

# Taleem REIT Fund

Annual Report - 2025



## Content

- Fund Overview
- Assets in which the fund is investing in.
- Assets in which fund is aiming to invest in
- Fund Performance
- Description of the fund's benchmark:
- Management Discussion and Analysis
- Real Estate Assets Overview
- Fundamental or non-Fundamental changes
- Risk Assessment Report
- Fund Governance and Other Disclosures
- Services, commissions, fees and expenses
- Financial Statements

## **Taleem REIT Fund Overview**

Taleem REIT Fund (the “Fund”) is a shariah-compliant, closed and publicly traded real estate investment Fund that is established under Real Estate Investment Funds Regulations Instructions issued by the Capital Market Authority (“CMA”).

The Fund is considered to be the first thematic fund that was listed on the Saudi Stock Exchange (“Tadawul”) in mid-2017. The Fund aims to invest in real estate assets in the educational segment, which is one of the basic and most stable sectors to invest inside and outside of Kingdom of Saudi Arabia. As of 31 December 2025 100% (7 properties) of Fund’s real estate assets are freehold properties and the Fund has zero investments in leasehold properties.

The Fund was established by acquiring real estate asset of Al-Tarbiyah Al-Islamiyah Schools, which is one of the oldest and amongst the most prestigious schools in the city of Riyadh. The Fund has a long-term triple net binding lease contract of 27 years with the operator of this school. Further, in continuation with implementation of the Fund’s strategy, during 2018, the Fund acquired another real estate asset which is leased to Al-Rowad International Schools for a period of 30 years (starting 1 January 2012) under a triple net binding lease contract. This school is considered as one of the most prestigious schools in the Kingdom of Saudi Arabia. Further, during mid-2020, the Fund acquired real estate asset of Al-Ghad National Schools located in King Abdullah District, Riyadh. This school is wholly-owned and operated by National Company for Learning and Education. The real estate property is leased to the school for a period of 10 years, which is automatically renewed for additional three five-year periods (total lease term of 25 years); unless the lessee elects to not renew by serving a 5-year advance notice period to the lessor.

Demonstrating its commitment to expanding capacity, the Taleem REIT Fund undertook development of a new building on existing Tarbiah Islamiah School in 2022. The development of this new building was completed in 2023 and successfully handed over to the tenant, allowing them to begin school operations for the academic year. This expansion ensures the school can accommodate a growing student body and contributes to the Fund's long-term success. Additionally, the Fund acquired a portfolio of four properties in 2022, comprising three kindergartens in Riyadh and a K12 school in Dammam. These schools are leased to Al Khaleej Training and Education Company (average remaining lease term of 17.7 years since acquisition).

All seven long-term lease contracts have periodic escalation clauses and due to their long-term nature, they provide certainty, transparency and predictability in respect of future cashflows. Accordingly, the Fund features a quarterly dividend distribution policy, which is well-liked amongst the investor community and hence reflects positively on Fund’s unit price.

Taleem REIT Fund is managed by Saudi Fransi Capital (“Fund Manager”) a leading financial services provider offering investment banking, asset management, debt and equity research, institutional sales trading, and local and global securities brokerage. Saudi Fransi Capital is the investment arm of Banque Saudi Fransi, where it was trademarked with a paid up capital of 500 million Saudi Riyals and is a closed joint stock company in the Kingdom of Saudi Arabia. It is licensed by the Capital Market Authority with license 11153-37 to conduct a wide range of investment activities include dealing, arranging, managing, advising and custody of securities business.

### **Assets in which fund is aiming to invest in:**

The Fund aims to form an investment portfolio linked to the education and training sector in the Kingdom of Saudi Arabia and abroad, capable of achieving periodic rental income which will generate returns on the invested capital in line with the Fund’s investment strategy. The Fund can also invest in real estate development projects, provided it does not invest in white lands.

## Key Financial Performance as at 31 December 2025

Total Revenue 66,912,593	Total Expense excluding depreciation and impairment (26,186,230)	Net Income before zakat 33,736,012
Net Income after zakat 33,736,012	Total Dividends (33,246,622)	Price per unit range 9.30 – 10.60
Occupancy Rate 100%	Net Asset Value (Book Value) 550,174,922	Net Asset Value (Fair Value) 828,408,381
Annualized Dividend Yield 6.4%	Percentage of uncollected revenues from total revenues 14%	Ratio of non-cash expenditures from the fund's net profits 21%

<b>Education Segment</b>
Occupancy Rate 100%
Operating Profit 33,736,012
Total Apartments/Villas 7

<b>Leased real-estate to the total owned real estate</b>	<b>Uneased real-estate to the total owned real estate</b>
100%	0.00%

### Percentage of rent amount for each asset in the total rent of the fund's assets:

Property	Total rent of the fund's assets	Percentage of rent amount for each asset
Al Tarbiah Islamiah School	26,654,705.33	22.04%
Al Rwad International School	20,911,821.62	18.21%
Al Ghad National School	6,283,061.04	7.63%
Al Khaleej Education and Training Co. - Al Malqa	2,821,110.00	3.11%
Al Khaleej Education and Training Co. - Aleshraq	2,431,487.52	2.24%
Al Khaleej Education and Training Co. – Al Narjis	2,951,359.92	3.16%
Al Khaleej Education and Training Co. - Hitteen	4,255,467.12	4.76%

**Performance of the fund during the last (3) financial years or since the inception (SAR)**

	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>The fund net assets value at the end of each fiscal year. (book value)</b>	550,174,922	549,685,532	549,808,260
<b>The fund net assets value at the end of each fiscal year. (fair value)</b>	828,408,381	803,773,640	657,398,929
<b>The fund net assets value per unit at the end of each fiscal year</b>	10.7877	10.7967	11.5012
<b>Highest net asset value of the fund per unit for each fiscal year.</b>	10.7877	10.7967	11.5012
<b>Lowest net asset value of the fund per unit for each fiscal year.</b>	9.30	10.7552	10.9805
<b>Income distribution per unit, if any</b>	0.65	0.64	0.64
<b>The number of units issued at the end of each fiscal year.</b>	51,000,000	51,000,000	51,000,000
<b>Dividend per Unit</b>	0.16-0.17	0.16	0.16
<b>the percentage of the fund's costs to the fund's total assets value</b>	3.88%	4.1%	3.23%
<b>Expense Ratio</b>	3.88%	4.1%	3.23%
<b>Total Return per annum*</b>	8.18%	27.23%	20.18%
<b>Cumulative Total Return Result of comparing the Fund's Benchmark to the fund's performance number of units</b>	N/A	N/A	N/A
<b>Percentage of borrowed Assets in the total asset Value, their period for Fulfilment and due date (using book value of assets)</b>	34.76% June 2027	34.02% June 2027	34.63% June 2027
<b>Cumulative return on the unit (since inception)</b>	100.35%	102.68%	53.69%

**\*Total return is calculated based on fair value NAV and dividend payments for each fiscal year.**

**1. Previous Performance record**

**Total Annualized Return for 1 Year, 3 Years, 5 Years, and Since Inception**

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>Since Inception</b>
<b>Total Return</b>	8.18%	52.66%	70.12%	100.35%

### Total Annual Returns for Each of the Past 10 Years or Since Inception

Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	Since Inception
Total return	8.18%	27.23%	20.18%	8.34%	7.97%	7.05%	7.37%	7.24%	4.58%	100.35%

Note: The Fund was incorporated during the year 2017.

Description of the fund's benchmark:

NA

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

The education sector in Saudi Arabia continues to demonstrate strong and sustained growth, supported by favorable demographic trends and ongoing reforms under Vision 2030. As of 2025, the Kingdom's population is estimated to have exceeded 36 million, maintaining a robust growth trajectory driven by both natural population increase and expatriate inflows. This expansion continues to drive rising demand for high-quality educational infrastructure and services.

Despite this growth, Saudi Arabia still maintains one of the lowest private school penetration rates in the GCC, estimated at approximately 17–18%. However, there remains a strong and increasing preference among Saudi nationals and expatriates for private education. This aligns with Vision 2030's objective to increase private school enrollment to 25% by 2030, creating a clear pathway for continued sector expansion.

Riyadh remains at the center of this growth. The city's population is expected to approach 10 million by 2030, supported by economic diversification initiatives and large-scale development projects attracting both local and international talent. This population growth is expected to significantly increase demand for school capacity. Current estimates suggest that Riyadh will require over 100 additional schools by 2030, with a substantial portion expected to be delivered by the private sector to meet evolving educational preferences.

