

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

TALEEM REIT FUND

(Managed by Saudi Fransi Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

AND INDEPENDENT AUDITOR'S REVIEW REPORT

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Report on review of interim condensed financial statements

To the Unitholders and the Fund Manager of
Taleem REIT Fund

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Taleem REIT Fund (the "Fund") as of 30 June 2022 and the related interim condensed statements of comprehensive income, changes in equity attributable to the Unitholders and cash flows for the six-month period then ended and other explanatory notes. Fund Manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "*Interim Financial Reporting*" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over the PricewaterhouseCoopers text.

Bader I. Benmohareb
License Number 471

23 August 2022

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

		<i>As at 30 June 2022 (Un-Audited) SR</i>	<i>As at 31 December 2021 (Audited) SR</i>
<u>ASSETS</u>			
Cash and cash equivalents	7	21,536,401	4,511,655
Net investment in finance lease	8	34,769,814	34,955,983
Prepayments and other assets	9	55,731,637	48,312,342
Investment properties, net	10	736,146,538	559,190,000
TOTAL ASSETS		848,184,390	646,969,980
<u>LIABILITIES</u>			
Management fee payable	11	2,345,609	1,108,712
Accrued expenses and other liabilities		2,554,616	2,784,774
Provision for zakat	15	1,064,790	2,130,071
Borrowing from bank	12	295,841,716	94,300,000
TOTAL LIABILITIES		301,806,731	100,323,557
Equity attributable to the Unitholders		546,377,659	546,646,423
Units in issue - Numbers		51,000,000	51,000,000
Equity per unit in Saudi Riyals – Book value		10.7133	10.7186
Equity per unit in Saudi Riyals – Fair value	17	11.2018	11.0005

The accompanying notes from 1 to 20 form an integral part of these interim condensed financial statements.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

		<i>For the six-month period ended 30 June 2022 SR</i>	<i>For the six-month period ended 30 June 2021 SR</i>
<u>INCOME</u>			
Income from investment properties	13	29,307,008	23,726,542
Finance lease income	8	1,167,779	1,161,122
		30,474,787	24,887,664
<u>EXPENSES</u>			
Management fees	11	(2,039,661)	(1,896,784)
Custodian fees		(239,260)	(100,157)
Other expenses		(702,177)	(568,171)
Finance cost		(3,681,939)	(1,087,168)
TOTAL EXPENSES		(6,663,037)	(3,652,280)
Depreciation expense on investment properties	10	(2,793,932)	(1,922,050)
Impairment loss on investment properties	10	(4,854,200)	(1,725,519)
NET INCOME BEFORE ZAKAT FOR THE PERIOD		16,163,618	17,587,815
Zakat charge for the period	15	(1,132,382)	(876,712)
NET INCOME AFTER ZAKAT FOR THE PERIOD		15,031,236	16,711,103
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,031,236	16,711,103
Earnings per unit			
Weighted average units in issue		51,000,000	51,000,000
Earnings per unit (Basic and diluted)		0.2947	0.3277

The accompanying notes from 1 to 20 form an integral part of these interim condensed financial statements.

TALEEM REIT FUND
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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO
THE UNITHOLDERS (UN-AUDITED)

	<i>For the six-month period ended 30 June 2022 SR</i>	<i>For the six-month period ended 30 June 2021 SR</i>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	546,646,423	533,708,182
CHANGES FROM OPERATIONS		
Total comprehensive income for the period	15,031,236	16,711,103
Income distributions during the period (note 14)	<u>(15,300,000)</u>	<u>(8,160,000)</u>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	<u>546,377,659</u>	<u>542,259,285</u>
Transactions in units during the period are summarised as follows:		
	<i>For the six-month period ended 30 June 2022 Units</i>	<i>For the six-month period ended 30 June 2021 Units</i>
UNITS AT THE BEGINNING AND END OF THE PERIOD	<u>51,000,000</u>	<u>51,000,000</u>

The accompanying notes from 1 to 20 form an integral part of these interim condensed financial statements.

