

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

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

TALEEM REIT FUND

(Managed by Saudi Fransi Capital Company)

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

AND INDEPENDENT AUDITOR'S REVIEW REPORT

INDEX	PAGE
Report on review of condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of changes in equity attributable to the Unitholders	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial information	6-16



Report on review of condensed interim financial information

To the Unitholders and the Fund Manager of
Taleem REIT Fund

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Taleem REIT Fund (the "Fund") as of 30 June 2023 and the related condensed interim 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 this condensed interim financial information 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 this condensed interim financial information 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 condensed interim financial information is 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 a light blue circular stamp or watermark.

Bader I. Benmohareb
License Number 471

10 August 2023

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

		<i>As at 30 June 2023 (Un-Audited) SR</i>	<i>As at 31 December 2022 (Audited) SR</i>
<u>ASSETS</u>			
Cash and bank balances	7	17,543,753	17,747,743
Net investment in finance lease	8	34,398,786	34,597,061
Prepayments, receivables and other assets	9	65,738,577	60,168,796
Investment properties, net	10	747,285,824	741,524,490
TOTAL ASSETS		864,966,940	854,038,090
<u>LIABILITIES</u>			
Management fee payable	12	2,181,297	2,053,139
Accrued expenses and other liabilities	11	14,577,323	5,568,028
Provision for zakat	16	4,025,213	2,659,944
Borrowings from a bank	13	298,186,078	297,607,224
TOTAL LIABILITIES		318,969,911	307,888,335
Equity attributable to the Unitholders		545,997,029	546,149,755
Units in issue		51,000,000	51,000,000
Equity per unit in Saudi Riyals – Book value	18	10.7058	10.7088

The accompanying notes from 1 to 21 form an integral part of this condensed interim financial information.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

	<i>Notes</i>	<i>For the six-month period ended 30 June 2023 SR</i>	<i>For the six-month period ended 30 June 2022 SR</i>
<u>INCOME</u>			
Income from investment properties	14	30,790,273	29,307,008
Finance lease income		<u>1,155,672</u>	<u>1,167,779</u>
TOTAL INCOME		31,945,945	30,474,787
<u>EXPENSES</u>			
Management fees	12	(1,896,781)	(2,039,661)
Custodian fees		(137,126)	(239,260)
Other expenses		(714,887)	(702,177)
Finance cost		<u>(10,491,489)</u>	<u>(3,681,939)</u>
TOTAL EXPENSES		(13,240,283)	(6,663,037)
Depreciation expense on investment properties	10	(3,025,898)	(2,793,932)
Impairment reversal / (loss) on investment properties	10	1,855,584	(4,854,200)
NET INCOME BEFORE ZAKAT FOR THE PERIOD		<u>17,535,348</u>	<u>16,163,618</u>
Zakat charge for the period	16	(1,368,074)	(1,132,382)
NET INCOME AFTER ZAKAT FOR THE PERIOD		<u>16,167,274</u>	<u>15,031,236</u>
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>16,167,274</u>	<u>15,031,236</u>
Earnings per unit			
Weighted average units in issue		<u>51,000,000</u>	<u>51,000,000</u>
Earnings per unit (Basic and diluted)		<u>0.3170</u>	<u>0.2947</u>

The accompanying notes from 1 to 21 form an integral part of this condensed interim financial information.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

	<i>For the six- month period ended 30 June 2023 SR</i>	<i>For the six-month period ended 30 June 2022 SR</i>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	546,149,755	546,646,423
CHANGES FROM OPERATIONS		
Total comprehensive income for the period	16,167,274	15,031,236
Income distributions during the period (note 15)	(16,320,000)	(15,300,000)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	545,997,029	546,377,659
Transactions in units during the periods are summarised as follows:		
	<i>For the six- month period ended 30 June 2023 Units</i>	<i>For the six-month period ended 30 June 2022 Units</i>
UNITS AT THE BEGINNING AND THE END OF THE PERIOD	51,000,000	51,000,000

The accompanying notes from 1 to 21 form an integral part of this condensed interim financial information.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