Government and private sector investments in education remain strong. Saudi Arabia continues to allocate a significant portion of its national budget to education, reinforcing its position as one of the largest education spenders in the region. At the same time, investor interest in the sector remains high, supported by regulatory reforms, privatization initiatives, and increasing participation from local and international operators.

Taleem REIT remains well-positioned to capitalize on these favorable market dynamics. Since its initial investment in 2017, the Fund has continued to expand and optimize its portfolio of educational assets. As of 2025, Taleem REIT manages a diversified portfolio of income-generating school assets with total assets under management of approximately SAR 856] million. This strategic positioning enables the Fund to benefit from the growing demand for quality educational facilities while delivering stable and attractive returns to investors.

## Regulatory Changes

NA

## Fund Operations Review

Taleem REIT has reported total revenues of SAR 66.9 million and a net profit of SAR 33.7 million for the year ended 31 December 2025. Total expenses (operating and non-operating) of the Fund amounted to SAR 33.1 million, of which 21.1 million for finance charges, SAR 6.9 million relates to depreciation, SAR 3.8 million for management fees

As a result of stable and natural growth of the Fund's assets, total dividends amounting to SAR 33.2 million were distributed amongst unitholders of the Fund during 2025.

## Subsequent Update

Subsequent to the year-end, following events have occurred:

The Fund's Board of Directors approved the announcement and distribution of dividends in the amount of 8.67 million Saudi Riyals (0.17 Saudi riyals per unit).

## Assets in which the fund is investing in:

### Al Tarbiyah Al Islamiyah Schools (Freehold)

It is a school located in Al-Rahmaniya district in Riyadh and leased by Islamic Education Schools Company Limited. The school has been in operations for a period of more than fifty years.

### Asset Information

Asset Name	Al Tarbiyah Al Islamiyah Schools
Asset type	Education Building
Location	Riyadh, Ar Rahmaniyyah District
Land Area	45,666.94 m <sup>2</sup>
Built-up Area	42,180 m <sup>2</sup>
Year constructed and operated	1384 Hijri corresponding to 1964 Gregorian
Occupancy Rate	100%
Asset Value	SAR 388,752,500

### Al-Rowad International School: AIS

The real estate is a school located in Al-Nuzha district, Riyadh, plot number (232), plan number (1954/A) and leased by Al-Rowad International Schools Company. The school started its operations on 01/04/1435 AH corresponding to 1/1/2012 AD.

#### Asset Information

Asset Name	Al-Rowad International School
Asset type	Education Building
Location	Riyadh, Al Nuzha District
Land Area	30,000 m <sup>2</sup>
Built-up Area	52,205 m <sup>2</sup>
Year constructed and operated	1435 Hijri corresponding to 2012 Gregorian
Occupancy Rate	100%
Asset Value	SAR 322,724,000

### Al-Ghad National Schools: Al-Ghad

The school located in King Abdullah District on Al-Uruba Street and it is leased by Al-Ghad National Schools.

#### Asset Information

Asset Name	Al-Ghad National Schools
Asset type	Education Building
Location	Riyadh, King Abdullah District
Land Area	11,282 m <sup>2</sup>
Built-up Area	17,458 m <sup>2</sup>
Year constructed and Operated	1441 Hijri corresponding to 2019 Gregorian
Occupancy Rate	100%
Asset Value	SAR 95,249,000

### Al Khaleej Schools - Hitten

#### Asset Information

Asset Name	Hitten School
Asset type	Education Building
Location	Riyadh, Hitten District
Land Area	4,725 m <sup>2</sup>
Built-up Area	8,063 m <sup>2</sup>
Year constructed and Operated	1441 Hijri corresponding to 2019 Gregorian
Occupancy Rate	100%
Asset Value	SAR 56,692,500

## Al-Khaleej Schools – Al-Narjis

### Asset Information

Asset Name	Al Narjis School
Asset type	Education Building
Location	Riyadh, Al Narjis District
Land Area	3,713 m <sup>2</sup>
Built-up Area	7,246 m <sup>2</sup>
Year constructed and Operated	1441 Hijri corresponding to 2019 Gregorian
Occupancy Rate	100%
Asset Value	SAR 39,939,500

## Al Khaleej Schools – Al-Malqa

### Asset Information

Asset Name	Al Malqa School
Asset type	Education Building
Location	Riyadh, AL Malqa District
Land Area	2,985 m <sup>2</sup>
Built-up Area	5,527 m <sup>2</sup>
Year constructed and Operated	1441 Hijri corresponding to 2019 Gregorian
Occupancy Rate	100%
Asset Value	SAR 37,670,500

## Al Khaleej Schools – Al Ishraq – Dammam

### Asset Information

Asset Name	Al Ishraq Schools
Asset type	Education Building
Location	Dammam, Al Hamra District
Land Area	8,000 m <sup>2</sup>
Built-up Area	8,019 m <sup>2</sup>
Year constructed and Operated	1422 Hijri corresponding to 2001 Gregorian
Occupancy Rate	100%
Asset Value	SAR 32,294,500

### **Any Fundamental or non-Fundamental changes that occurred during the period and which affected the performance of the fund**

- Mr. Ehab Taleb Farhan, a member of the board of directors, has resigned.
- Ms. Haifa bint Fahd Al-Qoufi has been appointed as a non-independent member of the board of directors.

### **RISK ASSESSMENT REPORT**

As part of effective risk management policy, the Fund Manager has adopted a four-point framework to ensure risks are appropriately identified and mitigated. The components of framework are as follows: Annual review of Risk Register and Control Matrix, Third Party Risk Management Strategy ("TPRM"), Continuous monitoring and reporting of any non-compliance with the regulations, and Annual monitoring of outstanding external audit recommendations. To address each of these areas, the Fund Manager has adopted policies and/or designated specific departments/staff at SFC to effectively mitigate those risks.

#### **The risk of not having an investment profitability guarantee in the Fund**

Not ensuring that the Fund will be able to achieve investment returns or that the returns will be proportional to the Fund's investments. It is possible that the value of the units may decrease or the Fund may lose some or all of its capital. It is not possible to provide a guarantee that the expected or targeted returns of the Fund will be achieved. To reduce these risks, real estate assets are evaluated twice a year by independent valuers, and changes in market conditions are taken into account and actions are taken to protect the value of real estate and investment profitability.

#### **Risks of not fulfilling the relevant regulations**

The Fund may become ineligible to be a real estate investment Fund in accordance with Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions as issued by the CMA. This can have negative effects on the liquidity of trading in the Fund's units, which may negatively affect the value of its investments. It should be noted that there is no guarantee that the Fund will remain in circulation in the financial market due to the failure to meet the regulatory requirements. To reduce these risks, the Fund Manager follows all the rules and regulations with independent supervision by the Compliance and Compliance Department on all the activities of the Fund.

#### **The risks of changing interest rates and general economic conditions**

Changes in economic conditions, including interest rates and inflation, will negatively affect the business and opportunities of the Fund. To reduce these risks, the value and amount of financing is studied, which greatly reduces the risk of interest rates. As of the reporting date, the Fund is not exposed to interest rate risk on account of no utilization of loan facilities.

#### **The nature of the investment risk**

There will be no guarantee that the Fund will be able to achieve returns on its investments in a timely manner. There may be no possibility to sell or dispose of its assets, and if it is decided to dispose of it by selling, there may be no possibility to sell it at a price that the Fund Manager believes represents the fair value to it or to be sold within the time frame required by the Fund. To reduce these risks, none of the assets owned by the Fund will be sold until after the appropriate procedures are followed to sell them, according to the market conditions at the time.

## **Real estate investment risks**

The Fund will be affected by the general real estate sector conditions in the Kingdom of Saudi Arabia, which in turn are affected by many factors, including but not limited to, macroeconomic growth, political stability, change in interest rates, supply and demand, financing availability, real estate trends, liquidity, the legal and regulatory environment, and other conditions that may affect the real estate market prices, which in turn is reflected in the value of the Fund's units. To reduce these risks, the Fund Manager follows economic news, regulatory trends and laws that would help the Fund Manager to be proactive in taking the necessary steps to mitigate or reduce the impact of the event as much as possible.