TALEEM REIT FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

		<i>For the six-month period ended 30 June 2022 SR</i>	<i>For the six-month period ended 30 June 2021 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat for the period		16,163,618	17,587,815
<i>Adjustment to reconcile net income to net cash generated from operating activities:</i>			
Depreciation expense on investment properties	10	2,793,932	1,922,050
Impairment loss on investment properties	10	4,854,200	1,725,519
Finance cost		3,681,939	1,087,168
Operating cash flows before working capital changes		27,493,689	22,322,552
Changes in operating assets and liabilities:			
Prepayments and other assets		(7,419,295)	(14,304,885)
Management fee payable		1,236,897	2,181,301
Accruals and other liabilities		(231,615)	(2,924,287)
Zakat paid	15	(2,197,663)	(1,750,476)
Net cash generated from operating activities		18,882,013	5,524,205
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of net investment in finance lease, net		186,169	(126,454)
Purchase of investment property	10	(184,604,670)	-
Net cash used in investing activities		(184,418,501)	(126,454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid, net of unclaimed dividends	14	(15,298,543)	(8,146,257)
Proceeds from borrowings		200,500,000	-
Finance cost paid		(2,640,223)	(1,105,792)
Net cash generated from / (used in) financing activities		182,561,234	(9,252,049)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		17,024,746	(3,854,298)
Cash and cash equivalents at the beginning of the period		4,511,655	5,633,083
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
		21,536,401	1,778,785

The accompanying notes from 1 to 20 form an integral part of these interim condensed financial statements.

TALEEM REIT FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2022

All amounts are presented in Saudi Riyals unless otherwise stated

1. GENERAL

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

Saudi Fransi Capital Company
P.O. Box 23454
Riyadh 11426
Kingdom of Saudi Arabia

The duration of the Fund is ninety-nine years from the date of commencement of operations and can be extended at the sole discretion of the Fund Manager after the approval of the Fund’s Board and the Capital Market Authority (“CMA”).

The Fund’s primary investment objective is to invest in constructed and developed real estate which is qualified to generate periodic return and rental income and to distribute ninety percent of the Fund's net profit as dividends to the unitholders at least annually. The Fund can borrow Shariah compliant funds up to 50% of the value of its total assets.

The terms and conditions of the Fund have been approved by the CMA on 12 Sha’aban 1438H (corresponding to 8 May 2017). During the period, the terms and conditions have been updated on 27 Rajab 1443H (corresponding to 28 February 2022).

The Fund Manager of the Fund is Saudi Fransi Capital Company and KASB Capital is the Custodian for the Fund.

2. REGULATORY AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) (the “Regulations”) Issued by the Board of the Capital Market Authority Dated 19/6/1427 Corresponding to 15/7/2006 Amended by the Board of the Capital Market Authority Dated 12/7/1442H Corresponding to 24/2/2021G effective from 19/9/1442H (corresponding 1/5/2021) the New Regulations (“Amended Regulations”) published by the Capital Market Authority on 19/7/1442H (corresponding to 1/3/2021) detailing requirements for all type of real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, therefore, these should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2022.

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

3.2 BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost convention, using the accrual basis of accounting.

3.3 FUNCTIONAL CURRENCY

These interim condensed financial statements are presented in Saudi Riyal (“SR”), which is the Fund’s functional and presentation currency.

4. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting and risk management policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2021 except as mentioned in Note 6.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The significant accounting estimates used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2021.

Going concern

The Fund Manager made an assessment of 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, the management is not aware of any material uncertainties that may cast significant doubt about the Fund’s ability to continue as a going concern. Therefore, these interim condensed financial statements continue to be prepared on the going concern basis.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 2022. The management has assessed that the amendments have no significant impact on the Fund’s interim condensed financial statements.

- Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

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.

