

Samba Sovereign Sukuk Fund

Interim Condensed Financial Statements and
Independent Auditor's Report
For the Period Ended June 30, 2021

Samba Sovereign Sukuk Fund
Interim Condensed Financial Statements
For the Period Ended June 30, 2021

	Pages
Report on review of interim condensed financial statements	1
Interim statement of financial position	2
Interim statement of comprehensive income	3
Interim statement of cash flows	4
Interim statement of changes in equity attributable to unitholders	5
Notes to the interim condensed financial statements	6 – 10



Report on review of Interim Condensed Financial Statements

To the Unit holders and the Fund Manager of Samba Sovereign Sukuk Fund:

Introduction

We have reviewed the accompanying interim statement of financial position of Samba Sovereign Sukuk Fund (the "Fund") as at June 30, 2021, and the related interim statements of comprehensive income, cash flows and changes in equity attributable to unitholders for the six-months period then ended and other explanatory notes. The Fund Manager 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 information 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

Bader I. Benmohareb
License Number 471

August 16, 2021



Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF FINANCIAL POSITION

As at

	<i>Notes</i>	June 30, 2021 (Unaudited) SR	<i>December 31, 2020 (Audited) SR</i>	<i>June 30, 2020 (Unaudited) SR</i>
ASSETS				
Cash at bank	5,9	42,769,662	59,862,880	39,730,443
Investments measured at fair value through income statement (FVIS)		764,020,198	992,218,444	1,152,198,084
Investments measured at amortised cost	4	-	-	49,928,965
Other assets		6,503,088	16,692,225	-
TOTAL ASSETS		813,292,948	1,068,773,549	1,241,857,492
LIABILITIES AND EQUITY				
LIABILITIES				
Redemptions payable		11,213,505	36,362,568	1,634,256
Management fee payable	5	863,019	1,247,767	1,291,719
Other liabilities		153,558	306,159	125,898
TOTAL LIABILITIES		12,230,082	37,916,494	3,051,873
EQUITY ATTRIBUTABLE TO UNITHOLDERS (Class A)		295,185,312	361,203,653	1,238,805,619
EQUITY ATTRIBUTABLE TO UNITHOLDERS (Class B)		505,877,554	669,653,402	-
Units in issue (Class A)		27,453,662	33,447,981	113,438,102
Units in issue (Class B)		47,104,952	62,028,429	-
Per unit value (Class A)	7	SR 10.7521	SR 10.7990	SR 10.9205
Per unit value (Class B)	7	SR 10.7394	SR 10.7959	-

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

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended June 30

	<i>Note</i>	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
INVESTMENT INCOME			
(Losses) / gains on investments held at FVIS	6	(16,523,156)	38,372,280
Special commission income		14,258,380	21,363,934
TOTAL (LOSS) / INCOME		(2,264,776)	59,736,214
EXPENSES			
Management fee	5	1,881,725	2,728,189
Others	5	62,052	247,376
(Reversal of) / provision for loss allowance		-	(28,859)
TOTAL EXPENSES		1,943,777	2,946,706
NET (LOSS) / INCOME FOR THE PERIOD		(4,208,553)	56,789,508
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(4,208,553)	56,789,508

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

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF CASH FLOWS

For the six month period ended June 30

	<i>Note</i>	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
OPERATING ACTIVITIES			
Net (loss) / income for the period		(4,208,553)	56,789,508
<i>Adjustment for:</i>			
(Reversal of) / provision for loss allowance		-	(28,859)
Unrealized loss / (gain) on investments held at FVIS	6	33,246,539	(34,799,857)
<i>Changes in operating assets and liabilities:</i>			
Investments measured at amortised cost		-	117,766,229
Investments measured at FVIS, net		194,951,707	69,555,453
Other assets		10,189,137	-
Management fee payable		(384,748)	(275,234)
Other liabilities		(152,601)	53,685
Net cash generated from operating activities		233,641,481	209,060,925
FINANCING ACTIVITIES			
Proceeds from units sold		47,423,217	121,209,829
Value of units redeemed, net		(298,157,916)	(369,341,732)
Net cash used in financing activities		(250,734,699)	(248,131,903)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period	9	59,862,880	128,811,143
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	42,769,662	89,740,165