### **Risks of a decrease in the value of the property**

The value of real estate is subject to fluctuations and changes. The change in the indicators of the Saudi economy may lead to a decrease in the market value of the Fund's investments, which in turn may lead to a decrease in the Fund's returns or the liquidation of the Fund. In addition, investments in commercial and residential real estate are exposed to risks that affect the commercial and residential real estate sector in general, including seasonal changes, real estate buyers desire and changes in economic conditions. To reduce these risks, Fund's assets are evaluated twice a year by independent valuers, and the Fund Manager may use internal valuations for various purposes, including knowing market conditions well to avoid loss.

### **Risks of tenants being unable to meet their lease obligations**

The real estate assets are leased by three tenants. Consequently, the Fund is vulnerable in the event that one of the tenants fails to fulfill its obligations. If one of the tenants fails to pay the payments due on a real estate or real estate assets, this may limit the ability of the Fund Manager to re-rent or rent the property on satisfactory terms. The real estate assets are leased by schools that have an operating profitability that enables them to commit to paying the rental amounts on a regular basis, and this is ultimately due to the Fund Manager's due diligence of operator's ability to make contractual payments.

### **The risks of not occupying the real estate for long periods**

When any of the real estate units becomes vacant for long periods as a result of the expiry of the lease contract without renewing it, the inability of the tenant to legally complete the lease, the tenant has declared bankruptcy, cancellation or non-renewal of the contract or other reasons, the Fund may suffer from a decrease in returns, and hence lower periodic dividends for investors. To reduce these risks, high occupancy rates must be maintained, the Fund's properties managed appropriately, the property manager should be followed in the lease operations and find a replacement. The current occupancy rate is 100% for long-term contracts. Prior notice is provided by either party before the contract is terminated so that the Fund manager can find an alternative.

### **Risks of operating companies or companies specialized in property management**

The Fund will use a company or companies specialized in operating and managing real estate assets. On the other hand, the Fund can enter into triple net lease agreement to ensure Fund's assets are maintained by the operator. Accordingly, any failure, or defect in the level of service provided by the operator or the tenant for any reason will have a direct and negative impact on the performance of the Fund and its financial position, and thus on the unit price. To reduce these risks, the Fund Manager undertakes a thorough analysis to ensure operator has the capacity and ability to maintain assets. This is

further verified by period inspections as undertaken by the Fund Manager and/or its affiliates (such as valuers).

#### **Real estate development risks**

1. Delay in completing works in a timely manner.
2. Exceeding the specified costs
3. The inability to achieve lease contracts at the expected levels
4. Force majeure resulting from factors outside the control of the fund related in particular to the contracting sector

Note that the fund does not intend to engage in any real estate development project at the present time, but in the event of entering into development projects in the future, the fund will develop a clear and logical plan that includes the necessary studies to avoid any problems.

#### **Risks of the possibility of not being able to renew the lease or re-lease the leased area at the end of the contract period**

The Fund depends on its profit on the rental amounts paid by the tenants and accordingly, the financial position of the Fund and the results of operations and cash flow as well as the ability of the Fund to distribute profits may be affected negatively in the event that the Fund is not able to immediately re-rent properties or renew the lease contracts. To reduce these risks, the lease contracts concluded with a prior notice period are included, enabling the Fund to search for an alternative tenant, and the Fund seeks to renew the lease contracts in line with the prevailing market conditions.

#### **Risks of concluding long-term leases**

The Fund will enter into long leases with some tenants. These contracts may include increases in the rental value or may not include it. It is expected that the returns of the Fund will decrease when there is an increase in operating costs, inflation rates, change in currency exchange rates, or an increase in real estate prices with the stability of the rental payments. To reduce these risks, these contracts must be based on commercial foundations and future aspirations to avoid losses.

#### **The risks of investing in the educational sector**

The Fund's performance will be affected by factors that affect the education sector in general. These factors may include factors related to demand levels, including any economic downturn, restrictions imposed in the educational system in general, revocation of licenses granted to private schools, or any regulations or regulations (including those related to taxes and fees), or factors related to supply levels, including increased supply from private or governmental schools. The education sector is one of the defense sectors and is the least affected by economic conditions. Further, the operators of Fund's schools' assets are well-known and have a strong loyal base of students/parents. Hence, the threat from new entrants is deemed to be low.

#### **Risk of pandemics and/or similar situations resulting in lockdowns that might affect tenants' school operations and their ability to honor lease payments**

The Fund owns three properties that are leased to tenants operating in K12 educational industry. There is a risk that a pandemic or similar situation might result in 'distance learning model' whereby tenants' use of school property might be limited. In such a situation, schools' financial performance might suffer and accordingly, they might not honor their rental payments on time. The Fund Manager mitigates this risk by ensuring Fund's interests are protected by way of promissory notes, corporate guarantees or other relevant means in lease contracts. Further, the Fund Manager aims to preserve Fund's strategic contractual relationships by engaging with all tenants in a timely fashion.

## FUND GOVERNANCE

In line with CMA rules and regulation, Taleem REIT Fund Board of Directors supervise and monitor the progress of Fund's performance in line with Fund's terms and conditions. During 2024, the Fund's Board of Directors held three (2) meetings. During these meetings, Fund's performance along with any regulatory and compliance related matters were duly discussed.

### Fund Board Meetings

Meeting	Date
Fund Board Meeting	9 November 2025
Fund Board Meeting	14 December 2025

### Summary of Major Decisions

1	Approvals on dividend payments (four approvals during the year)
2	Approvals on T&Cs Changes

### Services, commissions, fees, and expenses charged to the Fund throughout the year

Description	Amount (SAR)
Management fee	3,825,000
Registration fee (Tadawul)	400,000
Listing fee	160,881
Valuation expense	138,379
Insurance expense	69,134
Custody fee	276,741
Audit fee	80,000
Fund board fee	40,000
Regulatory fee (CMA)	7,500
Finance cost	21,136,345
Depreciation expense	6,990,351
Other expenses	52,250
<b>Total Expense Ratio</b>	<b>3.88%</b>

## **Fund Manager**

Saudi Fransi Capital

8092 King Fahd Road – Riyadh – Kingdom of Saudi Arabia

Mailing Address: P.O. Box 23454 – Riyadh 11426 – Kingdom of Saudi Arabia

Telephone: +966 11 282 6666 – Fax: +966 11 282 6667

## **Custodian**

Value Capital

King Abdulaziz Branch Road, Building Number 6747 P.O.Box 395737 Riyadh 11375.

Telephone: +966-11-4194955

Email address: Custody@valuecapital.sa

## **Financial Auditor**

BDO Dr. Mohamed Al-Amri & Co.

Moon Tower 7th & 8th floor

7542 King Fahad Branch Road - Ar Rahmaniya

Riyadh 12341-4119

Saudi Arabia

Office +966 11 2780 608

www.bdoalamri.com

**Fund reports are available upon request and free of charge. These reports are also available on the Fund Manager's website for free at [www.bsfcapital.sa](http://www.bsfcapital.sa) and on the Saudi Stock Exchange website (Tadawul)**

Saudi Fransi Capital (Closed Joint Stock Company owned by Banque Saudi Fransi) – Commercial Registration 1010231217 – Authorized and Regulated by the Capital Market authority (CMA) under license 11153-37

**TALEEM REIT FUND**  
**A Closed End Real Estate Investment Traded Fund**  
**(Managed by Saudi Fransi Capital Company)**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)

---

FINANCIAL STATEMENTS  
For the year ended 31 December 2025

<b>INDEX</b>	<b>PAGE</b>
Independent auditor's report to the Unitholders and Fund Manager	1 - 3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in net assets attributable to the Unitholders	6
Statement of cash flows	7
Notes to the financial statements	8 - 26

## INDEPENDENT AUDITOR'S REPORT

### To the unitholders of Taleem REIT Fund Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Taleem REIT Fund (the "Fund")** managed by **Saudi Fransi Capital Company (the "Fund Manager")**, which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in net assets attributable to the unitholders and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Fund in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How our matter was addressed in our report
<p><b>Valuation of investment properties</b></p> <p>As at 31 December 2025, the carrying value of the Fund's investment properties were ٦٩٣.٥ million.</p> <p>The investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. The fair value of the investment properties is provided as a disclosure.</p> <p>For assessing the impairment of investment properties and to provide fair values for the required disclosure, Fund Manager engages two independent external certified property valuers to perform a valuation of the Fund's investment properties on a semi-annual basis.</p> <p>We considered this as a key audit matter as the external valuation used for the impairment assessment and disclosure requires significant assumptions and judgments and the potential impact of impairment, if any, could be material to the financial statements.</p>	<p>We have carried out the following audit procedures:</p> <ul style="list-style-type: none"><li>• We obtained the valuation reports prepared by the two external valuers as at 31 December 2025 and assessed the recoverable amount of investment properties;</li><li>• We assessed the qualification and expertise of external valuers appointed by Fund Manager for the valuation of the investment properties;</li><li>• We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;</li><li>• We involved our experts to assess the reasonableness of the valuation methodology, significant assumptions and estimates used in the fair valuations of the properties as determined by the valuers.</li><li>• We reconciled the average fair value of the investment properties as appearing in Note 18 of the accompanying financial statements to the external valuers' report; and</li></ul>