Standard / Interpretation	Description	Effective from periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	Disclosure of Accounting Policies	1 January 2023
IFRS 17, ‘Insurance contracts’	New Insurance standard	1 January 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

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For the six-month period ended 30 June 2022

All amounts are presented in Saudi Riyals unless otherwise stated

7. CASH AND CASH EQUIVALENTS

	30 June 2022 (Un-Audited) SR	31 December 2021 (Audited) SR
Bank balances with Bank Saudi Fransi	21,536,401	4,511,655

No special commission is received on this balance.

The management has conducted a review as required under IFRS 9 and based on such an assessment, the effect of expected credit loss allowance against the carrying value of cash and cash equivalents is insignificant as the balances are held with an investment grade credit rated financial institution and therefore has not been recognised in these interim condensed financial statements.

8. NET INVESTMENT IN FINANCE LEASE

	30 June 2022 (Un-Audited) SR	31 December 2021 (Audited) SR
<i>a) Net investment in finance lease consists of:</i>		
Gross investment in finance lease (see (b) below)	68,129,324	69,483,270
Less: Unearned finance income (see (c) below)	(33,359,510)	(34,527,287)
	34,769,814	34,955,983
<i>b) The future minimum lease payments to be received consist of:</i>		
Within one year	2,707,894	2,707,895
After one year but not more than five years	11,376,542	11,237,763
Five years onwards	54,044,888	55,537,612
	68,129,324	69,483,270
<i>c) The maturity of unearned finance income is as follows:</i>		
Within one year	(2,336,869)	(2,348,976)
After one year but not more than five years	(9,024,139)	(9,097,502)
Five years onwards	(21,998,502)	(23,080,809)
	(33,359,510)	(34,527,287)

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

Finance income on the finance lease during the period was SR 1.17 million (30 June 2021: SR 1.16 million).

The management has conducted a review as required under IFRS 9, based on the assessment, the management believes that there is no need for any significant impairment loss against the carrying value of net investment in finance lease at the reporting date.

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9. PREPAYMENTS AND OTHER ASSETS

	30 June 2022 (Un-Audited) SR	31 December 2021 (Audited) SR
Rent receivable (refer note a below)	29,849,631	26,149,080
Rent receivable from related party (refer note a below & note 11 (b))	22,532,660	21,240,593
VAT receivable – input tax	1,594,988	272,227
Prepaid expenses	1,491,858	387,942
Other assets (refer note b below)	262,500	262,500
	55,731,637	48,312,342

(a) This represents 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.

(b) During the year 2020, the Fund was subject to VAT audit for the years 2018 and 2019. Zakat, Tax and Customs Authority (ZATCA) raised an assesment of SR 262,500. The Fund paid the said amount of assesment during the month of December 2020. During the current period, the Fund Manager filed an appeal in this regard. The appeal was rejected by ZATCA. The Fund Manager escalated the case to the initial committees in General Secretariat of Tax Committee (GSTC). During the six-month period ended 30 June 2022, the case was decided in favour of the Fund but the decision has been appealed by ZATCA to the Appeal committees in General Secretariat of Tax Committee (GSTC) and is yet to be determined.

10. INVESTMENT PROPERTIES

	30 June 2022 (Un-Audited)			31 December 2021 (Audited)
	Land and Buildings SR	Capital work in progress SR	Total SR	Land & Buildings SR
Cost:				
At the beginning of the period / year	569,340,476	-	569,340,476	569,340,476
Additions	159,637,500	24,967,170	184,604,670	-
At the end of the period / year	728,977,976	24,967,170	753,945,146	569,340,476
Accumulated depreciation:				
At the beginning of the period / year	(10,145,556)	-	(10,145,556)	(6,308,834)
Charged during the period / year	(2,793,932)	-	(2,793,932)	(3,836,722)
At the end of the period / year	(12,939,488)	-	(12,939,488)	(10,145,556)
Accumulated impairment:				
At the beginning of the period/year	(4,920)	-	(4,920)	(2,191,982)
Impairment (loss) / reversal during the period / year	(4,854,200)	-	(4,854,200)	2,187,062
At the end of the period / year	(4,859,120)	-	(4,859,120)	(4,920)
Net book value	711,179,368	24,967,170	736,146,538	559,190,000

For the six-month period ended 30 June 2022, the Fund recorded an impairment loss amounting to SR 4.85 million (30 June 2021: SR 1.73 million). The impairment is determined based on the valuation by two independent valuers (refer note 17).