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

Samba Sovereign Sukuk Fund

INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six month period ended June 30

	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
EQUITY VALUE AT THE BEGINNING OF THE PERIOD	<u>1,030,857,055</u>	<u>1,428,678,697</u>
CHANGES FROM OPERATIONS		
Total comprehensive (loss) / income for the period	<u>(4,208,553)</u>	<u>56,789,508</u>
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	47,423,217	121,209,829
Value of units redeemed	<u>(273,008,853)</u>	<u>(367,872,415)</u>
Net change from unit transactions	<u>(225,585,636)</u>	<u>(246,662,586)</u>
EQUITY VALUE AT THE END OF THE PERIOD	<u>801,062,866</u>	<u>1,238,805,619</u>

Transactions in units for the periods ended June 30 are summarized as follows:

	2021 <i>(Unaudited)</i> Units	2020 <i>(Unaudited)</i> Units
UNITS AT THE BEGINNING OF THE PERIOD	<u>95,476,410</u>	<u>136,643,208</u>
Units sold	4,368,751	11,219,557
Units redeemed	<u>(25,086,547)</u>	<u>(34,424,663)</u>
Net change in units	<u>(20,717,796)</u>	<u>(23,205,106)</u>
UNITS AT THE END OF THE PERIOD	<u>74,558,614</u>	<u>113,438,102</u>

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

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

1 GENERAL

Samba Sovereign Sukuk Fund (the "Fund") is an open-ended investment fund designed for investors seeking long term capital growth. The assets of the Fund are invested in Sovereign Sukuk denominated in Saudi Riyals issued by the Government entities in the Kingdom of Saudi Arabia. All income is reinvested in the Fund and reflected in the unit price.

The Capital Market Authority (the "CMA") on May 31, 2021 has approved the merger of Samba Capital and Investment Management Company ("Samba Capital") into NCB Capital by way of a statutory merger, which will result in all of the rights and obligations of Samba Capital being transferred to NCB Capital. On July 9, 2021, upon the completion of the merger, Samba Capital ceased to exist as a legal entity and NCB Capital continued to exist as the successor legal entity. As a result, NCB Capital replaced Samba Capital as the manager of the Fund and the Fund's terms and conditions were amended accordingly. English name of NCB Capital is amended to become SNB Capital (the "Fund Manager").

The Fund is managed by Fund Manager, a wholly owned subsidiary of Saudi National Bank (the "Bank"). The Manager may, at its sole discretion, distribute dividends to the unitholders based on the Fund's performance and market conditions.

The 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, 2020.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by the CMA in the Kingdom of Saudi Arabia on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to February 24, 2021).

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, 2020.

4 INVESTMENTS MEASURED AT AMORTISED COST

	<i>June 30, 2021 (Unaudited) SR</i>	<i>December 31, 2020 (Audited) SR</i>	<i>June 30, 2020 (Unaudited) SR</i>
Trade finance investments with the Bank	-	-	50,009,722
Trade finance investments with other banks	-	-	-
Gross carrying value	-	-	50,009,722
Expected credit losses	-	-	(80,757)
Net carrying value	-	-	49,928,965

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

4 INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Set out below are the maturity details of gross carrying value of investments:

	<i>June 30, 2021 (Unaudited) SR</i>	<i>December 31, 2020 (Audited) SR</i>	<i>June 30, 2020 (Unaudited) SR</i>
Maturity within 3 months	-	-	50,009,722
Maturity within 3 – 12 months	-	-	-
	-	-	50,009,722

4.1 Expected credit loss measurement

The table below shows the maximum exposure to credit risk on financial instruments subject to impairment.

	As at June 30, 2021				As at December 31, 2020	As at June 30, 2020
	Stage 1 12-month ECL SAR	Stage 2 Lifetime ECL SAR	Stage 3 Lifetime ECL SAR	Total SAR	Total SAR	Total SAR
Cash at bank	42,769,662	-	-	42,769,662	59,862,880	39,730,443
Investments measured at amortised cost	-	-	-	-	-	50,009,722
Gross carrying amount	42,769,662	-	-	42,769,662	59,862,880	89,740,165
Expected credit losses	-	-	-	-	-	(80,757)
Carrying amount	42,769,662	-	-	42,769,662	59,862,880	89,659,408

5 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 records management fee payable to the Manager calculated at an annual rate of 0.40% (2020: 0.40%) of the net asset value at each Valuation Day. The Bank acts as one of the Fund's bankers. Cash at bank includes SAR 3,003,656 (December 31, 2020: SAR 2,500,958, June 30, 2020: SAR 35,852,900) held with the Bank. Trade finance investments with the Bank are disclosed in note 4.