	<i>Notes</i>	<i>For the six-month period ended 30 June 2023 SR</i>	<i>For the six-month period ended 30 June 2022 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat for the period		17,535,348	16,163,618
<i>Adjustment to reconcile net income to net cash generated from operating activities:</i>			
Depreciation expense on investment properties	10	3,025,898	2,793,932
Impairment (reversal) / loss on investment properties	10	(1,855,584)	4,854,200
Finance cost	13	10,491,489	3,681,939
Operating cash flows before working capital changes		29,197,151	27,493,689
Changes in operating assets and liabilities:			
Prepayments, receivables and other assets		(5,569,781)	(7,419,295)
Management fee payable		128,158	1,236,897
Accrued expenses and other liabilities		9,009,295	(231,615)
Zakat paid	16	(2,805)	(2,197,663)
Net cash generated from operating activities		32,762,018	18,882,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of net investment in finance lease, net		198,275	186,169
Purchase of investment property	10	(6,931,648)	(184,604,670)
Net cash used in investing activities		(6,733,373)	(184,418,501)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	15	(16,320,000)	(15,298,543)
Proceeds from borrowings		-	200,500,000
Finance cost paid	13	(10,424,399)	(2,640,223)
Net cash (used in) / generated from financing activities		(26,744,399)	182,561,234
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(715,754)	17,024,746
Cash and cash equivalents at the beginning of the period		16,845,637	4,511,655
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	16,129,883	21,536,401

The accompanying notes from 1 to 21 form an integral part of this condensed interim financial information.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

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 CMA on 12 Sha’aban 1438H (corresponding to 8 May 2017). During the period, the terms and conditions have been updated on 21 Shawwal 1444H (corresponding to 11 May 2023).

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 CMA Dated 19/6/1427 Corresponding to 15/7/2006 Amended by the Board of CMA 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 CMA 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

This condensed interim financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

This condensed interim financial information does not include all the information and disclosures required in the annual financial statements; therefore, this should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2022. The results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

3.2 BASIS OF MEASUREMENT

This condensed interim financial information is prepared under the historical cost convention, using the accrual basis of accounting.

3. BASIS OF PREPARATION (continued)

3.3 FUNCTIONAL CURRENCY

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

4. ACCOUNTING AND RISK MANAGEMENT POLICIES

The accounting and risk management policies used in the preparation of this condensed interim financial information is consistent with those used and disclosed in the financial statements for the year ended 31 December 2022 other than these mentioned in Note 6.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial information 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 this condensed interim financial information is consistent with those used and disclosed in the financial statements for the year ended 31 December 2022.

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, this condensed interim financial information continue to be prepared on the going concern basis.

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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 2023. Fund Manager has assessed that the amendments have no impact on the Fund’s financial statements.

- IFRS 17, ‘Insurance contracts’ – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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

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

TALEEM REIT FUND

(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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

Standard/ Interpretation	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

7. CASH AND CASH EQUIVALENTS

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
Cash and bank balances*	17,543,753	17,747,743
Overdraft bank balances with Bank Saudi Fransi	<u>(1,413,870)</u>	<u>(902,106)</u>
	<u>16,129,883</u>	<u>16,845,637</u>

*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 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 this condensed interim financial information.

8. NET INVESTMENT IN FINANCE LEASE

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
<i>a) Net investment in finance lease consists of:</i>		
Gross investment in finance lease (see (b) below)	65,420,880	66,775,376
Less: Unearned finance income (see (c) below)	<u>(31,022,094)</u>	<u>(32,178,315)</u>
	<u>34,398,786</u>	<u>34,597,061</u>
<i>b) The future minimum lease payments to be received consist of:</i>		
Within one year	2,775,040	2,707,895
After one year but not more than five years	11,586,405	11,515,322
Five years onwards	<u>51,059,435</u>	<u>52,552,159</u>
	<u>65,420,880</u>	<u>66,775,376</u>
<i>c) The maturity of unearned finance income is as follows:</i>		
Within one year	(2,316,583)	(2,324,141)
After one year but not more than five years	(8,854,380)	(8,942,263)
Five years onwards	<u>(19,851,131)</u>	<u>(20,911,911)</u>
	<u>(31,022,094)</u>	<u>(32,178,315)</u>

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

Finance income on the finance lease during the period was SR 1.15 million (30 June 2022: SR 1.17 million).