TALEEM REIT FUND

(Managed by Saudi Fransi Capital Company)

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For the six-month period ended 30 June 2022

All amounts are presented in Saudi Riyals unless otherwise stated

10. INVESTMENT PROPERTIES (continued)

During the period the Fund has entered into an agreement with the management of Al Tarbiya School to expand the student capacity by developing a new 'boys section building' with a built-up area of 12,900 square meters. The expansion is funded by financing facility from Banque Saudi Fransi (Related Party). The Capital work in progress related to the expansion amounting to SAR 24.9 million for the period ended 30 June 2022.

The investment properties represent following acquired properties:

- a) During the six-month period ended 30 June 2022, the Fund acquired the land and building relating to Four Schools (Hitteen Branch Riyadh, Al Malqa Branch Riyadh, Al Narjis Branch Riyadh and Aleshraq Branch Dammam) leased out to "Al Khaleej Education and Training Co" for a total consideration of SR 148.5 million (excluding transaction cost) on 13 February 2022 corresponding to 12 Rajab 1443. The said property is held in the name of "Rabwa Taleem Real Estate Company" which is owned by the KASB Capital ("Custodian of the Fund"). Rabwa Taleem Real Estate Company is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. The property covers a total land area of 19,423 square meters. The Fund has classified land and building as an Investment Property. The acquisition is funded by financing facility from Banque Saudi Fransi (Related Party).
- b) During 2020, the Fund acquired the land and building leased out to "Al Ghad National School" for a consideration of SR 92 million (excluding transaction cost) on 29 June 2020 corresponding to 08 Dhul-Qadah 1441. The said property is held in the name of "Rabwa Taleem Real Estate Company" which is owned by the KASB Capital ("Custodian of the Fund"). Rabwa Taleem Real Estate Company is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Al Ghad National School is located in King Abdullah District in Riyadh City on Al-Uruba Street on a total land size spanning 11,282.58 square meters, with a total built-up area of 17,908.28 square meters. The Fund has classified land and building as an Investment Property. The acquisition is funded by financing facility from Banque Saudi Fransi (Related Party).
- c) During 2018, the Fund acquired the land and building leased out to "Al Rwad International School" for a consideration of SR 225 million worth of Fund units at SR 10 per unit on 26 September 2018 corresponding to 16 Muharram 1440. The said property is held in the name of "Raj Three Company Limited" which is owned by the KASB Capital ("Custodian of the Fund"). Raj Three Company Limited is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Al Rwad International School is located in the Alnuzha district in Riyadh City and covers an area of 30,000 square meters. The Fund has classified land and building as an Investment Property.
- d) During 2017, the Fund acquired the land and building leased out to "Tarbiah Islamiah School" for a consideration of SR 285 million worth of Fund units at SR 10 per unit on 29 Shaban 1438 corresponding to 25 May 2017. The said property is held in the name of "Rabwa Taleem Real Estate Company" which is owned by the KASB Capital ("Custodian of the Fund"). Rabwa Taleem Real Estate Company is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Tarbiah Islamiah School is located in the Umm-al-Hamam district in Riyadh City and covers an area of 45,666.94 square meters on Al-Takhassusi Street. The previous owner (Ahmed Al Rasheed and Sons Holding Company) holds 38.92% (31 December 2021: 36.22%) of the total units in the Fund. The Fund has classified land as an Investment Property.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

For the six-month period ended 30 June 2022

All amounts are presented in Saudi Riyals unless otherwise stated

11. 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 Saudi Fransi Capital Company (“the Fund Manager”), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Funds’ Board of Directors (BOD), affiliates of the Fund Manager, the Funds managed by the Fund Manager and the Unitholders of the Fund.

