350,628	<b>126,496,128</b>
Sea View Tower	48,931,850	12,958,150	61,890,000	62,263,874	75,222,024	<b>61,890,000</b>
Knoz Jeddah	62,500,000	7,500,000	70,000,000	45,100,000	52,600,000	<b>52,600,000</b>
Olaya Villas	30,188,623	25,561,377	55,750,000	10,228,917	35,790,294	<b>35,790,294</b>
	<u>268,116,601</u>	<u>46,019,527</u>	<u>314,136,128</u>	<u>260,943,419</u>	<u>306,962,946</u>	<u><b>276,776,422</b></u>

The inventories in real estate properties are presented at the lower of historical cost and fair value. The fair value of inventories in real estate properties is based on an average of two market value evaluations prepared by independent evaluators. These values which are based on the estimates of the independent evaluators are subject to their estimation uncertainties.

Title deeds of real estate properties are registered in the name of Samba Investment Real Estate Company, a company wholly owned by the Manager.

### 5. LOSS ON SALE OF REAL ESTATE PROPERTIES

	<b>30-Jun-20</b> <b>(Unaudited)</b> <b>SR</b>	<b>30-Jun-19</b> <b>(Unaudited)</b> <b>SR</b>
Revenue from sale of real estate properties	-	<b>24,261,958</b>
Carrying value of real estate properties	-	<b>(33,556,453)</b>
	<u>-</u>	<u><b>(9,294,495)</b></u>
Loss on sale of real estate properties	-	<b>(9,294,495)</b>

### 6. EFFECT ON EQUITY IF REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investment Funds Regulations issued by the CMA in the Kingdom of Saudi Arabia, the Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset values declared, and management and performance fee calculations, are based on the evaluations obtained. However, in accordance with the Fund's accounting policy, real estate properties are carried at lower of cost or net realisable value.



# Samba Real Estate Fund

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six months period ended June 30, 2020

- i) The unrealised gain on real estate properties based on real estate evaluations (fair value) as at June 30, 2020, December 31, 2019 and June 30, 2019 are set out below:

	<b>30-Jun-20</b> <b>(Unaudited)</b> <b>SAR</b>	<b>31-Dec-19</b> <b>(Audited)</b> <b>SAR</b>	<b>30-Jun-19</b> <b>(Unaudited)</b> <b>SAR</b>
Fair value of real estate properties (refer note 4)	<b>247,329,533</b>	274,751,986	306,962,946
Lower of cost or fair value of real estate properties (refer note 4)	<b>(231,782,653)</b>	(240,486,128)	(276,776,422)
Unrealised gain based on real estate evaluations	<b>15,546,880</b>	34,265,858	30,186,524
Units in issue	<b>19,520,390</b>	20,730,975	21,473,118
Per unit share in unrealised gain based on real estate evaluations	<b>0.80</b>	1.65	1.41

- ii) The equity attributable to unitholders, using the fair values of the real estate properties, as at June 30, 2020, December 31, 2019 and June 30, 2019 are set out below

	<b>30-Jun-20</b> <b>(Unaudited)</b> <b>SAR</b>	<b>31-Dec-19</b> <b>(Audited)</b> <b>SAR</b>	<b>30-Jun-19</b> <b>(Unaudited)</b> <b>SAR</b>
Equity at lower of cost or fair value as presented in these interim condensed financial statements	<b>203,014,713</b>	227,318,915	242,886,400
Unrealised gain based on real estate evaluations (refer note 6 (i))	<b>15,546,880</b>	34,265,858	30,186,524
Equity based on fair value	<b>218,561,593</b>	261,584,773	273,072,924

- iii) The Equity per unit, using the fair values of the real estate properties, as at June 30, 2020, December 31, 2019 and June 30, 2019 are set out below:

	<b>30-Jun-20</b> <b>(Unaudited)</b> <b>SAR</b>	<b>31-Dec-19</b> <b>(Audited)</b> <b>SAR</b>	<b>30-Jun-19</b> <b>(Unaudited)</b> <b>SAR</b>
Equity per unit, at lower of cost or fair value as presented in these interim condensed financial statements	<b>10.40</b>	10.97	11.31
Impact on net assets value per unit on account of unrealised gain based on real estate evaluations (note 6 (i))	<b>0.80</b>	1.65	1.41
Equity per unit using fair value of real estate properties	<b>11.20</b>	12.62	12.72

The Fund is in the process of selling one of its properties for which a sale commitment has been made. That property is currently being carried at the committed sales value in these interim condensed financial statements in

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six months period ended June 30, 2020

accordance with International Financial Reporting Standard IAS 2 – Inventories. As per the valuation reports submitted by independent evaluators, the average value of the Sea View project is SAR 61.89 million. However, the Fund has committed to sell it at SAR 54.6m. The change in NAV due to the difference in fair valuation and current sale price is SAR 11.81.

### 7. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Fund transacts with the related parties. The principal related parties of the Fund are the Fund Manager, the Bank and the Fund Board.

The Fund pays a management fee of 1% (2019: 1%) per annum to the Manager on the net asset value at the end of each quarter. The Bank acts as the Fund's banker. Other expenses for the year include SAR 40,000 (2019: SAR 40,000) towards the Fund Board remuneration.

### 8. STATUS OF TAX ASSESSMENTS

During 2019, the Fund has received its Value Added Tax (VAT) assessment from General Authority of Zakat & Tax (GAZT) for the year ended 2018. GAZT in its assessment has raised a demand of SAR 3.8 million towards VAT liability and a penalty of SAR 1.99 million on the project sold during the year 2018. The Fund has submitted appeals to the GAZT for the waiver of VAT as well as the related penalty on the basis of the sale of business satisfies the requirements of Article 17(1) of the KSA VAT Regulations and could be treated as outside the scope of VAT in KSA, which was cancelled by the GAZT without providing any grounds. The Fund has submitted appeals to General Secretariat of Tax Committee (GSTC), which is under review by the GSTC. To avoid further penalties, the Fund has paid VAT on the project sold during 2019 and charged to interim statement of comprehensive income in 2019. The Fund Manager has borne the penalties related to the above assessment and the VAT to the extent of the units redeemed/subscribed during 2018.

### 9. FAIR VALUE ESTIMATION

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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values.

### 10. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at June 30, 2020, December 31, 2019 and June 30, 2019 were classified under amortised cost category.

### 11. LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2020 (2019: June 30, 2019).

### 12. IMPACTS OF COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by Government to contain the virus have affected economic activity. We have taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our operations.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six months period ended June 30, 2020

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in real estate market, we have found fall in demand for the real estate assets and the prices has also dropped due to less demand, and we expect this to continue. We will continue to follow the Government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

**13. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were approved by the Fund Board on August 10, 2020.