

Samba Real Estate Fund

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



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, 2021, and the related statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the six-month period then ended 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.

Emphasis of Matter - Significant uncertainty in relation to the inventory

We draw attention to note 11 to the interim condensed financial statements, which explains that the Fund Manager has fully provided for one of the real estate property classified under inventories with a carrying value of SAR 126.5 million to reflect the Supreme Court order that cancels the title deed of the above said inventory. Due to the significance of this amount, the Fund Manager has suspended all the subscription and redemption requests of units in the Fund until the above matter is resolved. Our review conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471



August 19, 2021

Samba Real Estate Fund

INTERIM STATEMENT OF FINANCIAL POSITION

As at

| | | <i>June 30, 2021 (Unaudited)</i> | <i>December 31, 2020 (Audited)</i> | <i>June 30, 2020 (Unaudited)</i> |
|---|-------------|--|--|--|
| | <i>Note</i> | <i>SAR</i> | <i>SAR</i> | <i>SAR</i> |
| ASSETS | | | | |
| Cash and cash equivalents | | 9,144,347 | 146,990 | 931,629 |
| Inventories - real estate properties, net | 4 | 52,195,000 | 226,203,728 | 231,782,653 |
| TOTAL ASSETS | | 61,339,347 | 226,350,718 | 232,714,282 |
| LIABILITIES AND EQUITY | | | | |
| LIABILITIES | | | | |
| Redemption payable | | - | 23,652,492 | 14,409,834 |
| Management fee payable | 7 | 15,916,246 | 15,596,884 | 14,193,744 |
| Due to the Bank | | - | 15,067,391 | - |
| Accrued expenses and other payables | | 2,071,302 | 1,721,819 | 1,095,991 |
| TOTAL LIABILITIES | | 17,987,548 | 56,038,586 | 29,699,569 |
| EQUITY ATTRIBUTABLE TO UNITHOLDERS | | | | |
| | | 43,351,799 | 170,312,132 | 203,014,713 |
| Units in issue | | 17,580,480 | 17,580,480 | 19,520,390 |
| Per unit value | 6 | SR 2.47 | SR 9.69 | SR 10.40 |

The notes 1 to 14 form part of these interim condensed financial statements

Samba Real Estate Fund

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended June 30

| | | 2021 (Unaudited) SAR | 2020 (Unaudited) SAR |
|--|-------------|---|---|
| | <i>Note</i> | | |
| INCOME/(LOSS) | | | |
| Gain / (loss) on sale of real estate properties | 5 | - | - |
| Provision reversal / (charge) for changes in value of real estate properties | 4 | 1,195,000 | (8,703,475) |
| Other income | | 5,282 | 2,730 |
| TOTAL INCOME / (LOSS) | | 1,200,282 | (8,700,745) |
| EXPENSES | | | |
| Management fee | 7 | 319,362 | 1,301,600 |
| Provision against inventory- real estate property | 4,11 | 126,496,128 | |
| Other expenses | | 1,345,125 | - |
| TOTAL EXPENSES | | 128,160,615 | 1,301,600 |
| NET LOSS FOR THE PERIOD | | (126,960,333) | (10,002,345) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (126,960,333) | (10,002,345) |

The notes 1 to 14 form part of these interim condensed financial statements

Samba Real Estate Fund

INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended June 30

| | | 2021 (Unaudited) SAR | 2020 (Unaudited) SAR |
|---|-------------|---|---|
| | <i>Note</i> | | |
| OPERATING ACTIVITIES | | | |
| Net loss for the period | | (126,960,333) | (10,002,345) |
| Adjustment for: | | | |
| Provision for changes in value of real estate properties | 4 | 125,301,128 | 8,703,475 |
| | | (1,659,205) | (1,298,870) |
| Changes in operating assets and liabilities: | | | |
| Inventories – real estate properties | 5 | 48,707,600 | - |
| Management fee payable | | 319,362 | 1,301,601 |
| Due to the Bank | | (15,067,391) | - |
| Accrued expenses | | 349,483 | (259,391) |
| Net cash generated from / (used in) operating activities | | 32,649,849 | (256,660) |
| FINANCING ACTIVITIES | | | |
| Proceeds from units sold | | - | 107,977 |
| Value of units redeemed, net | | (23,652,492) | (9,582,997) |
| Net cash used in financing activities | | (23,652,492) | (9,475,020) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | 8,997,357 | (9,731,680) |
| Cash and cash equivalents at the beginning of the period | | 146,990 | 10,663,309 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | | 9,144,347 | 931,629 |