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

Related party transactions for the periods 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 period ended 30 June 2022</i>	<i>For the period ended 30 June 2021</i>	<i>30 June 2022</i>	<i>31 December 2021</i>
		<i>SR</i>	<i>SR</i>	<i>(Un-Audited) SR</i>	<i>(Audited) SR</i>
Fund manager	Asset management fees (note “a” below)	(2,039,661)	(1,896,784)	(2,345,609)	(1,108,712)
Board of Directors	Board fees to independent board members	(19,835)	(19,839)	-	-
Unitholders (note b below)	Rental income	9,671,053	10,340,490	22,532,660	21,240,593
	Finance lease income	1,167,779	1,161,122	-	-
Banque Saudi Fransi	Borrowing from Bank	(200,500,000)	-	(295,841,716)	(94,300,000)
	Management fee on loan facility	(100,228)	(35,004)	1,491,858	387,942
	Borrowing fee / roll over charges on loan facility	-	(9,430)	-	-
	Dividend distribution charges	(26,190)	(8,592)	-	-
	Finance cost	(3,681,939)	(1,087,168)	7,683	-

a) As per the Terms and Conditions of the Fund, the Fund Manager charges a management fee calculated at an annual rate of 0.75% of the net asset value of the Fund. This is accrued monthly and paid on a semi-annual basis. During the year 2018, the Fund Board resolved to charge the Management fee based on the Capital base (SR 510 million) of the Fund instead of net assets of the Fund as long as the NAV is above the Capital base.

b) The sponsor unitholder of the Fund namely; Ahmed Al Rasheed and Sons Holding Company is also the shareholder of the Company that owns Tarbiah Islamiah School. Accordingly, the income and related assets in lieu of the lease agreement with Tarbiah Islamiah School has been disclosed under related party transactions.

At the end of the period, cash balance with the Banque Saudi Fransi is SR 21,536,401 (31 December 2021: SR 4,511,655).

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All amounts are presented in Saudi Riyals unless otherwise stated

12. BORROWING FROM BANK

This represents Islamic mode of financing obtained from a local bank (Banque Saudi Fransi) utilized to finance the acquisition of the property “Al Ghad National School”. 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 2027. The loan has been obtained in the name of Rabwa Taleem Real Estate Company (SPV of the fund).

The title deed of Rowad International School has been mortgaged and is being held as a collateral against the bank borrowing.

During the period the Fund utilized the financing facility of Banque Saudi Fransi to fund the acquisition of land and building relating to Four Schools (Hitteen Branch Riyadh, Al Malqa Branch Riyadh, Al Narjis Branch Riyadh and Aleshraq Branch Dammam) leased out to “Al Khaleej Education and Training Company” (Refer to Note 10).

13. INCOME FROM INVESTMENT PROPERTIES

	<i>For the six- month period ended 30 June 2022 (Un-Audited) SR</i>	<i>For the six- month period ended 30 June 2021 (Un-Audited) SR</i>
Lease rental income on investment properties	29,307,008	23,726,542

The operating lease relates to land of Tarbiah Islamiah School, land and building of Al Rwad International School, and land and building of Al Ghad National School land and building of 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, which is leased out for a remaining lease term of 21.7 years (31 December 2021: 22.2 years), 19.75 years (31 December 2021: 20.25 years), 8 years (31 December 2021: 8.5 years) 18 years, 17 years, 18 years and 14 years respectively. 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 period end, under the operating leases is as follows:

	<i>30 June 2022 (Un-Audited)</i>	<i>31 December 2021 (Audited)</i>
Not later than one year	41,264,105	41,264,105
Later than one year and less than five years	177,202,680	174,534,337
Later than five years	750,625,047	770,950,443
	969,091,832	986,748,885

14. DIVIDEND DISTRIBUTION

During the period, the Fund has paid dividends amounting to SR 15.3 million (30 June 2021: SR 8.16 million). The dividend per unit amounted to SR 0.30 per unit (30 June 2021: SR 0.16 per unit).

