

## **Samba Corporate Sukuk Fund**

Interim Financial Statements and  
Independent Auditor's Report  
For the Period from August 31, 2020  
(Date of commencement of operations)  
to June 30, 2021

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

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# Samba Corporate Sukuk Fund

## INTERIM STATEMENT OF FINANCIAL POSITION

As at

	<i>Notes</i>	<i>June 30, 2021 (Unaudited) USD</i>
<b>ASSETS</b>		
Cash at bank	4	780,063
Investments measured at fair value through income statement (FVIS)		89,044,923
Other assets		2,139,257
<b>TOTAL ASSETS</b>		<b>91,964,243</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Redemptions payable		48,500
Management fee payable	4	168,420
Other liabilities		46,757
<b>TOTAL LIABILITIES</b>		<b>263,677</b>
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS (Class A)</b>		<b>60,178,070</b>
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS (Class B)</b>		<b>31,522,496</b>
Units in issue (Class A)		5,863,434
Units in issue (Class B)		3,077,368
Per unit value (Class A)		USD 10.26
Per unit value (Class B)		USD 10.24

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.

# Samba Corporate Sukuk Fund

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from

		<i>August 31, 2020 to June 30, 2021 (Unaudited) USD</i>
	<i>Notes</i>	
<b>INVESTMENT INCOME</b>		
Gain on investments held at FVIS, net	5	1,005,664
Special commission income		2,316,303
<b>TOTAL INCOME</b>		<u>3,321,967</u>
<b>EXPENSES</b>		
Management fee	4	455,415
Others		74,340
<b>TOTAL EXPENSES</b>		<u>529,755</u>
<b>NET INCOME FOR THE PERIOD</b>		<u>2,792,212</u>
Other comprehensive income		-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u>2,792,212</u>
Distribution to redeemable unitholders		(202,236)
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS DURING THE PERIOD</b>		<u>2,589,976</u>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.

# Samba Corporate Sukuk Fund

## INTERIM STATEMENT OF CASH FLOWS

For the period from

		<i>August 31, 2020 to June 30, 2021 (Unaudited) USD</i>
	<i>Notes</i>	
<b>OPERATING ACTIVITIES</b>		
Net income for the period		2,792,212
<i>Adjustment for:</i>		
Unrealized gain on investments held at FVIS	5	(1,008,737)
<i>Changes in operating assets and liabilities:</i>		
Investments measured at FVIS, net		(88,036,186)
Other assets		(2,139,257)
Management fee payable		168,420
Other liabilities		46,757
Net cash used in operating activities		<u>(88,176,791)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from units sold		107,196,406
Value of units redeemed, net		(18,037,316)
Dividends paid		<u>(202,236)</u>
Net cash generated from financing activities		<u>88,956,854</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		780,063
Cash and cash equivalents at the beginning of the period		-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u><u>780,063</u></u>

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.

# Samba Corporate Sukuk Fund

## INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the period from

*August 31, 2020  
to June 30, 2021  
(Unaudited)  
USD*

<b>EQUITY VALUE AT THE BEGINNING OF THE PERIOD</b>	-
<b>CHANGES FROM OPERATIONS</b>	
Increase in net assets attributable to unitholders during the period	2,589,976
<b>CHANGES FROM UNIT TRANSACTIONS</b>	
Proceeds from units sold	107,196,406
Value of units redeemed	(18,085,816)
Net change from unit transactions	89,110,590
<b>EQUITY VALUE AT THE END OF THE PERIOD</b>	91,700,566

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

*August 31, 2020  
to June 30, 2021  
(Unaudited)  
Units*

<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	-
Units sold	10,713,728
Units redeemed	(1,772,926)
Net change in units	8,940,802
<b>UNITS AT THE END OF THE PERIOD</b>	8,940,802

The accompanying notes from 1 to 11 form an integral part of these interim condensed financial statements.

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

For the period from August 31, 2020 to June 30, 2021

### 1 GENERAL

Samba Corporate 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 Corporate Sukuks issued by the corporates 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 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.

### 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

The Fund has prepared a complete set of interim financial statements for its interim financial reporting, as allowed under IAS 34 - “Interim financial reporting”. Accordingly, these interim financial statements conform to the requirements of IAS 1 - “Presentation of financial statements”, relating to a complete set of financial statements.

The principal accounting policies applied in the preparation of these interim financial statements are set out below.

#### 3.1 Accounting convention

The interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at FVIS.

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 interim statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

Items included in these interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). These interim financial statements are presented in Dollar (USD) which is the Fund’s functional and presentation currency.

#### 3.2 Use of estimates in the preparation of the interim financial statements

The preparation of interim financial statements in conformity with International Financial Reporting Standards (IFRSs) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.



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

For the period from August 31, 2020 to June 30, 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing a group of similar financial assets for the purposes of measuring ECL.