**Independent Auditor’s Report of the Financial Statements To the unitholders of Taleem REIT Fund For the year ended 31 December 2025 (Continued)**

**Key Audit Matter (continued)**

The key audit matter	How our matter was addressed in our report
Refer to Note 4 and Note 5 to the accompanying financial statements for accounting policy of investment properties and accounting judgments and Notes 10 and 18 for related disclosure of investment properties.	<ul style="list-style-type: none"> <li>We assessed the adequacy of disclosures included in the financial statements.</li> </ul>

**Other matter**

The financial statements as at and for the year ended 31 December 2024 were audited by another auditor, whose audit reports dated 18 March 2025, expressed an unmodified audit opinion thereon.

**Other information included in the Fund’s 2025 Annual Report**

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's Annual Report, but does not include the financial statements and our auditor’s report thereon, which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements**

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and to comply with the applicable provision of the Investment Funds Regulations issued by the Capital Market Authority (“CMA”), the Fund’s Terms and Conditions and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Fund’s Board, are responsible for overseeing the Fund’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Independent Auditor's Report of the Financial Statements To the unitholders of Taleem REIT Fund For the year ended 31 December 2025 (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. +
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**For BDO Dr. Mohamed Al-Amri & Co.**



Ahmad Aljumah  
Certified Public Accountant  
Registration No. 621



Riyadh, on: 19 Ramadhan 1447 (H)  
Corresponding to: 8 March 2026 (G)

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>
<b><u>ASSETS</u></b>			
Cash and bank balances	6	<b>11,159,938</b>	1,077,232
Murabaha deposit	8	-	8,150,805
Net investment in finance lease	7	<b>70,454,866</b>	71,759,615
Prepayments, receivables and other assets	9	<b>80,812,776</b>	76,198,333
Due from a related party	12	<b>7,928</b>	101,382
Investment properties, net	10	<b>693,484,041</b>	700,474,392
<b>TOTAL ASSETS</b>		<b>855,919,549</b>	857,761,759
<b><u>LIABILITIES</u></b>			
Management fee payable	12	<b>1,928,220</b>	1,922,952
Accrued expenses and other liabilities	11	<b>6,321,403</b>	7,893,951
Borrowings from a Bank	12, 13	<b>297,495,004</b>	298,259,324
<b>TOTAL LIABILITIES</b>		<b>305,744,627</b>	308,076,227
<b>Net assets attributable to the Unitholders</b>		<b>550,174,922</b>	549,685,532
Units in issue - Numbers		<b>51,000,000</b>	51,000,000
<b>Net assets value per unit in Saudi Riyals – Book value</b>	18	<b>10.7877</b>	10.7781

The accompanying notes from 1 to 26 form an integral part of these financial statements.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<i>For the year ended 31 December 2025</i>	<i>For the year ended 31 December 2024</i>
<b><u>INCOME</u></b>			
Income from investment properties	14	<b>61,580,546</b>	62,607,315
Finance lease income		<b>4,728,467</b>	4,823,161
Net gain from investments measured at fair value through profit or loss (FVTPL)		<b>65,083</b>	-
Special commission income		<b>310,041</b>	147,971
Other income		<b>228,456</b>	132,029
<b>TOTAL INCOME</b>		<b>66,912,593</b>	67,710,476
<b><u>EXPENSES</u></b>			
Management fees	12	<b>(3,825,000)</b>	(3,825,000)
Custodian fees		<b>(276,741)</b>	(216,185)
Other expenses	15	<b>(948,144)</b>	(1,711,391)
<b>TOTAL EXPENSES</b>		<b>(5,049,885)</b>	(5,752,576)
Depreciation expense on investment properties	10	<b>(6,990,351)</b>	(6,178,621)
Impairment reversal on investment properties	10	-	51,597
<b>PROFIT BEFORE FINANCE COST</b>		<b>54,872,357</b>	55,830,876
Finance cost	12, 13	<b>(21,136,345)</b>	(23,313,604)
<b>NET INCOME FOR THE YEAR</b>		<b>33,736,012</b>	32,517,272
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>33,736,012</b>	32,517,272
<b>Earnings per unit</b>			
Weighted average units in issue		<b>51,000,000</b>	51,000,000
Earnings per unit (basic and diluted)		<b>0.6615</b>	0.6376

The accompanying notes from 1 to 26 form an integral part of these financial statements.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

	<i>For the year ended 31 December 2025</i>	<i>For the year ended 31 December 2024</i>
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR</b>	<b>549,685,532</b>	549,808,260
<b>CHANGES FROM OPERATIONS</b>		
Total comprehensive income	<b>33,736,012</b>	32,517,272
Dividend distributions during the year (Note 16)	<b>(33,246,622)</b>	(32,640,000)
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR</b>	<b>550,174,922</b>	549,685,532

Transactions in units during the years are summarised as follows:

	<i>For the year ended 31 December 2025 Units</i>	<i>For the year ended 31 December 2024 Units</i>
<b>UNITS AT THE BEGINNING AND END OF THE YEAR</b>	<b>51,000,000</b>	51,000,000

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

STATEMENT OF CASH FLOWS

	<i>For the year ended 31 December 2025</i>	<i>For the year ended 31 December 2024 (Restated – note 25)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income before zakat for the year	<b>33,736,012</b>	32,517,272
<i>Adjustment to reconcile net income to net cash generated from operating activities:</i>		
Depreciation expense on investment properties	10 <b>6,990,351</b>	6,178,621
Impairment reversal on investment properties	10      -	(51,597)
Net gain from investments measured at FVTPL	<b>(65,083)</b>	-
Special commission income	<b>(310,041)</b>	(147,971)
Finance cost	13 <b>21,136,345</b>	23,313,604
Operating cash flows before working capital changes	<b>61,487,584</b>	61,809,929
<b>Changes in operating assets and liabilities:</b>		
Prepayments, receivables and other assets	<b>(4,614,443)</b>	(5,092,301)
Net investment in finance lease	<b>1,304,749</b>	1,210,062
Management fee payable	<b>5,268</b>	(294,499)
Accrued expenses and other liabilities	<b>(1,572,548)</b>	(1,399,157)
Due from a related party	<b>93,454</b>	455,254
<b>Net cash generated from operating activities</b>	<b>56,704,064</b>	56,689,288
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Special commission income received	16 <b>310,041</b>	147,971
Purchase of investments measured at FVTPL	<b>(10,540,740)</b>	-
Proceeds from disposal of investments measured at FVTPL	<b>10,605,823</b>	-
<b>Net cash generated from investing activity</b>	<b>310,041</b>	147,971
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid, net off unclaimed dividends	16 <b>(33,246,622)</b>	(32,640,000)
Finance cost paid	13 <b>(20,755,242)</b>	(22,612,210)
<b>Net cash used in financing activities</b>	<b>(54,001,864)</b>	(55,252,210)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>3,077,324</b>	1,585,049
Cash and cash equivalents at the beginning of the year	<b>8,082,614</b>	6,497,565
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6.1 <b>11,159,938</b>	8,082,614

The accompanying notes from 1 to 26 form an integral part of these financial statements.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ﷲ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

**1. THE FUND AND ITS ACTIVITIES**

Taleem REIT Fund (the “REIT” or the “Fund”) is a closed-ended Shariah compliant real estate investment traded fund established based on an agreement between Saudi Fransi Capital Company (the “Fund Manager” or “BSF Capital”) and investors (the “Unitholders”). The Fund seeks to invest in income generating real estate assets in the education and training sector. The Fund commenced its operations on 4 Ramadan 1438H (corresponding to 30 May 2017) (“Commencement Date”), which was the first day of the listing of Taleem REIT Fund on the Saudi Exchange (“Tadawul”). The address of Fund Manager is as follows:

Saudi Fransi Capital Company  
P.O. Box 12313  
Riyadh 3735  
Kingdom of Saudi Arabia

The duration of the Fund is ninety-nine years from the date of commencement of operations and may be extended for a similar period after the approval of the Fund’s Board and the Capital Market Authority (“CMA”).

