

Samba Real Estate Fund

Interim Condensed Financial Statements and
Independent Auditor's Report
For the Period Ended June 30, 2018



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, 2018, and the related statement of comprehensive income, cash flows and changes in net assets 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

By: _____
Omar M. Al Sagga
License No. 369

August 1, 2018

Samba Real Estate Fund

INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		June 30, 2018 (Unaudited) SAR	December 31, 2017 (Audited) SAR	January 1, 2017 (Unaudited) SAR
	<i>Note</i>			
ASSETS				
Cash and cash equivalents		11,518,537	11,083,878	82,790,117
Investments at fair value through profit or loss	5	-	-	8,850,489
Inventories - real estate properties	6	312,776,354	416,369,076	952,491,270
Other receivables		51,000,000	160,235,000	100,986,956
		375,294,891	587,687,954	1,145,118,832
LIABILITIES				
Redemption payable		34,013,538	72,955,166	157,663,870
Performance fee payable	10	-	-	12,185,166
Management fee payable	9	18,738,793	13,306,843	7,565,999
Accrued expenses		285,457	715,896	657,000
		53,037,788	86,977,905	178,072,035
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS				
		322,257,103	500,710,049	967,046,797
Units in issue				
		26,156,964	36,460,315	54,546,523
Per unit value				
	8	SR 12.32	SR 13.73	SR 17.73

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, 2018

	Note	2018 (Unaudited) SAR	2017 (Unaudited) SAR
INCOME/(LOSS)			
Loss on sale of real estate properties	7	(21,607,429)	(29,890,785)
(Provision) / reversal of provisions for changes in value of real estate properties	6	(5,985,293)	3,960,473
Gain on investments at fair value through profit or loss		-	25,280
Other income		403,758	1,301,996
		<u>(27,188,964)</u>	<u>(24,603,036)</u>
EXPENSES			
Performance fee	10	-	(2,134,789)
Management fee	9	5,431,949	11,837,753
Other expenses		427,602	368,542
		<u>5,859,551</u>	<u>10,071,506</u>
NET LOSS FOR THE PERIOD		<u>(33,048,515)</u>	<u>(34,674,542)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(33,048,515)</u></u>	<u><u>(34,674,542)</u></u>

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, 2018

	<i>Note</i>	2018 (Unaudited) SAR	2017 (Unaudited) SAR
OPERATING ACTIVITIES			
Net loss for the period		(33,048,515)	(34,674,542)
Adjustment for:			
Provision / (reversal of provisions) for changes in value of real estate properties	6	5,985,293	(3,960,473)
		(27,063,222)	(38,635,015)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss, net		-	8,850,489
Inventories – real estate properties	6	97,607,429	249,015,785
Other receivables		109,235,000	(54,418,044)
Performance fee payable		-	(2,134,789)
Management fee payable		5,431,950	4,483,272
Accrued expenses		(430,439)	(360,485)
Net cash generated from operating activities		184,780,718	166,801,213
FINANCING ACTIVITIES			
Proceeds from units sold		350,800	13,636,346
Value of units redeemed, net		(184,696,859)	(262,523,871)
Net cash used in financing activities		(184,346,059)	(248,887,525)
NET CHANGE IN CASH AND CASH EQUIVALENTS		434,659	(82,086,312)
Cash and cash equivalents at the beginning of the period		11,083,878	82,790,117
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		11,518,537	703,805

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

Samba Real Estate Fund

INTERIM STATEMENT OF CHANGES IN NET ASSETS

For the six month period ended June 30, 2018

	2018 (Unaudited) SAR	2017 (Unaudited) SAR
NET ASSETS AT THE BEGINNING OF THE PERIOD	500,710,049	967,046,797
CHANGES FROM OPERATIONS		
Total comprehensive loss for the period	(33,048,515)	(34,674,542)
CHANGES FROM UNIT TRANSACTIONS *		
Proceeds from units sold	350,800	13,636,346
Value of units redeemed	(145,755,231)	(216,769,295)
Net change from unit transactions	(145,404,431)	(203,132,949)
Net assets at the end of the period	322,257,103	729,239,306

* 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:

	2018 (Unaudited) Units	2017 (Unaudited) Units
UNITS AT THE BEGINNING OF THE PERIOD	36,460,315	54,546,523
Units sold	24,972	679,276
Units redeemed	(10,328,323)	(10,807,704)
Net change in units	(10,303,351)	(10,128,428)
UNITS AT THE END OF THE PERIOD	26,156,964	44,418,095

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

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six month period ended June 30, 2018

1. GENERAL

Samba Real Estate Fund (the Fund) is an open-ended 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).