The notes 1 to 14 form part of these interim condensed financial statements

Samba Real Estate Fund

INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six-month period ended June 30

| | 2021 (Unaudited) SAR | 2020 (Unaudited) SAR |
|--|---|---|
| NET ASSETS AT THE BEGINNING OF THE PERIOD | 170,312,132 | 227,318,915 |
| CHANGES FROM OPERATIONS | | |
| Total comprehensive loss for the period | (126,960,333) | (10,002,345) |
| CHANGES FROM UNIT TRANSACTIONS * | | |
| Proceeds from units sold | - | 107,977 |
| Value of units redeemed | - | (14,409,834) |
| Net change from unit transactions | - | (14,301,857) |
| Net assets at the end of the period | 43,351,799 | 203,014,713 |

* 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:

| | 2021 (Unaudited) Units | 2020 (Unaudited) Units |
|---|---|---|
| UNITS AT THE BEGINNING OF THE PERIOD | 17,580,480 | 20,730,975 |
| Units sold | - | 9,140 |
| Units redeemed | - | (1,219,725) |
| Net change in units | - | (1,210,585) |
| UNITS AT THE END OF THE PERIOD | 17,580,480 | 19,520,390 |

The notes 1 to 14 form part of these interim condensed financial statements

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended June 30, 2021

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 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").

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, 2020.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (the "Regulations") published by the CMA in the Kingdom of Saudi Arabia (the "KSA") on Jumad Thani 19, 1427H (corresponding to July 15, 2006) as amended by the resolution of the CMA Board on Rajab 12, 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 KSA. 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. INVENTORIES - REAL ESTATE PROPERTIES

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

| <i>June 30, 2021 (Unaudited)</i> | | | | <i>Fair value excluding development expenses incurred</i> | <i>Fair value including development expenses incurred</i> | <i>Carrying value (Lower of cost or fair value)</i> |
|--------------------------------------|--------------------|---|------------------------------|---|---|---|
| <i>Project Description</i> | <i>Cost SR</i> | <i>Development expenses incurred SR</i> | <i>Total cost SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Derab-Riyadh | 126,496,128 | - | 126,496,128 | - | - | - |
| Knoz Jeddah | 62,500,000 | 7,500,000 | 70,000,000 | 44,695,000 | 52,195,000 | 52,195,000 |
| | 188,996,128 | 7,500,000 | 196,496,128 | 44,695,000 | 52,195,000 | 52,195,000 |

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six-month period ended June 30, 2021

4. INVENTORIES - REAL ESTATE PROPERTIES (CONTINUED)

| December 31, 2020 (Audited) | | | | Fair value excluding development expenses incurred SR | Fair value including development expenses incurred SR | Carrying value (Lower of cost or fair value) SR |
|--|--------------------|---|------------------------------|--|--|--|
| Project Description | Cost SR | Development expenses incurred SR | Total cost SR | | | |
| Derab-Riyadh | 126,496,128 | - | 126,496,128 | 151,855,007 | 151,855,007 | 126,496,128 |
| Sea View | | | | | | |
| Tower | 48,931,850 | 12,958,150 | 61,890,000 | 35,749,450 | 48,707,600 | 48,707,600 |
| Knoz Jeddah | 62,500,000 | 7,500,000 | 70,000,000 | 43,500,000 | 51,000,000 | 51,000,000 |
| | 237,927,978 | 20,458,150 | 258,386,128 | 231,104,457 | 251,562,607 | 226,203,728 |

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

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. The third party valuers have assessed the fair value of Derab real estate property to be SAR 185.25 million and have also included a clause in their report, highlighting that the title deed of the subject matter has been cancelled by the relevant authorities and the fact that the valuation has been performed by disregarding the aforementioned cancellation.

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

5. GAIN / (LOSS) ON SALE OF REAL ESTATE PROPERTIES

| | 30-Jun-21 (Unaudited) SR | 30-Jun-20 (Unaudited) SR |
|---|---|---|
| Revenue from sale of real estate properties | 48,707,600 | - |
| Carrying value of real estate properties | (48,707,600) | - |
| Gain / (loss) on sale of real estate properties | - | - |

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six-month period ended June 30, 2021

6. EFFECT ON NET ASSET VALUE IF REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Regulations issued by the CMA in the KSA, the Fund 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.