Subsequent to the period-end, the Funds’ Board has approved, declared and paid dividends amounting to SR 9.18 million (SR 0.18 per unit) (30 June 2021: SR 12.24 million (SR 0.24 per unit)).

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15. PROVISION FOR ZAKAT

a) Basis for zakat

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi Unitholders. The Fund has computed the provision for zakat based on the zakat base.

b) Movement of provision for zakat

	30 June 2022 (Un-Audited)	31 December 2021 (Audited)
Balance at the beginning of the period / year	2,130,071	1,748,511
Provision for the period / year includes under /over provision related to prior period / year	1,132,382	2,132,036
Payments during the period / year	(2,197,663)	(1,750,476)
	<u>1,064,790</u>	<u>2,130,071</u>

c) Status of annual return and assessment

The Fund filed the annual return for the year ended 31 December 2021 within the stipulated timelines as specified under the Zakat regulations issued by Zakat, Tax and Customs Authority (“ZATCA”).

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the principal or the most advantageous market must be accessible to the Fund.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Fund’s financial assets consist of bank balances, and net investment in finance lease and its financial liabilities consist of management fees payable, borrowing from bank and other liabilities.

The Fund believes that the fair value of all financial assets and liabilities approximately equal their carrying value.

The fair value of investment properties is SAR 736 million (2021: SAR 574 million) carried at Level 3.

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17. EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent valuers. As set out in the terms and conditions of the Fund, the net asset values declared are based on the market value obtained. However, in accordance with International Accounting Standards 40 ("IAS 40") the Fund opted to use the cost method wherein investment properties are carried at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The valuation of the investment properties (the "properties") is carried out by Olaat Properties Management and ValuStrat Consulting. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM"). The Fund Manager has used the average of the two valuations for the purposes of disclosing the fair value of the properties. The properties were valued taking into consideration of a number of factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the land plus cost method, residual value method and the discounted cash flow method.

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

	<i>30 June 2022 (Un-Audited)</i>	<i>31 December 2021 (Audited)</i>
Estimated fair value of investment properties	736,091,242	573,567,291
Book value of investment properties (excluding capital work in progress)*	<u>(711,179,368)</u>	<u>(559,189,999)</u>
Estimated fair value in excess of book value	<u>24,911,874</u>	<u>14,377,292</u>
Units in issue (numbers)	51,000,000	51,000,000
Value per unit relating to excess of estimated fair value over book value of investment properties	<u>0.4885</u>	<u>0.2819</u>

Equity Value

	<i>30 June 2022 (Un-Audited)</i>	<i>31 December 2021 (Audited)</i>
Equity as per the financial statements	546,377,659	546,646,423
Estimated fair value in excess of book value of investment properties	<u>24,911,874</u>	<u>14,377,292</u>
Equity based on fair valuation of investment properties	<u>571,289,533</u>	<u>561,023,715</u>
Equity value per unit		
Equity per unit as per the financial statements	10.7133	10.7186
Estimated fair value in excess of book value of investment properties	<u>0.4885</u>	<u>0.2819</u>
Value per unit relating to excess of estimated fair value over book value of investment properties	<u>11.2018</u>	<u>11.0005</u>

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 KSA. The fair value of the net investment in finance lease has been determined based on the market special commission rates. As of the reporting date, the carrying value of the net investment in finance lease approximates its fair value.

* The value of capital work in progress approximates the fair value.

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18. SEGMENT INFORMATION

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

19. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these interim condensed financial statements for the six-month period ended was 30 June 2022 (2021: 31 December 2021).

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved and authorised for issue by the Fund Board on 24 Muharram 1444H (corresponding to 22 August 2022G).