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

6 (LOSSES) / GAINS ON INVESTMENTS AT FVIS, NET

	2021 <i>(Unaudited)</i> SR	2020 <i>(Unaudited)</i> SR
Realised gains	16,723,383	3,572,422
Unrealised (losses) / gains	(33,246,539)	34,799,857
	(16,523,156)	38,372,279

7 EFFECT ON EQUITY VALUE IF EXPECTED CREDIT LOSSES ARE NOT RECOGNIZED

In accordance with CMA circular no. 1/6/1872/17 dated 13 Rabi Al-Thani 1439H (corresponding to December 31, 2017), the CMA Board decided on 10 Rabi Al-Thani 1439H (corresponding to December 28, 2017) to restrict the recording of expected credit losses calculated in accordance with IFRS 9 only for the purpose of the investment fund's financial statements.

Adjustment of the unit price calculated according to the applicable financial reporting framework alongside with the unit price calculated for the purpose of unit transactions is as set out below:

- i) Expected credit losses on financial assets is as set out below

	June 30, 2021 <i>(Unaudited)</i> SAR	<i>December 31,</i> 2020 <i>(Audited)</i> SAR	<i>June 30,</i> 2020 <i>(Unaudited)</i> SAR
Expected credit losses on financial assets	-	-	80,757
Units in issue	74,558,614	95,476,410	113,438,102
Per unit share in expected credit losses	-	-	0.0007

- ii) The net equity values, after incorporating expected credit losses is set out below

	June 30, 2020 <i>(Unaudited)</i> SAR	<i>December 31,</i> 2020 <i>(Audited)</i> SAR	<i>June 30,</i> 2020 <i>(Unaudited)</i> SAR
Equity per unit after expected credit losses as per these financial statements (Class A)	10.7521	10.7990	10.9205
Equity per unit after expected credit losses as per these financial statements (Class B)	10.7394	10.7959	
Per unit share in expected credit losses	-	-	0.0007
Equity per unit before expected credit losses (Class A)	10.7521	10.7990	10.9212
Equity per unit before expected credit losses (Class B)	10.7394	10.7959	

Samba Sovereign Sukuk Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

8 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at June 30, 2021, December 31, 2020 and June 30, 2020 were classified under amortised cost category.

9 CASH AND CASH EQUIVALENTS

	<i>June 30, 2021</i> <i>(Unaudited)</i> <i>SAR</i>	<i>December 31,</i> <i>2020</i> <i>(Audited)</i> <i>SAR</i>	<i>June 30,</i> <i>2020</i> <i>(Unaudited)</i> <i>SAR</i>
Trade finance investments with an original maturity of three months or less	-	-	50,009,722
Cash at Bank	42,769,662	59,862,880	39,730,443
	42,769,662	59,862,880	89,740,165

10 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. Investments held at FVIS is classified as level 2 and the revaluation is carried out by taking the average of best price and offer available on Saudi Stock Exchange (Tadawul) as at June 30, 2021.

11 LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2021 (2020: June 30, 2020).

12 IMPACT OF COVID-19

The COVID-19 pandemic had developed rapidly in 2020, with a significant number of cases. Measures taken by the Government to contain the virus have affected economic activity. We have taken a number of 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.

The prevailing economic conditions post lock down, require the Fund to revise certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Fund in estimation of ECL or revisions to the scenario probabilities currently being used by the Fund in ECL estimation. The Fund has made certain adjustments to the macroeconomic factors and scenario weightings during the period and has adjusted the ECL accordingly.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2021

12 IMPACT OF COVID-19 (CONTINUED)

The Fund's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such an uncertain economic environment is judgmental and the Fund will continue to reassess its position and the related impact on a regular basis.

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. 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 Management on August 16, 2021.