

Samba Real Estate Fund

Interim Condensed Financial Statements and
Independent Auditor's Report
For the Period Ended June 30, 2019



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, 2019, and the related statements 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: _____
Bader I. Benmohareb
License Number 471

July 29, 2019

Samba Real Estate Fund

INTERIM STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

	<i>Note</i>	<i>June 30, 2019 (Unaudited) SAR</i>	<i>December 31, 2018 (Audited) SAR</i>	<i>June 30, 2018 (Unaudited) SAR</i>
ASSETS				
Cash and cash equivalents		23,562,872	5,394,202	11,518,537
Inventories - real estate properties	4	276,776,422	311,717,281	312,776,354
Other receivables		-	-	51,000,000
TOTAL ASSETS		300,339,294	317,111,483	375,294,891
LIABILITIES				
Redemption payable		44,706,899	6,200,367	34,013,538
Management fee payable	7	11,432,003	9,815,907	18,738,793
Accrued expenses		1,313,992	667,915	285,457
TOTAL LIABILITIES		57,452,894	16,684,189	53,037,788
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		242,886,400	300,427,294	322,257,103
Units in issue		21,473,118	24,968,930	26,156,964
Per unit value	6	SR 11.31	SR 12.03	SR 12.32

The notes 1 to 12 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, 2019

	<i>Note</i>	2019 (Unaudited) SAR	2018 (Unaudited) SAR
INCOME/(LOSS)			
Loss on sale of real estate properties	5	(9,294,495)	(21,607,429)
Provision for changes in value of real estate properties	4	(1,384,406)	(5,985,293)
Other income		4,901	403,758
TOTAL INCOME		(10,674,000)	(27,188,964)
EXPENSES			
Management fee	7	1,616,096	5,431,949
Other expenses		789,306	427,602
TOTAL EXPENSES		2,405,402	5,859,551
NET LOSS FOR THE PERIOD		(13,079,402)	(33,048,515)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(13,079,402)	(33,048,515)

The notes 1 to 12 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, 2019

	<i>Note</i>	2019 (Unaudited) SAR	2018 (Unaudited) SAR
OPERATING ACTIVITIES			
Net loss for the period		(13,079,402)	(33,048,515)
Adjustment for:			
Provision for changes in value of real estate properties	4	1,384,406	5,985,293
		(11,694,996)	(27,063,222)
Changes in operating assets and liabilities:			
Inventories – real estate properties	4	33,556,453	97,607,429
Other receivables		-	109,235,000
Management fee payable		1,616,096	5,431,950
Accrued expenses		646,077	(430,439)
Net cash generated from operating activities		24,123,630	184,780,718
FINANCING ACTIVITIES			
Proceeds from units sold		245,407	350,800
Value of units redeemed, net		(6,200,367)	(184,696,859)
Net cash used in financing activities		(5,954,960)	(184,346,059)
NET CHANGE IN CASH AND CASH EQUIVALENTS		18,168,670	434,659
Cash and cash equivalents at the beginning of the period		5,394,202	11,083,878
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		23,562,872	11,518,537

The notes 1 to 12 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, 2019

	2019 (Unaudited) SAR	2018 (Unaudited) SAR
NET ASSETS AT THE BEGINNING OF THE PERIOD	300,427,294	500,710,049
CHANGES FROM OPERATIONS		
Total comprehensive loss for the period	(13,079,402)	(33,048,515)
CHANGES FROM UNIT TRANSACTIONS *		
Proceeds from units sold	245,407	350,800
Value of units redeemed	(44,706,899)	(145,755,231)
Net change from unit transactions	(44,461,492)	(145,404,431)
Net assets at the end of the period	242,886,400	322,257,103

* 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:

	2019 (Unaudited) Units	2018 (Unaudited) Units
UNITS AT THE BEGINNING OF THE PERIOD	24,968,930	36,460,315
Units sold	19,295	24,972
Units redeemed	(3,515,107)	(10,328,323)
Net change in units	(3,495,812)	(10,303,351)
UNITS AT THE END OF THE PERIOD	21,473,118	26,156,964

The notes 1 to 12 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, 2019

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).

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, 2018.

2. REGULATING AUTHORITY

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

3. SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard – 34 “Interim Financial Reporting” (IAS 34) as endorsed in the Kingdom of Saudi Arabia. The accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2018.