The Fund Manager has conducted a review as required under IFRS 9, based on the assessment, the Fund Manager 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.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
Rent receivable (refer note (a) below)	39,085,849	34,455,600
Rent receivable from related party (refer note 9 (a) & note 12 below)	25,116,793	23,824,726
Prepaid expenses	1,270,751	1,160,132
Other assets (refer note (b) below)	265,184	342,361
VAT receivable – input tax	-	385,977
	65,738,577	60,168,796

(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. The Fund Manager filed the case to General Secretariat of Tax Committee (GSTC) and the case was decided in favour of the Fund but the decision has been appealed by ZATCA to the Appeal committees in General Secretarial of Tax Committee (GSTC) and is yet to be determined.

10. INVESTMENT PROPERTIES

	30 June 2023 (Un-Audited)			31 December 2022 (Audited)
	Land and Buildings	Capital work in progress	Total	Total
Cost:				
At the beginning of the period / year	728,977,976	32,335,427	761,313,403	569,340,476
Additions during the period / year	-	6,931,648	6,931,648	191,972,927
Transfer from capital work in progress	39,267,075	(39,267,075)	-	-
At the end of the period / year	768,245,051	-	768,245,051	761,313,403
Accumulated depreciation:				
At the beginning of the period / year	(16,004,459)	-	(16,004,459)	(10,145,556)
Charged during the period / year	(3,025,898)	-	(3,025,898)	(5,858,903)
At the end of the period / year	(19,030,357)	-	(19,030,357)	(16,004,459)
Accumulated impairment:				
At the beginning of the period / year	(3,784,454)	-	(3,784,454)	(4,920)
Impairment (loss) / reversal during the period / year	1,855,584	-	1,855,584	(3,779,534)
At the end of the period / year	(1,928,870)	-	(1,928,870)	(3,784,454)
Net book value	747,285,824	-	747,285,824	741,524,490

For the six-month period ended 30 June 2023, the Fund recorded an impairment reversal amounting to SR 1.86 million (30 June 2022: SR (4.85) million). The impairment is determined based on the valuation by two independent valuers (refer note 18).

TALEEM REIT FUND

(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

10. INVESTMENT PROPERTIES (continued)

The investment properties represent following acquired properties:

- a) The Fund has 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) acquired 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) The Fund has leased out the land and building to “Al Ghad National School” which was acquired 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) The Fund has leased out the land and building to “Al Rwad International School” which was acquired 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) The Fund has leased out the land and building to “Al Tarbiah Islamiah School (“TIS”)” which was acquired 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 39.12% (31 December 2022: 39.12%) of the total units in the Fund. The Fund has classified land as an Investment Property.
- e) The Fund had entered into an agreement with the management of TIS 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 was related to the expansion amounting to SAR 39.3 million has been capitalised during the current period. The Fund is currently negotiating the term of lease with TIS.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
Advanced lease payments	10,207,609	5,147,953
Accrued expenses and others	2,190,354	190,000
VAT payable - output tax	1,949,879	-
Custody fees payable	197,248	184,398
Professional fees payable	32,233	45,677
	14,577,323	5,568,028

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 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 2023 (Un-Audited)</i>	<i>For the period ended 30 June 2022 (Un-Audited)</i>	<i>30 June 2023 (Un-Audited)</i>	<i>31 December 2022 (Audited)</i>
Fund manager	Asset management fees	(1,896,781)	(2,039,661)	(2,181,297)	(2,053,139)
Board of Directors	Board fees to independent board members	(19,835)	(19,835)	-	-
Unitholders	Rental income	10,963,119	9,671,053	25,116,793	23,824,726
	Finance lease income	1,155,672	1,167,779	-	-
Banque Saudi Fransi	Borrowing from Bank	-	(200,500,000)	(296,772,208)	(297,607,224)
	Management fee on loan facility	127,961	(100,228)	1,233,815	1,160,132
	Borrowing fee / roll over charges on loan facility	80,568	-	-	-
	Dividend distribution charges	-	(26,190)	-	-
	Finance cost	(10,491,489)	(3,681,939)	-	-

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

a) 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 17,543,753 (31 December 2022: SR 17,747,743) and an overdraft of SR 1,413,870 (31 December 2022: SR 902,106).