KASB Capital is the Custodian for the Fund.

As the Fund is not legally permitted to own real estate properties in the Kingdom of Saudi Arabia, accordingly, the Custodian has established following special purpose vehicles (“SPV”) to hold the titles of the properties for the benefit of the Fund without any controlling interest in the assets.

Name	Commercial registration number	Date of incorporation	Location
Raboua Al Taleem Real Estate Company	1010710556	21 May 2017	Riyadh, Saudi Arabia
Raj Third Company Limited	1010898470	19 October 2017	Riyadh, Saudi Arabia

**2. REGULATORY AUTHORITY**

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) (the “Regulations”) issued by the Board of CMA dated 19 Jamada Al-Akhirah 1427 (corresponding to 15 July 2006) amended by the Board of CMA dated 23 Dhul Qidah 1446 AH (corresponding to 21 May 2025).

**3. BASIS OF PREPARATION**

**3.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

**3 BASIS OF PREPARATION**

**3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting and on a going concern basis.

**3.3 Functional and presentation currency**

These financial statements have been presented in Saudi Arabian Riyal (“ﷲ”), which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest Saudi Arabian Riyal (“ﷲ”).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES**

The material accounting policies used in the preparation of these financial statements are stated below. These have been consistently applied to all years presented unless otherwise stated.

***Cash and cash equivalents***

Cash and cash equivalents include balances maintained with Banque Saudi Fransi (Parent of Fund Manager), deposits having original maturity of less than 3 months and bank overdraft.

***Financial instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Initial recognition***

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. For financial assets and financial liabilities at FVTPL, the transaction costs are expensed in the statement of comprehensive income.

***Classification***

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Any income generated from these financial assets is recognised using effective interest method.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss.

The undiscounted amount of the financial liabilities appearing in statement of financial position approximates their carrying values at the reporting date due to short duration except for borrowings from bank, which have been measured at amortised cost.

Currently cash and cash balances, net investment in finance lease, due from a related party, receivables and other assets, management fee payable, accrued expenses and other liabilities, borrowing from a bank are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES** (continued)

*Financial instruments (continued)*

***Derecognition of financial instruments***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

***Impairment of financial assets***

The Fund assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

***Fair value measurement***

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES** (continued)

*Fair value measurement (continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies.

The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

***Investment properties***

Real estate that is held for capital appreciation or/and rental yields is presented as an investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over its estimated useful life. Any capital expenditure incurred post-acquisition on investment properties is depreciated on straight line basis over its estimated useful life.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

***Net investment in finance lease***

Net investment in finance lease includes gross investment in finance lease and unearned income.

Gross investments in finance lease include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES** (continued)

***Impairment of non-financial asset***

The Fund assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

A reversal of an impairment loss for an asset is only recognised if there's been a change in the estimates used to calculate the asset's recoverable amount since the last impairment. The asset's carrying amount should be adjusted up to its recoverable amount, essentially undoing the previous impairment loss. However, this adjustment should not exceed what the asset's carrying amount would have been, considering depreciation or amortisation, had the impairment not been recognised in the past.

***Fund management fee***

A fund management fee is payable at an agreed rate with Fund Manager. Fund Manager charges a management fee of 0.75% of the net book value per annum accrued daily and paid annually. During the year 2018, the Fund Board resolved to charge the management fee based on the capital base of ₪ 510 million of the Fund instead of net assets of the Fund as long as the NAV is above the capital base.

***Custody fee***

As per the Terms and Conditions of the Fund, the Custodian charges custody fees calculated at an annual rate up to 0.0375% on the assets under custody. 0.03% on all future assets that is paid once at acquisition and ₪ 30,000 per annum for the Zakat certificate and financial statements. This is accrued daily and paid on annual basis.

***Provisions***

Provisions are recognised when the Fund has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured.

***Net assets value per unit***

The net assets value per unit as disclosed in the statement of financial position is calculated by dividing the total net asset value of the Fund by the number of units in issue at year-end.

***Zakat***

Zakat and income tax at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES** (continued)

***Revenue recognition***

***Investment properties***

Rental income from operating leases is recognised on a straight-line basis.

***Finance lease income***

At the inception of the lease, the total unearned finance income i.e. the excess aggregate minimum lease payments plus residual value (guaranteed and unguaranteed), if any, over the cost of the leased assets, is amortised over the term of the lease, and finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Fund's net investment outstanding with respect to the lease.

***Capital***

Units in the Fund are classified as equity instruments when a contractual obligation for the Fund is to deliver to another entity a pro rata share of its net assets only on liquidation. The obligation arises because liquidation either is certain to occur and outside the control of the Fund or is uncertain to occur but is at the option of the instrument holder. As an exception to the definition of a financial liability, an instrument that includes such an obligation is classified as an equity instrument if it has all the following features:

- (a) It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation. The Fund's net assets are those assets that remain after deducting all other claims on its assets. A pro rata share is determined by:
  - (i) dividing the net assets of the Fund on liquidation into units of equal amount; and
  - (ii) multiplying that amount by the number of the units held by the financial instrument holder.
- (b) The instrument is in the class of instruments that is subordinate to all other classes of instruments and has no priority over other claims to the assets of the Fund on liquidation, and
- (c) does not need to be converted into another instrument before it 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 must have an identical contractual obligation for the issuing entity to deliver a pro rata share of its net assets on liquidation.

For an instrument to be classified as an equity instrument, in addition to the instrument having all the above features, the issuer must have no other financial instrument or contract that has total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of such instrument or contract) and the effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund continuously assesses the classification of the units. If the units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of the Fund's units are accounted for as net asset transactions and are considered financial liabilities.

Upon the issuance of units, the consideration received is included in equity. Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

***Earnings per unit***

Earnings per unit is calculated by dividing the net income for the year by the weighted average number of units outstanding during the year.

TALEEM REIT FUND  
 (Managed by Saudi Fransi Capital Company)  
 (All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

**4. MATERIAL ACCOUNTING POLICIES** (continued)

*Dividend distribution*

The Fund will distribute at least (90%) of the Fund's annual net profits to the unit owners annually, except for unrealised capital gains that may come from the appreciation of real estate.

Capital gains from the sale of real estate assets will be invested in money market instruments until suitable real estate assets are identified for acquisition by the Fund. If no new investment opportunities are identified within one year of receipt of proceeds from the sale of an asset, Fund Manager will distribute such amounts with the upcoming dividend.

Unclaimed dividends are disclosed under other liabilities in the statement of financial position.

*New standards, interpretations and amendments adopted by the Fund*

**New standards, interpretations and amendments adopted by the Fund**

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2025. Fund Manager has assessed that the amendments have no impact on the Fund's financial statements.

<b>Standard, interpretation and amendment</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 1, 2025

**New Standards, interpretations and amendments not yet effective and not early adopted**

The listing of standards and interpretations issued which the Fund reasonably expects to be applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective. These amendments and standards except IFRS 18 are not expected to have any significant impact on the financial statements of the Fund.

<b>Standard, interpretation and amendment</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: <ul style="list-style-type: none"> <li>• clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;</li> <li>• clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>• add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and</li> </ul> make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI)	January 1, 2026

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICIES (continued)

New Standards, interpretations and amendments not yet effective and not early adopted (continued)

Standard, interpretation and amendment	Description	Effective for annual years beginning on or after
Annual improvements to IFRS – Volume 11	<p>Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The amendments are to the following standards:</p> <ul style="list-style-type: none"> <li>• IFRS 1 First-time Adoption of International Financial Reporting Standards;</li> <li>• IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;</li> <li>• IFRS 9 Financial Instruments;</li> <li>• IFRS 10 Consolidated Financial Statements; and</li> <li>• IAS 7 Statement of Cash Flows.</li> </ul>	January 1, 2026
IFRS 18, Presentation and Disclosure in Financial Statements	<p>Presentation IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences</p>	January 1, 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	<p>IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.</p>	January 1, 2027
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	<p>Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognised in full.</p>	Effective date deferred indefinitely

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Fund's financial statements in conformity with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other statements and pronouncements issued by SOCPA, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

**Judgments**

***Going concern***

Fund Manager assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, Fund Manager is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

***Net investment in finance lease***

The following assumptions that have been made in the process of applying the Fund's accounting policies for the net investment in finance lease that have a significant effect on the amounts recognised in the financial statements:

- the present value of the finance lease receivable amounts to substantially all of the fair value of the leased asset at the inception of the lease; and
- the lease term of the assets covers a major part of the economic life of the leased asset.