The impact of ECL on the equity of the Fund is insignificant as the substantial exposure of the Fund is held at FVIS as at the reporting date.

**3.3 Cash and cash equivalents**

Cash and cash equivalents as referred to in the interim statement of cash flows comprise current accounts with banks.

**3.4 Financial instruments**

**3.4.1 Measurement methods**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. The Fund records its investments on a 'trade date' basis.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVIS, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVIS are expensed in the interim statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost, as described in Note 3.5, which results in an accounting loss being recognised in the interim statement of comprehensive income when an asset is newly originated. The financial liabilities are subsequently measured at amortised cost unless it has been designated as FVIS.

**3.4.2 Classification and measurement of financial assets at FVIS**

**Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net equity.

The Fund classifies its financial assets at FVIS. The Fund subsequently measures all equity investments at FVIS, except where the Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the interim statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the interim statement of comprehensive income when the Fund's right to receive payments is established.

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

For the period from August 31, 2020 to June 30, 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.5 Impairment of financial assets**

The Fund assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund does not have significant assets carried at amortised cost and the impact of ECL on the equity in respect of these assets is not significant at the reporting date.

**3.6 De-recognition of financial instruments**

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

**3.7 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the interim statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**3.8 Accrued expenses and other liabilities**

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost.

**3.9 Redeemable units**

The net asset value (equity) of the Fund's portfolio is determined on daily's closing prices (Valuation Day). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (equity) by the number of units outstanding on a valuation day.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the income statement, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

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

For the period from August 31, 2020 to June 30, 2021

**3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Fund's redeemable units meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly, are classified as equity instruments.

**3.10 Revenue recognition**

Realised gains and losses on sale of investments are determined on a weighted average cost basis. Dividend income is recognised when the right to receive dividends is established. Special commission income, if any, is recognised on an effective yield basis.

**3.11 Provisions**

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**3.12 Zakat and income tax**

Zakat and income tax are the obligation of the unitholders and are not provided for in these interim financial statements.

**4 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 calculated at an annual rate of 0.50% and 0.75% of the net asset value of Class A and Class B unitholders at each Valuation Day respectively. The Bank acts as one of the Fund's bankers. Cash at bank includes USD 737,863 held with the Bank.

**5 GAINS ON INVESTMENTS AT FVIS, NET**

	<i>August 31, 2020 to June 30, 2021 (Unaudited) USD</i>
Realised losses	(3,073)
Unrealised gains	1,008,737
	<u>1,005,664</u>

**6 FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and financial liabilities as at June 30, 2021 were classified under amortised cost category except investments at FVIS.

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

For the period from August 31, 2020 to June 30, 2021

**7 RISK MANAGEMENT**

The Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year. The Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies, the Term and Conditions, and the Information Memorandum. Furthermore, the Manager makes every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Fund Manager ensures fulfil its responsibilities to the benefit of the Unitholders in accordance with the provisions of the Investment Funds Regulations, the Terms and Conditions and the Information Memorandum.

**7.1 Financial risk factors**

The Fund's activities are primarily exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

**(i) *Special commission rate risk***

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments.

As of the date of the statement of financial position, the fund is not exposed to significant variable special commission rate risk as the majority of its assets are fixed special commission bearing and liabilities are non-commission bearing.

**(ii) *Currency risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. The Fund's financial assets and financial liabilities are denominated in USD which has a fixed exchange with Saudi Riyal and therefore, the Fund is exposed to low currency rate risk.

**(iii) *Price risk***

Price risk is the risk that the value of financial instrument will fluctuate because of changes in market prices.

The Fund's investments are susceptible to market price arising from uncertainties about future prices. The Manager manages this risk through diversification of its investment portfolio.

The effect on the statement of comprehensive income (as a result of change in fair value of sukuk held at FVIS as at June 30, 2021) due to a 10% change in Saudi Stock Exchange index, keeping all other variables held constant is USD 8,904,492.

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

For the period from August 31, 2020 to June 30, 2021

**7 RISK MANAGEMENT (CONTINUED)**

**(b) Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in realising funds to meet commitments associated with financial liabilities.

The Fund arranges for the subscriptions and redemptions of units on a scheduled basis and is therefore exposed to the liquidity risk of meeting unitholder redemptions. The Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet commitments as they arise.

**(c) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Currently, the Fund is not exposed to any significant credit risk. The bank balances are held with the Bank which has an investment grade credit rating.

**7.2 Capital risk management**

The capital of the Fund is represented by the equity attributable to unitholders. The amount of equity attributable to unitholders can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unitholders, provide benefits to other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Manager monitors capital on the basis of the value of equity attributable to unitholders.

**8 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.

**9 LAST VALUATION DAY**

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

**10 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.

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

For the period from August 31, 2020 to June 30, 2021

**10 IMPACT OF COVID-19 (CONTINUED)**

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.

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.

**11 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were approved by the Fund Management on August 16, 2021.