13. BORROWING FROM BANK

This represents Islamic mode of financing obtained from a local bank (Banque Saudi Fransi) utilised 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.

The Fund utilised 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).

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
Balance at the beginning the year	297,607,224	94,300,000
Loan received	511,764	201,402,107
Accrued profit	10,491,489	11,336,578
Profit paid	(10,424,399)	(9,431,461)
Balance at the end the year	298,186,078	297,607,224

14. INCOME FROM INVESTMENT PROPERTIES

	For the six- month period ended 30 June 2023 (Un-Audited)	For the six- month period ended 30 June 2022 (Un-Audited)
Lease rental income on investment properties	30,790,273	29,307,008

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 and 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 20.7 years (31 December 2022: 21.2 years), 18.75 years (31 December 2022: 19.25 years), and 7 years (31 December 2022: 7.5 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.

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

14. INCOME FROM INVESTMENT PROPERTIES (continued)

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

	<i>30 June 2023 (Un-Audited)</i>	<i>31 December 2022 (Audited)</i>
Not later than one year	45,131,249	39,556,402
Later than one year and less than five years	190,557,630	168,499,122
Later than five years	715,067,269	661,850,660
	<u>950,756,148</u>	<u>869,906,184</u>

15. DIVIDEND DISTRIBUTION

During the period, the Fund has paid dividends amounting to SR 16.3 million (30 June 2022: SR 15.3 million). The dividend per unit amounted to SR 0.32 per unit (30 June 2022: SR 0.30 per unit).

Subsequent to the period-end, the Funds' Board has approved, declared and paid dividends amounting to SR 8.16 million (SR 0.16 per unit) (30 June 2022: SR 9.18 million (SR 0.18 per unit)).

16. 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

	<i>30 June 2023 (Un-Audited)</i>	<i>31 December 2022 (Audited)</i>
Balance at the beginning of the period / year	2,659,944	2,130,071
Provision for the period / year	1,368,074	2,730,537
Payments during the period / year	(2,805)	(2,200,664)
	<u>4,025,213</u>	<u>2,659,944</u>

c) Status of annual return and assessment

The Fund filed the annual return for the year ended 31 December 2022 under the Zakat regulations issued by Zakat, Tax and Customs Authority ("ZATCA").

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

17. 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, excluding capital work in progress, is SAR 761 million (2022: SAR 737 million) carried at Level 3.

18. 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 this financial information. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books in case of impairment.

The valuation of the investment properties (the "properties") is carried out by Olat 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 2023 (Un-Audited)</i>	<i>31 December 2022 (Audited)</i>
Estimated fair value of investment properties	761,297,947	737,213,938
Book value of investment properties (excluding capital work in progress)*	(747,285,824)	(709,189,063)
Estimated fair value in excess of book value	14,012,123	28,024,875
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	0.2747	0.5495

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

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

For the six-month period ended 30 June 2023

All amounts are presented in Saudi Riyals unless otherwise stated

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

Equity value

	30 June 2023 (Un-Audited)	31 December 2022 (Audited)
Equity as per the financial position	545,997,029	546,149,755
Estimated fair value in excess of book value of investment properties	14,012,123	28,024,875
Equity based on fair valuation of investment properties	560,009,152	574,174,630

Equity value per unit

Equity per unit as per the financial position	10.7058	10.7088
Estimated fair value in excess of book value of investment properties	0.2747	0.5495
Equity value per unit based on fair valuation of investment properties	10.9805	11.2583

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. 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.

19. SEGMENT INFORMATION

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

20. LAST VALUATION DAY

The last valuation day for the purpose of preparation of this condensed interim financial information for the six-month period ended was 30 June 2023 (2022: 31 December 2022).

21. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

This condensed interim financial information was approved and authorised for issue by the Fund Board on Muharram 22, 1445 (corresponding to August 9, 2023).