**Classification of units as net assets vs liability (Refer to Note 4 for accounting policy and measurement basis)**

**Estimates**

***Residual value and useful lives of investment properties***

Fund Manager determines the estimated residual value and useful lives of its investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Fund Manager will review the residual value and useful lives annually and future depreciation charge would be adjusted where Fund Manager believes the useful lives differ from previous estimates.

The estimated useful life for investment properties, excluding land (infinite useful life), range from 20 to 55 years. Moreover, the estimated residual value for investments properties (building) is estimated to be Nil at the end of the useful life.

***Impairment of financial assets (expected credit loss)***

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 behaviour.

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 group of similar financial assets for the purposes of measuring ECL.

**Valuation of investment property (Refer to Note 4, note 17 and note 18 for accounting policy and measurement basis)**

**Impairment of financial assets (Refer to Note 4 for accounting policy and measurement basis)**

**Impairment of non-financial assets (Refer to Note 4 for accounting policy and measurement basis)**

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

6. CASH AND BANK BALANCES

	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
Bank balances with Bank Saudi Fransi	<u>11,159,938</u>	<u>1,077,232</u>
	<u>11,159,938</u>	<u>1,077,232</u>

Fund Manager has conducted a review as required under IFRS 9 and based on such an assessment, the effect of expected credit loss (“ECL”) allowance against the carrying value of cash and bank balances is insignificant as the balances are held with an investment grade credit rated financial institution (A-) and therefore no ECL has been recognised in these financial statements.

6.1 CASH AND CASH EQUIVALENTS

	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
Bank balances with Bank Saudi Fransi	11,159,938	1,077,232
Murabaha deposits (note 8)	-	8,150,805
Bank overdraft	-	(1,145,423)
	<u>11,159,938</u>	<u>8,082,614</u>

7. NET INVESTMENT IN FINANCE LEASE

	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
<i>a) Net investment in finance lease consists of:</i>		
Gross investment in finance lease (see (b) below)	124,226,882	130,260,105
Less: Unearned finance income (see (c) below)	<u>(53,772,016)</u>	<u>(58,500,490)</u>
	<u>70,454,866</u>	<u>71,759,615</u>

*b) The future minimum lease payments to be received consist of:*

Within one year	6,380,707	6,380,702
After one year but not more than five years	25,656,279	25,037,874
Five years onwards	92,189,896	98,841,529
	<u>124,226,882</u>	<u>130,260,105</u>

*c) The maturity of unearned finance income is as follows:*

Within one year	(4,988,754)	(5,075,952)
After one year but not more than five years	(17,438,248)	(17,921,524)
Five years onwards	(31,345,014)	(35,503,014)
	<u>(53,772,016)</u>	<u>(58,500,490)</u>

The finance lease represents the building of the Tarbiah Islamiah School (refer note 10 (d)).

Fund Manager has conducted a review as required under IFRS 9, based on the assessment, Fund Manager believes that the impact of ECL is immaterial against the carrying value of net investment in finance lease at the reporting date.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**8. MURABAHA DEPOSIT**

As at 31 December 2025, the Fund does not hold any Murabaha deposit, as all its deposits that were made during the year have matured (2024: Deposit of ₪ 8,150,805 the deposit carried profit rate of 3.9% and matured in January 2025).

Fund Manager has conducted a review as required under IFRS 9 as at December 31, 2024 and based on such an assessment, the effect of expected credit loss (“ECL”) allowance against Murabaha deposits is insignificant as the balances are held with an investment grade credit rated financial institution and therefore no ECL has been recognised in financial statements.

**9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS**

	<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>
Rent receivable ( <i>refer note (a) below</i> )	<b>80,772,373</b>	74,503,279
VAT receivable – input tax	-	1,695,054
Prepaid expenses	<b>40,403</b>	-
	<b>80,812,776</b>	76,198,333

(a) This includes the difference between the accumulated rental income at the reporting date (after taking into account contractually agreed future rent escalations) and the accumulated amount of rent due under the contract as at the reporting date.

**10. INVESTMENT PROPERTIES, NET**

	<i>31 December 2025</i>		
	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
<b>Cost:</b>			
At the beginning and end of the year	<b>450,993,865</b>	<b>277,984,111</b>	<b>728,977,976</b>
<b>Accumulated depreciation:</b>			
At the beginning of the year	-	<b>(28,503,584)</b>	<b>(28,503,584)</b>
Charged during the year	-	<b>(6,990,351)</b>	<b>(6,990,351)</b>
At the end of the year	-	<b>(35,493,935)</b>	<b>(35,493,935)</b>
Net book value	<b>450,993,865</b>	<b>242,490,176</b>	<b>693,484,041</b>
	<i>31 December 2024</i>		
	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
<b>Cost:</b>			
At the beginning and end of the year	450,993,865	277,984,111	728,977,976
<b>Accumulated depreciation:</b>			
At the beginning of the year	-	(22,324,963)	(22,324,963)
Charged during the year	-	(6,178,621)	(6,178,621)
At the end of the year	-	(28,503,584)	(28,503,584)
<b>Accumulated impairment:</b>			
At the beginning of the year	-	(51,597)	(51,597)
Reversal of impairment during the year*	-	51,597	51,597
At the end of the year	-	-	-
Net book value	450,993,865	249,480,527	700,474,392

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ﷲ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**10. INVESTMENT PROPERTIES, NET** (continued)

\* Impairment reversal on property valuation in prior year has occurred due to improvement in market conditions and demand, leading to an increase in the property's fair value.

The investment properties represent following acquired properties:

- a) The Fund has leased the premises of four schools (Hitteen Branch Riyadh, Al Malqa Branch Riyadh, Al Narjis Branch Riyadh and Aleshraq Branch Dammam) to Al Khaleej Education and Training Co.. The properties were acquired for ﷲ 159.6 million (including transaction costs), on 13 February 2022 (12 Rajab 1443). The properties are registered under Rabwa Taleem Real Estate Company. Spanning a total of 19,423 square meters, these assets are designated as investment properties by the Fund.
- b) The Fund has leased a property to Al Ghad National School, acquired for ﷲ 94.3 million (including transaction costs) on 29 June 2020 (08 Dhul-Qadah 1441). This property is registered under Rabwa Taleem Real Estate Company. Located in the King Abdullah District of Riyadh City on Al-Uruba Street, the property encompasses 11,282.58 square meters of land with a total built-up area of 17,908.28 square meters. The Fund has designated it as an Investment Property.
- c) The Fund has entered into a lease agreement with Al Rwad International School for a property, which was acquired in exchange for ﷲ 225 million worth of Fund units at ﷲ10 per unit on 26 September 2018 (16 Muharram 1440). The property is registered under Raj Three Company Limited. Located in the Alnuzha district of Riyadh City, the property spans 30,000 square meters. It has been designated by the Fund as an Investment Property.
- e) The Fund has leased a property to Al Tarbiah Islamiah School (TIS), acquired for ﷲ 250 million in Fund units at ﷲ10 per unit on 25 May 2017 (29 Shaban 1438). This property is owned by Rabwa Taleem Real Estate Company. Located in the Umm-al-Hamam district of Riyadh City, on Al-Takhassusi Street, the property spans 45,666.94 square meters. The Fund categorises the land as an Investment Property and the building as net investment in finance lease.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>
Advance lease payments	<b>5,534,675</b>	5,502,902
Accrued expenses and others	<b>380,703</b>	2,224,389
Custody fee payable	<b>154,277</b>	154,060
Audit fee payable	<b>50,000</b>	12,600
VAT payable – output tax	<b>201,748</b>	-
	<b>6,321,403</b>	7,893,951

**12. TRANSACTIONS AND BALANCES 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 considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include Fund Manager, Banque Saudi Fransi (the Bank and the shareholder of Fund Manager), the Fund's Board of Directors (BoD), affiliates of Fund Manager, the funds managed by Fund Manager and the major Unitholders of the Fund.