- i) The unrealised gain on real estate properties based on real estate evaluations (fair value) as at June 30, 2021, December 31, 2020 and June 30, 2020 are set out below:

| | 30-Jun-21 (Unaudited) SAR | 31-Dec-20 (Audited) SAR | 30-Jun-20 (Unaudited) SAR |
|--|--|--|--|
| Fair value of real estate properties (refer note 4) | 52,195,000 | 251,562,607 | 247,329,533 |
| Lower of cost or fair value of real estate properties (refer note 4) | (52,195,000) | (226,203,728) | (231,782,653) |
| Unrealised gain based on real estate evaluations | - | 25,358,879 | 15,546,880 |
| Units in issue | 17,580,480 | 17,580,480 | 19,520,390 |
| Per unit share in unrealised gain based on real estate evaluations | - | 1.44 | 0.80 |

- ii) The net asset values, using the fair values of the real estate properties, as at June 30, 2021, December 31, 2020 and June 30, 2020 are set out below

| | 30-Jun-21 (Unaudited) SAR | 31-Dec-20 (Audited) SAR | 30-Jun-20 (Unaudited) SAR |
|--|--|--|--|
| Net asset value, at lower of cost or fair value as presented in these interim condensed financial statements | 43,351,799 | 170,312,132 | 203,014,713 |
| Unrealised gain based on real estate evaluations (refer note 6 (i)) | - | 25,358,879 | 15,546,880 |
| Net asset value based on fair value | 43,351,799 | 195,671,011 | 218,561,593 |

- iii) The equity per unit, using the fair values of the real estate properties, as at June 30, 2021, December 31, 2020 and June 30, 2020 are set out below:

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six-month period ended June 30, 2021

6. EFFECT ON NET ASSET VALUE IF REAL ESTATE PROPERTIES ARE FAIR VALUED (CONTINUED)

| | 30-Jun-21 (Unaudited) SAR | 31-Dec-20 (Audited) SAR | 30-Jun-20 (Unaudited) SAR |
|---|--|--|--|
| Equity per unit, at lower of cost or fair value as presented in these interim condensed financial statements | 2.47 | 9.69 | 10.40 |
| Impact on net assets value per unit on account of unrealised gain based on real estate evaluations (note 6 (i)) | - | 1.44 | 0.80 |
| Equity per unit using fair value of real estate properties | 2.47 | 11.13 | 11.20 |

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% (2020: 1%) per annum on the net asset value at the end of each semi-annual period end. The Bank acts as the Fund's banker. The Fund Manager has decided to suspend the management fee from March 1, 2021 until further notice due the circumstances as mentioned in Note 11.

8. STATUS OF TAX ASSESSMENTS

During 2019, the Fund has received its Value Added Tax (VAT) assessment from the 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 the 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 the current year. 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. The Fund has approached the GSTC to consider the matter under the prevailing Amnesty Scheme for refund of the penalties in 2020. The matter is under review with the GSTC. Any refund of the penalty under the Amnesty Scheme will not have any impact on the Fund's financial statements as the penalties were borne by the Manager initially.

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six-month period ended June 30, 2021

9. FAIR VALUE ESTIMATION (CONTINUED)

Non-financial assets - real estate properties' fair values are disclosed in note 4 to these interim condensed financial statements. Real estate properties are held in level 3 hierarchy of fair value.

10. FINANCIAL INSTRUMENTS BY CATEGORY

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

11. SIGNIFICANT EVENT

The Fund Manager on May 31, 2021, announced the occurrence of a material development materialized in the Fund that the Fund has obtained a copy of the Supreme Court decision revoking a number of title deeds. The Fund Manager traced the revoked deeds, which brought to light that a deed for the real estate located in Derab, Riyadh owned by the Fund is also included in this order of revocation.

Consequently, the Fund Manager in accordance with the authorities vested in it to protect the rights of the unitholders and achieve their best interest, deemed it necessary to suspend all subscription and redemption requests, pending the performance of the necessary regulatory procedures in relation to the revocation of the deed and revaluation of the Fund's units in the light of this development.

The Fund Manager has fully provided the above the said inventory in the books with a provision of SAR 126.5 million and has decided to appeal against the order of revocation in Royal Court before the permanent work team after the completion of necessary legal formalities. The Fund Manager has appointed a consultant and he is of the opinion that as of now, it is not possible to be certain about the ratification of the Supreme Court's order. However, the consultant believes that in the event there was a failure to receive a response to the above-mentioned request from the permanent work team or Royal Court, the Fund has a strong position to claim the original purchase cost i.e. SR 126.5 million. As of June 30, 2021, the Fund Manager is still in the process of finalising legal formalities to file an appeal before the above mentioned authorities.

12. IMPACTS OF COVID-19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date. The Fund Manager continues to evaluate the current situation through conducting stress-testing scenarios of expected movements in key macroeconomic indicators (e.g. oil prices, GDP etc.) and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The management will continue to follow the Government policies and advice and, in parallel, will do its utmost to continue the Fund's operations in the best and safest way possible without jeopardising the health of its employees.

13. 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).

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on August 19, 2021.