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

The principal accounting policies applied in the preparation of these interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before January 1, 2018, those policies have been particularly specified.

3.1 Basis of preparation

These interim condensed financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA. The interim condensed financial statements for the six-month period ended June 30, 2018 are the first financial statements of the Fund prepared in accordance with IFRS (Note 4).

Functional and presentation currency

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These interim condensed financial statements are presented in Saudi Riyals ("SR") which is the Fund's functional and presentation currency.

Accounting convention

The interim condensed financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss.

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.

The preparation of financial statements in conformity with IFRS 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 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.

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.

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

3.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made.

Revenue from sale of real estate properties

Policy applicable from January 1, 2018

Revenue is measured based on the consideration specified in a agreement with the counter parties. The Fund generally recognises revenue when it transfers control of property to a counter party, which typically occurs when title of the property is transferred to the counter party.

Policy applicable before January 1, 2018

Revenue arising on sale of plots of land and real estate is recognised when a sale has been completed.

Gains / losses on investment

Unrealised gains and losses on the revaluation of investments at fair value through profit or loss and realised gains and losses on disposal of investments are recognised in the interim statement of comprehensive income.

Dividend Income

Dividend income is recognised when right to receive dividend is established.

3.3 Inventories - real estate properties

Inventories comprise of real estate properties and are carried at lower of cost or net realisable value. Cost is determined using the specific identification method. Net realisable value is the estimated selling price in the ordinary course of business, less estimate cost to sell.

Provision for changes in value of real estate properties is recognised based on the average fair value of real estate properties of two market value evaluations prepared by independent evaluators and is recorded in cost of real estate properties sold. These values are based on the estimates of the independent evaluators are subject to their estimation uncertainties.

3.4 Cash and cash equivalents

Cash and cash equivalents as referred to in the interim statement of cash flows comprise current accounts with banks. Cash and cash equivalents are carried at amortised cost in the interim statement of financial position.

3.5 Zakat and income tax

Zakat and income tax are the obligation of the unit-holders and are not provided for in the interim condensed financial statements.

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

3.6 Financial instruments

Change in accounting policy

The Fund has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of January 1, 2018, which has resulted in insignificant changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. Hence, financial assets and liabilities have not been re-classified/re-measured in these interim condensed financial statements.

As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 4), the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition, if any, were recognised in the opening net assets of the current period.

Set out below are the disclosures relating to the impact of the adoption of IFRS 9 on the Fund. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in below notes.

There were no changes to the classification and measurement of financial assets and liabilities as a result of adoption of IFRS 9.

Reconciliation of statement of financial position balances from SOCPA to IFRS 9

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 3.7.2 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with SOCPA to their new measurement categories upon transition to IFRS 9 on January 1, 2018.

	SOCPA amount December 31, 2017	Re- classifications	Re- measurement	IFRS 9 amount January 1, 2018
Amortised cost				
Cash and cash equivalents	11,083,878	-	-	11,083,878
Other receivables	160,235,000	-	-	160,235,000

The total impact of re-measurement loss relating to ECL allowance was immaterial to the opening net assets of the Fund.

Reconciliation of impairment allowance balance from SOCPA to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with previous incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at January 1, 2018.

	SOCPA Impairment allowance	Re- classification	Re- measurement	IFRS 9 Impairment allowance
Cash and cash equivalents	-	-	-	-
Other receivables	-	-	-	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

3.7.1 Measurement methods

Policy applicable from January 1, 2018

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 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 fair value through profit or loss, 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 fair value through profit or loss are expensed in the interim statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, as described in Note 3.7.3, which results in an accounting loss being recognised in the interim statement of comprehensive income when an asset is newly originated.

Policy applicable before January 1, 2018

All regular-way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and liabilities are initially recognised on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

3.7.2 Classification and measurement of financial assets at fair value through profit or loss

The Fund classifies its financial assets as described below:

Equity instruments

Policy applicable from January 1, 2018

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 assets.

The Fund classifies its equity investments at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss investments, except where the Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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.

Policy applicable before January 1, 2018

Investments are classified as "held for trading" if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring the securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognised in the statement of income but excluding dividend income which is separately shown in the statement of income. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

3.7.3 Impairment of financial assets

Policy applicable from January 1, 2018

The Fund assesses on a forward-looking basis the expected credit losses ("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 net assets in respect of these assets is immaterial at the reporting date.