4. INVENTORIES - REAL ESTATE PROPERTIES

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

<i>June 30, 2019 (Unaudited)</i>				<i>Fair value excluding development expenses incurred SR</i>	<i>Fair value including development expenses incurred SR</i>	<i>Carrying value (Lower of cost or fair value) SR</i>
<i>Project Description</i>	<i>Cost SR</i>	<i>Development expenses incurred SR</i>	<i>Total cost SR</i>			
Derab-Riyadh	126,496,128	-	126,496,128	143,350,628	143,350,628	126,496,128
Sea View Tower	48,931,850	12,958,150	61,890,000	62,263,874	75,222,024	61,890,000
Knoz Jeddah	62,500,000	7,500,000	70,000,000	45,100,000	52,600,000	52,600,000
Olaya Villas	30,188,623	25,561,377	55,750,000	10,228,917	35,790,294	35,790,294
	<u>268,116,601</u>	<u>46,019,527</u>	<u>314,136,128</u>	<u>260,943,419</u>	<u>306,962,946</u>	<u>276,776,422</u>

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

December 31, 2018 (Audited)				Fair value excluding	Fair value including	Carrying value
Project	Cost	Development	Total	development	development	(Lower of
Description	SR	expenses	cost	expenses	expenses	cost or
		incurred	SR	incurred	incurred	fair value)
		SR		SR	SR	SR
Derab-Riyadh	126,496,128	-	126,496,128	146,848,100	146,848,100	126,496,128
Sea View Tower	48,931,850	12,958,150	61,890,000	64,835,033	77,793,183	61,890,000
Knoz Jeddah	62,500,000	7,500,000	70,000,000	45,988,887	53,488,887	53,488,887
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	33,556,453	33,556,453	33,556,453
	307,480,521	46,019,527	353,500,048	301,952,909	347,972,436	311,717,281

June 30, 2018 (Unaudited)				Fair value excluding	Fair value including	Carrying value
Project	Cost	Development	Total	development	development	(Lower of
Description	SR	expenses	cost	expenses	expenses	cost or
		incurred	SR	incurred	incurred	fair value)
		SR		SR	SR	SR
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
	307,480,521	46,019,527	353,500,048	309,217,727	355,237,254	312,776,354

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.

5. LOSS ON SALE OF REAL ESTATE PROPERTIES

	30-Jun-19 (Unaudited) SR	30-Jun-18 (Unaudited) SR
Revenue from sale of real estate properties	24,261,958	76,000,000
Carrying value of real estate properties	(33,556,453)	(97,607,429)
Loss on sale of real estate properties	(9,294,495)	(21,607,429)

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

6. 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.

- i) The unrealised gain on real estate properties based on real estate evaluations (fair value) as at June 30, 2019, December 31, 2018 and June 30, 2018 are set out below:

	30-Jun-19 (Unaudited) SAR	31-Dec-18 (Audited) SAR	30-Jun-18 (Unaudited) SAR
Fair value of real estate properties (refer note 4)	306,962,946	347,972,436	355,237,254
Lower of cost or fair value of real estate properties (refer note 4)	(276,776,422)	(311,717,281)	(312,776,354)
Unrealised gain based on real estate evaluations	30,186,524	36,255,155	42,460,900
Units in issue	21,473,118	24,968,930	26,156,964
Per unit share in unrealised gain based on real estate evaluations	1.41	1.45	1.62

- ii) The net asset values, using the fair values of the real estate properties, as at June 30, 2019, December 31, 2018 and June 30, 2018 are set out below

	30-Jun-19 (Unaudited) SAR	31-Dec-18 (Audited) SAR	30-Jun-18 (Unaudited) SAR
Net asset value, at lower of cost or fair value as presented in these interim condensed financial statements	242,886,400	300,427,294	322,257,103
Unrealised gain based on real estate evaluations (refer note 6 (i))	30,186,524	36,255,155	42,460,900
Net asset value based on fair value	273,072,924	336,682,449	364,718,003

Samba Real Estate Fund

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

- iii) The net asset value per unit, using the fair values of the real estate properties, as at June 30, 2019, December 31, 2018 and June 30, 2018 are set out below:

	30-Jun-19 (Unaudited) SAR	31-Dec-18 (Audited) SAR	30-Jun-18 (Unaudited) SAR
Net asset value per unit, at lower of cost or fair value as presented in these interim condensed financial statements	11.31	12.03	12.32
Impact on net assets value per unit on account of unrealised gain based on real estate evaluations (note 6 (i))	1.41	1.45	1.62
Net asset value per unit using fair value of real estate properties	12.72	13.48	13.94

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.

The Fund pays a management fee of 1% (2018: 2.25%) per annum on the net asset value at the end of each semi-annual period end (2018: each quarter). The Bank acts as the Fund's banker.

8. STATUS OF TAX ASSESSMENTS

During the period, the Fund has received its Value Added Tax (VAT) assessment from General Authority of Zakat & Tax (GAZT) for the year ended 2018. GAZT in its assessment has raised a demand of SAR 3.8 million towards VAT liability and a penalty of SAR 1.99 million on the project sold during the year 2018. The Fund has submitted appeals to the GAZT for the waiver of VAT as well as the related penalty on the basis of lack of clarity relating to transfer of ownership of the properties under KSA VAT regulations. To avoid further penalties, the Fund has paid VAT on the project sold during the current period. The Fund Manager has borne the penalties related to the above assessment and the VAT to the extent of the units redeemed/subscribed during 2018.

9. FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the six month period ended June 30, 2019

10. FINANCIAL INSTRUMENTS BY CATEGORY

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

11. LAST VALUATION DAY

The last valuation date for the purpose of preparation of these interim condensed financial statements was June 30, 2019 (2018: June 30, 2018).

12. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Board on July 28, 2019.