In the ordinary course of its activities, the Fund transacts business with related parties.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Related party transactions for the year ended and balances are as follows:

<i>Related Party</i>	<i>Nature of Transactions</i>	<i>Amount of transactions</i>		<i>Balances receivables / (payables)</i>	
		<i>For the year ended</i>	<i>For the year ended</i>	<i>As at</i>	<i>As at</i>
		<i>31 December 2025</i>	<i>31 December 2024</i>	<i>31 December 2025</i>	<i>31 December 2024</i>
Fund Manager	Asset management fees	(3,825,000)	(3,825,000)	(1,928,220)	(1,922,952)
	Interest compensation	-	-	-	101,382
Board of Directors	Board fees to independent board members	(40,000)	(40,000)	-	-
Al-Badr Murabaha Fund – SAR (managed by Fund Manager)	Net gain from financial asset at FVTPL	(65,083)	-	-	-
	Purchase of financial assets at FVTPL	10,540,740	-	-	-
	Sale of financial assets at FVTPL	(10,605,823)	-	-	-
Banque Saudi Fransi	Borrowing from Bank	(426,406)	(644,047)	(297,495,004)	298,259,324
	Bank Balance	-	-	11,159,938	1,077,232
	Murabaha deposits	301,458,216	167,008,396	-	8,150,805
	Finance cost charge	(21,136,345)	(23,313,604)	-	-
	Special commission income	310,041	147,971	-	-

13. BORROWINGS FROM A BANK

This represents Islamic mode of financing obtained from a local bank (Banque Saudi Fransi) utilised to finance the acquisition of the properties as detailed in note 10 to these financial statements. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Fund obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission. The Fund is to repay the principal in one bullet payment on 30 June 2029. The loan has been obtained in the name of Rabwa Taleem Real Estate Company. The borrowing carries profit ranging from 6.28% to 6.78% (2024: 7.11% to 7.13%).

All the title deed has been mortgaged and is being held as a collateral against the Bank borrowing.

	<i>As at</i>	<i>As at</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2025</i>	<i>2024</i>
Balance at the beginning of the year	298,259,324	297,314,597
Overdraft facility (paid)/received	(1,145,423)	1,145,423
Unamortised facility fees	-	(902,090)
Accrued finance cost	21,136,345	23,313,604
Finance cost paid	(20,755,242)	(22,612,210)
Balance at the end of the year	297,495,004	298,259,324

14. INCOME FROM INVESTMENT PROPERTIES

	<i>For the</i>	<i>For the</i>
	<i>year ended</i>	<i>year ended</i>
	<i>31 December</i>	<i>31 December</i>
	<i>2025</i>	<i>2024</i>
Lease rental income on investment properties	61,580,546	62,607,315

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ﷲ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**14. INCOME FROM INVESTMENT PROPERTIES** (continued)

The operating lease relates to land of Tarbiah Islamiah School, land and building of Al Rwad International School, Al Ghad National School, Al Khaleej Education and Training Co. Hitteen Branch, Al Khaleej Education and Training Co. Al Malqa Branch, Al Khaleej Education and Training Co. Al Narjis Branch, Al Khaleej Education and Training Co. Al Eshraq Branch. The leases provide for tenants to pay the base rent, with provisions for contractual increases in base rent over the term of the leases.

Future rental commitments (to be received) at year end, under the operating leases is as follows:

	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
Not later than one year	<b>61,292,605</b>	59,084,738
Later than one year and less than five years	<b>255,691,730</b>	246,595,748
Later than five years	<b>769,481,430</b>	804,123,048
	<b><u>1,086,465,765</u></b>	<b><u>1,109,803,533</u></b>

**15. OTHER EXPENSES**

	<i>For the</i> <i>year ended 31</i> <i>December 2025</i>	<i>For the</i> <i>year ended</i> <i>31 December 2024</i>
Registrar fee	<b>400,000</b>	420,000
Listing fee	<b>160,881</b>	170,031
Valuation expense	<b>138,379</b>	164,680
Audit fee	<b>80,000</b>	70,248
Insurance expense	<b>69,134</b>	127,609
Board fee	<b>40,000</b>	40,000
Others	<b>59,750</b>	718,823
	<b><u>948,144</u></b>	<b><u>1,711,391</u></b>

**16. DIVIDEND DISTRIBUTION**

During the year, the Fund has paid dividends amounting to ﷲ 33.25 million (2024: ﷲ 32.64 million). The dividend per unit amounted to ﷲ 0.65 per unit (2024: ﷲ 0.64 per unit).

Subsequent to the year-end on 4 February 2026, Fund Manager announced the distribution of cash dividend to the Unitholders of the Fund for the period from 9 Rabi' al-Thani 1447H (corresponding to 1 October 2025) to 11 Rajab 1447H (corresponding to 31 December 2025) amounting to ﷲ 8.67 million (ﷲ 0.17 per unit) (2024: ﷲ 8.16 million (ﷲ 0.16 per unit)).

**17. FAIR VALUE OF ASSETS AND LIABILITIES**

The fair value of real estate assets is ﷲ 972 million (2024: ﷲ 955 million) carried at Level 3. The Fund believes that the fair value of all other financial assets and liabilities approximately equal their carrying value.

**18. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED**

The Fund opted to use the cost method for its investment properties in these financial statements. In accordance with Article 36 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent valuers. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books unless in case of impairment.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**18. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED**  
(continued)

The valuation of the investment properties (the “properties”) is carried out by Saudi Asset Valuation Company (Tathmeen) and Abaad & Partner for Real Estate Valuation Company. These two valuers are licensed by the Saudi Authority for Accredited Valuers (“TAQEEM”). Fund Manager has used the average of the two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration of several factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the direct comparable method, income capitalization method and the discounted cash flow method.

The significant key inputs included are discount rates, capitalization rates, future rental cash inflows and the occupancy rate, inflation rate and the terminal value. The discount rate and the capitalization rates used in the valuation ranges from 8.5% to 9% and 7.5% to 8% respectively. The estimated fair value would increase / decrease with the changes to these variables

Below is an analysis of the properties fair value versus cost:

	<i>Note</i>	<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>
Estimated fair value of real estate assets		<b>972,447,500</b>	954,562,500
Book value of investment properties	10	<b>(693,484,041)</b>	(700,474,392)
Book value of net investment in finance lease	7	<b>(70,454,866)</b>	(71,759,615)
Estimated fair value surplus relative to book value		<b>208,508,593</b>	182,328,493
Units in issue (numbers)		<b>51,000,000</b>	51,000,000
Per unit value impact from excess of estimated fair value over book value		<b>4.0884</b>	3.5751
<b>Net Asset value</b>			
Net asset as per the financial statements		<b>550,174,922</b>	549,685,532
Estimated fair value surplus relative to book value		<b>208,508,593</b>	182,328,493
Net asset based on fair valuation of real estate assets		<b>758,683,515</b>	732,014,025
<b>Net asset value per unit</b>			
Net asset per unit as per the statement of financial position		<b>10.7877</b>	10.7781
Per unit value impact from excess of estimated fair value over book value		<b>4.0884</b>	3.5751
Net asset value per unit based on fair valuation of real estate assets		<b>14.8761</b>	14.3532

The Fund’s investment in the building of Tarbiah Islamiah School has been classified as a finance lease in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. The fair value of the net investment in finance lease has been determined based on the market special commission rates.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2025

**19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The table presented below provides an analysis of undiscounted assets and liabilities, categorised by their expected timelines for recovery or settlement. Additionally, the maturity dates listed correspond with the contractual maturities of these assets and liabilities.