Policy applicable before January 1, 2018

Financial assets are assessed for impairment when it is established that there is objective evidence that the Fund may not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows discounted based on the original effective yield rate.

3.7.4 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.

3.7.5 Financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

3.7.6 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 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 payables

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

3.9 Provisions

Provisions are recognised when a reliable estimate can be made for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

3.10 Redeemable units

The net asset value of the Fund's portfolio is determined on last Wednesday of each quarter (each a "Valuation Day"). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on a valuation day.

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

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

3.11 Accounting standards issued but not effective

IFRS 16 – Leases has been issued by International Accounting Standard Board (IASB) that is mandatory for the accounting period beginning on or after January 1, 2019 but is not considered to have any significant effect on the Fund's operations.

4. FIRST TIME ADOPTION OF IFRS

The financial statements for the period ended June 30, 2018 are the first interim condensed financial statements of the Fund prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. For periods up to and including the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA.

Accordingly, the Fund has prepared the interim condensed financial statements that comply with IFRS as endorsed by the Kingdom of Saudi Arabia applicable as at June 30, 2018, together with the comparative periods as at January 1, 2017 and as at December 31, 2017. This note explains the principal adjustments made by the Fund in restating its previous statements of financial positions as at January 1, 2017 and December 31, 2017 which had been prepared in accordance with the requirements of SOCPA.

Exemptions applied

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Fund has applied the following exemption:

The Fund has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of January 1, 2018, which resulted in adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 were recognised in the opening net assets (January 1, 2018) of current period. Accordingly, the information presented in comparative periods reflects the requirements of SOCPA and therefore is not comparable to the information presented under the requirements of IFRS 9 for the period ended June 30, 2018.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current period only.

The assessment of business model has been made on the basis of the facts and circumstances that existed at the date of transition.

Estimates

The estimates at January 1, 2017 and at December 31, 2017 are consistent with those made for the same dates in accordance with SOCPA.

The reconciliation to IFRS from previous financial reporting framework (i.e. SOCPA) on statement of financial position as on January 1, 2017 and December 31, 2017 is given below:

	December 31, 2017			January 1, 2017		
	SOCPA SR	Effect of transition to IFRS SR	IFRS SR	SOCPA SR	Effect of transition to IFRS SR	IFRS SR
ASSETS						
Investment in real estate properties	416,369,076	(416,369,076)	-	952,491,270	(952,491,270)	-
Inventories – real estate properties	-	416,369,076	416,369,076	-	952,491,270	952,491,270
Total	416,369,076	-	416,369,076	952,491,270	-	952,491,270

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

The Fund's liabilities, income, expenses, operating and financing cash flows reported under SOCPA did not significantly differ from IFRS.

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>January 1, 2017</i>	<i>Number of Shares</i>	<i>Cost SR</i>	<i>Market value SR</i>
Jabal Omar Development Company	60,000	2,747,913	4,484,400
Arriyadh Development Company	191,916	2,985,116	4,366,089
		<u>5,733,029</u>	<u>8,850,489</u>

6. INVENTORIES - REAL ESTATE PROPERTIES

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

<i>June 30, 2018 (Unaudited)</i>						
<i>Project Description</i>	<i>Cost SR</i>	<i>Development expenses incurred SR</i>	<i>Total cost SR</i>	<i>Fair value excluding development expenses SR</i>	<i>Fair value including development expenses SR</i>	<i>Carrying value (Lower of cost or fair value) SR</i>
Derab-Riyadh	126,496,128	-	126,496,128	148,149,760	148,149,760	126,496,128
Sea View Tower	48,931,850	12,958,150	61,890,000	69,739,118	82,697,268	61,890,000
Knoz Jeddah	62,500,000	7,500,000	70,000,000	48,237,543	55,737,543	55,737,543
Olaya Villas	30,188,623	25,561,377	55,750,000	10,724,436	36,285,813	36,285,813
Al Yamamah- Block(7) Subdivision	39,363,920	-	39,363,920	32,366,870	32,366,870	32,366,870
	<u>307,480,521</u>	<u>46,019,527</u>	<u>353,500,048</u>	<u>309,217,727</u>	<u>355,237,254</u>	<u>312,776,354</u>

<i>December 31, 2017 (Audited)</i>						
<i>Project description</i>	<i>Cost SR</i>	<i>Development expenses incurred SR</i>	<i>Total cost SR</i>	<i>Fair value excluding development expenses SR</i>	<i>Fair value including development expenses SR</i>	<i>Carrying value (Lower of cost or fair value) SR</i>
2017						
Derab-Riyadh	126,496,128	-	126,496,128	151,279,497	151,279,497	126,496,128
Al-Esayi Print Land	120,360,949	32,131,051	152,492,000	65,476,378	97,607,429	97,607,429
Sea View Tower	48,931,850	12,958,150	61,890,000	71,685,557	84,643,707	61,890,000
Knoz Jeddah	62,500,000	7,500,000	70,000,000	50,940,000	58,440,000	58,440,000
Olaya Villas	30,188,623	25,561,377	55,750,000	14,043,313	39,604,690	39,604,690
Al Yamamah- Block(7) Subdivision	39,363,920	-	39,363,920	32,330,829	32,330,829	32,330,829
	<u>427,841,470</u>	<u>78,150,578</u>	<u>505,992,048</u>	<u>385,755,574</u>	<u>463,906,152</u>	<u>416,369,076</u>

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

<i>January 1, 2017 (Unaudited)</i>				<i>Fair value excluding development expenses SR</i>	<i>Fair value including development expenses 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>			
Al-Qarah	191,150,960	-	191,150,960	190,712,524	190,712,524	190,712,524
Al Bawabah-2	188,645,156	24,524,608	213,169,764	167,201,419	191,726,027	191,726,027
Al-Esayi Print Land	120,360,949	32,131,051	152,492,000	87,911,063	120,042,114	120,042,114
Derab-Riyadh	126,496,128	-	126,496,128	252,517,499	252,517,499	126,496,128
Knoz Jeddah	62,500,000	7,500,000	70,000,000	63,468,750	70,968,750	70,000,000
Telal Jeddah	59,916,400	-	59,916,400	58,303,261	58,303,261	58,303,261
Sea View Tower	48,931,850	12,958,150	61,890,000	82,695,017	95,653,167	61,890,000
Olaya Villas	30,188,623	25,561,377	55,750,000	24,292,923	49,854,300	49,854,300
Kasr Jabrah Subdivision	44,102,996	-	44,102,996	44,113,696	44,113,696	44,102,996
Al Yamamah- Block(7) Subdivision	39,363,920	-	39,363,920	39,439,276	39,439,276	39,363,920
	<u>911,656,982</u>	<u>102,675,186</u>	<u>1,014,332,168</u>	<u>1,010,655,428</u>	<u>1,113,330,614</u>	<u>952,491,270</u>

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

7. LOSS ON SALE OF REAL ESTATE PROPERTIES

	<i>30-Jun-18 (Unaudited) SR</i>	<i>30-Jun-17 (Unaudited) SR</i>
Revenue from sale of real estate properties	76,000,000	219,125,000
Cost of real estate properties	(97,607,429)	(249,015,785)
Loss on sale of real estate properties	(21,607,429)	(29,890,785)

8. EFFECT ON NET ASSET VALUE 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 FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

- i) The unrealised gain on real estate properties based on real estate evaluations (fair value) as at June 30, 2018, December 31, 2017 and January 1, 2017 are set out below:

	30-Jun-18 (Unaudited) SAR	31-Dec-17 (Audited) SAR	01-Jan-17 (Unaudited) SAR
Fair value of real estate properties (refer note 6)			
	355,237,254	463,906,152	1,113,330,614
Lower of cost or fair value of real estate properties (refer note 6)	(312,776,354)	(416,369,076)	(952,491,270)
Unrealised gain based on real estate evaluations	42,460,900	47,537,076	160,839,344
Units in issue	26,156,964	36,460,315	54,546,523
Per unit share in unrealised gain based on real estate evaluations	1.62	1.30	2.95

- ii) The net asset values, using the fair values of the real estate properties, as at June 30, 2018, December 31, 2017 and January 1, 2017 are set out below

	30-Jun-18 (Unaudited) SAR	31-Dec-17 (Audited) SAR	01-Jan-17 (Unaudited) SAR
Net asset value, at lower of cost or fair value as presented in these interim condensed financial statements	322,257,103	500,710,049	967,046,797
Unrealised gain based on real estate evaluations (refer note 7 (i))	42,460,900	47,537,076	160,839,344
Net asset value based on fair value	364,718,003	548,247,125	1,127,886,141

- iii) The net asset value per unit, using the fair values of the real estate properties, as at June 30, 2018, December 31, 2017 and January 1, 2017 are set out below:

	30-Jun-18 (Unaudited) SAR	31-Dec-17 (Audited) SAR	01-Jan-17 (Unaudited) SAR
Net asset value per unit, at lower of cost or fair value as presented in these interim condensed financial statements	12.32	13.73	17.73
Impact on net assets value per unit on account of unrealised gain based on real estate evaluations (note 7 (i))	1.62	1.30	2.95
Net asset value per unit using fair value of real estate properties	13.94	15.03	20.68

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

9. 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.