<i>As at 31 December 2025</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>ASSETS</b>			
Cash and bank balances	11,159,938	-	11,159,938
Net investment in finance lease	1,391,953	69,062,913	70,454,866
Prepayments, receivables and other assets	9,180,825	71,631,951	80,812,776
Due from a related party	7,928	-	7,928
Investment properties, net	-	693,484,041	693,484,041
<b>TOTAL ASSETS</b>	<b>21,740,644</b>	<b>834,178,905</b>	<b>855,919,549</b>
<b>LIABILITIES</b>			
Management fee payable	1,928,220	-	1,928,220
Accrued expenses and other liabilities	6,321,403	-	6,321,403
Borrowings from a Bank	2,695,004	294,800,000	297,495,004
<b>TOTAL LIABILITIES</b>	<b>10,944,627</b>	<b>294,800,000</b>	<b>305,744,627</b>
<i>As at 31 December 2024</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>ASSETS</b>			
Cash and bank balances	1,077,232	-	1,077,232
Net investment in finance lease	1,304,750	70,454,865	71,759,615
Murabaha deposit	8,150,805	-	8,150,805
Prepayments, receivables and other assets	9,905,479	66,292,854	76,198,333
Due from a related party	101,382	-	101,382
Investment properties, net	-	700,474,392	700,474,392
<b>TOTAL ASSETS</b>	<b>20,539,648</b>	<b>837,222,111</b>	<b>857,761,759</b>
<b>LIABILITIES</b>			
Management fee payable	1,922,952	-	1,922,952
Accrued expenses and other liabilities	7,893,951	-	7,893,951
Borrowings from a Bank	3,459,324	294,800,000	298,259,324
<b>TOTAL LIABILITIES</b>	<b>13,276,227</b>	<b>294,800,000</b>	<b>308,076,227</b>

**20. SEGMENT INFORMATION**

The Fund is organised into one operating segment (Educational Institutions). Accordingly, all significant operating decisions are based upon an analysis of the Fund as one segment.

**21. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

***Risk management***

Fund Manager is primarily responsible for identifying and controlling risks. The Fund's activities expose it to a variety of financial risks: market risk (including cash flow commission rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. Monitoring and controlling risks are primarily set up to be performed based on limits as specified in the terms and conditions and regulations.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**21. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

*Credit risk*

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is at a risk when tenants are in breach of their obligations. In the event of a failure of a tenant to pay the payments due for one or more real estate assets, this may limit the ability of Fund Manager to re-lease or lease the property on satisfactory terms resultantly reducing the rental income from the properties.

The Fund is exposed to credit risk on its cash and bank balances, rental income receivable, due from a related party and net investment in finance lease. Cash and bank balances is maintained with Banque Saudi Fransi. The net investment in finance lease is made with the counterparties for whom no credit rating is available. Cash flows from the lessees are being received in accordance with the lease with no issues of default. The maximum exposure to the credit risk for the financial assets is their carrying value. The impact of expected credit losses on financial assets of the Fund is considered to be immaterial by the Fund Manager.

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position. All of these financial assets are classified at stage 1.

	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
Cash and bank balances	<b>11,159,938</b>	1,077,232
Net investment in finance lease	<b>70,454,866</b>	71,759,615
Murabaha deposit	-	8,150,805
Due from a related party	<b>7,928</b>	101,382
Receivables and other assets	<b>80,772,373</b>	74,503,279
	<b>162,395,105</b>	155,592,313

The aging analysis of rental receivables based on rent due is as follows:

<i>Days</i>	<i>As at</i> <i>31 December</i> <i>2025</i>	<i>As at</i> <i>31 December</i> <i>2024</i>
0-30	<b>1,566,973</b>	1,566,973
31-60	-	-
61-90	-	-
91-120	<b>7,573,450</b>	-
Over 120	-	6,643,452
	<b>9,140,423</b>	8,210,425

*Concentration risk*

The Fund on its inception date and during its life, acquires real estate assets which are leased to a single tenant. Such real estate assets are either equipped or remodelled by the lessee in a manner that serves the tenants interests. Therefore, if the tenant decides not to renew or terminate the relevant lease, Fund Manager may find it difficult to re-lease the property to a new tenant who rents the entire real estate asset or Fund Manager may be required to make modifications to the property.

Based on the Fund's strategy, most of the Fund's portfolio is located within Saudi Arabia and is therefore affected by the conditions and economic cycles that affect the region in general, which could impact the Fund's investments and unit price. The regions / cities with positive investment characteristics, growth in business activities, positive investment flow, growth in supply and demand, and good infrastructure, are targeted after conducting a comprehensive feasibility study for these real estate assets internally by either Fund Manager or using an external consultant to carry out the necessary studies. Fund Manager use at least two independent appraisers, to be accredited by the Saudi Authority for Accredited Valuers.

TALEEM REIT FUND  
(Managed by Saudi Fransi Capital Company)  
(All amounts in ₪ unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**21. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

*Liquidity risk*

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities, which comprise of management fees payable, bank borrowings and other liabilities.

As an asset class, real estate assets are relatively illiquid and, as such, it may be difficult for the Fund to sell its real estate assets (particularly at times of market downturn and specifically those assets that are categorised as larger real estate assets), and the proposed price may be at a significant discount, especially if the Fund is forced to dispose of any of its assets in a short period.

Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through use of available cash balance, liquidation of the investment portfolio or by taking short to medium term loans from Fund Manager and /or banks. The Fund remains sufficiently liquid from a cash perspective with the lowest leverage levels.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date, to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows and also include the impact of estimated future interest payments.

<i>As at 31 December 2025</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>LIABILITIES</b>			
Management fee payable	1,928,220	-	1,928,220
Accrued expenses and other liabilities	6,321,403	-	6,321,403
Borrowings from a Bank	20,670,685	325,806,027	346,476,712
<b>TOTAL LIABILITIES</b>	<b>28,920,308</b>	<b>325,806,027</b>	<b>354,726,335</b>
<i>As at 31 December 2024</i>	<i>Within 12 months</i>	<i>After 12 months</i>	<i>Total</i>
<b>LIABILITIES</b>			
Management fee payable	1,922,952	-	1,922,952
Accrued expenses and other liabilities	7,893,951	-	7,893,951
Borrowings from a Bank	22,543,979	351,159,948	373,703,927
<b>TOTAL LIABILITIES</b>	<b>32,360,882</b>	<b>351,159,948</b>	<b>383,520,830</b>

*Market risk*

Market risk is the risk that changes in the market prices, such as foreign exchange rates, equity prices and interest rates, will affect the Fund's income or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

*Currency risk*

Currency risk is the risk that the value of a financial instrument may fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund i.e. cash and bank balances, net investment in finance lease, rental income receivable, management fee payable, borrowings and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 31 December 2025

**21. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

*Market risk (continued)*

*Special commission rate risk*

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk on its special commission bearing assets including net investment in finance lease. The Fund does not account for any fixed rate special commission bearing financial assets at fair value and therefore, a change in special commission rates at the reporting date would not have any effect on the financial statements. The Fund is exposed to cashflow special commission rate risk on the floating rate borrowings. A hundred basis points change in commission rate keeping all other factors constant will increase/decrease the special commission expense by ﷲ 398,050 (2024: ﷲ 369,872).

*Property valuation risk*

The valuations carried out by two independent valuers is only an estimate of the worthiness of a property and are not a precise measure of the value that may be obtained in connection with a sale of that property which is based on negotiations between a buyer and seller. The final verification of the property market value depends to a great extent on economic and other conditions beyond the control of the Fund. If the Fund were to liquidate its assets, the realised value may be more or less than the estimated valuation of such assets. In periods of economic volatility, in which there is a perceived greater uncertainty as to value estimates and fewer comparable transactions against which value can be measured, the difference between the estimated value for a real estate asset and the ultimate value for that asset may increase. Further, relative uncertainty as to cash flows in a distressed market can adversely affect the reliability of property value estimates and the negotiations between a buyer and seller and hence final returns to Unitholders. Fund Manager use two valuers that are licensed by TAQEEM and take the average of those valuations to have a reasonable estimate of fair value for the purpose of disclosing the fair value of the properties in the financial statements.

**22. LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these financial statements for the year was 31 December 2025 (2024: 31 December 2024).

**23. EVENTS AFTER THE END OF REPORTING PERIOD**

Subsequent to the year end, Fund Manager has announced the distribution of cash dividend. (refer Note 16).

**24. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 31 December 2025 and 31 December 2024 against the Fund or the Fund Manager which could have an impact on the financial statements of the Fund.

**25. COMPARATIVE FIGURES**

In the prior year, special commission income amount to ﷲ 147,971 was netted off against other expenses in the statement of comprehensive income. During the current year, comparative figures have been reclassified to present special commission income separately within income for better presentation. This reclassification has no impact on net income of the Fund.

Additionally, cash flows relating to special commission income amounting to ﷲ 147,971 were included within operating activities in the prior year. The comparative statement of cash flows has been reclassified to present such cash flows as a separate line item under investing activities.

**26. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorised for issue by the Fund Board on 24 February 2026 (corresponding to 7 Ramadan 1447H)