The Fund pays a management fee of 2.25% (2017: 2.25%) per annum on the net asset value at the end of each quarter. The Bank acts as the Fund's banker.

10. PERFORMANCE FEES

In accordance with the agreements executed by the Manager, the Fund is liable to pay performance fees to developers, at the time of liquidation of properties, calculated on the net increases in values of its real estate properties. The terms of the performance fee calculation varies between developers. On a quarterly basis, the Fund accrues for these performance fees at the agreed rates based on the changes in the market value of properties and adjusts the performance fee accordingly if there are over / under accruals in previous periods.

11. 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. Furthermore, the Manager shall make every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Board of the Fund plays a role in ensuring that the Manager fulfils its responsibilities to the benefit of the Unitholders in accordance with the provisions of the Real Estate Investment Funds Regulations and the Terms and Conditions.

11.1 Financial risk management

The Fund's activities are primarily exposed to market risk in addition to the other risks like liquidity and credit risks.

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) Market price risk

Market price risk is the risk that the value of the Fund's real estate investments and financial instruments will fluctuate because of changes in market prices. The Fund's investments are susceptible to market price risk arising from uncertainties about future prices. The Manager seeks to limit this risk through diversification of its investment portfolio as detailed in note 5 and 6.

(ii) 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 the Fund is not carrying any significant special commission bearing investments, the Fund is not subject to significant special commission rate risk.

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial assets and liabilities are denominated in Saudi Riyal and therefore the Fund is not exposed to any currency risks.

(iv) Legal risk

As set out in note 6, title deeds of certain real estate properties are registered in the name of subsidiaries of the Bank and the Manager. The enforceability of any related rights and obligations are subject to interpretation and enforceability in the relevant courts of law.

(b) Liquidity risk

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

Samba Real Estate Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

The Fund arranges for the subscriptions and redemptions of units on a scheduled basis and is therefore exposed to the liquidity risk of meeting unit holder 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.

The Manager's expectation of timing for settlement of financial liabilities is summarised below:

As at June 30, 2018
(Unaudited)

Financial liabilities	7 days to 1 month SR	1-12 months SR
Redemptions payable	-	34,013,538
Management fee payable	18,738,793	-
	<u>18,738,793</u>	<u>34,013,538</u>

As at December 31, 2017
(Audited)

Financial liabilities	7 days to 1 month SR	1-12 months SR
Redemptions payable	-	72,955,166
Management fee payable	13,306,843	-
	<u>13,306,843</u>	<u>73,671,062</u>

As at January 1, 2017
(Unaudited)

Financial liabilities	7 days to 1 month SR	1-12 months SR	More than 12 months SR
Redemptions payable	-	157,663,870	-
Performance fee payable	-	-	12,185,166
Management fee payable	7,565,999	-	-
	<u>7,565,999</u>	<u>157,663,870</u>	<u>12,185,166</u>

(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. The proceeds receivable against the sale of real estate properties are included in other receivables. Currently, the Fund is not exposed to any significant credit risk. The Bank balances are held with the Bank which has been assigned investment grade rating by Moody's & S&P with A1 and BBB+ respectively.

11.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to the 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 for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Manager monitor capital on the basis of the value of net assets attributable to unitholders.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2018

11.3 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 except for investments at fair value through profit or loss and real estate properties whose fair value are disclosed in note 5 and note 6 to these interim condensed financial statements respectively. Investments at fair value through profit or loss and real estate properties are held in level 1 and level 3 hierarchy of fair value respectively.

12. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at June 30, 2018 were classified under amortised cost category. All financial assets (except for investments at fair value through profit or loss) as at January 1, 2017 were classified as and measured at fair value. All financial liabilities as at December 31, 2017 and January 1, 2017 were classified as other financial liabilities category and measured at amortised cost.

13. LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2018 (2017: June 30, 2017).

14. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on July 31, 2018.