

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 2024
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 2024
AND INDEPENDENT AUDITOR'S REVIEW REPORT

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Report on review of condensed interim financial information

To the Unitholders and 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 2024 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 circular stamp or seal.

Bader I. Benmohareb
License Number 471

8 August 2024

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		<i>As at</i> 30 June <i>2024</i> <i>(Un-Audited)</i> SR	<i>As at</i> <i>31 December</i> <i>2023</i> <i>(Audited)</i> SR
	<i>Notes</i>	<hr/>	<hr/>
<u>ASSETS</u>			
Cash and bank balances	7	553,002	6,497,565
Net investment in finance lease	8	72,364,716	72,969,677
Prepayments, receivables and other assets	9	80,349,421	72,008,122
Due from a related party	12	737,480	556,636
Investment properties, net	10	703,246,416	706,601,416
TOTAL ASSETS		857,251,035	858,633,416
<u>LIABILITIES</u>			
Management fee payable	12	4,404,807	2,217,451
Accrued expenses and other liabilities	11	6,236,256	9,293,108
Borrowings from a bank	13	297,629,589	297,314,597
TOTAL LIABILITIES		308,270,652	308,825,156
Equity attributable to the Unitholders		548,980,383	549,808,260
Units in issue - Numbers		51,000,000	51,000,000
Equity per unit in Saudi Riyals – Book value	18	10.7643	10.7806

The accompanying notes from 1 to 21 form an integral part of these interim condensed 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 2024 SR</i>	<i>For the six-month period ended 30 June 2023 SR</i>
<u>INCOME</u>			
Income from investment properties	14	30,790,273	30,790,273
Finance lease income		<u>2,402,935</u>	<u>1,155,672</u>
TOTAL INCOME		33,193,208	31,945,945
<u>EXPENSES</u>			
Management fees	12	(1,902,049)	(1,896,781)
Custodian fees		(137,506)	(137,126)
Other expenses		(559,652)	(714,887)
Finance cost	12	<u>(11,746,878)</u>	<u>(10,491,489)</u>
TOTAL EXPENSES		(14,346,085)	(13,240,283)
Depreciation expense on investment properties	10	(3,355,000)	(3,025,898)
Impairment reversal on investment properties	10	-	1,855,584
NET INCOME BEFORE ZAKAT FOR THE PERIOD		15,492,123	17,535,348
Zakat expenses	16	-	(1,368,074)
NET INCOME AFTER ZAKAT FOR THE PERIOD		15,492,123	16,167,274
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		15,492,123	16,167,274
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>0.3038</u>	<u>0.3170</u>

The accompanying notes from 1 to 21 form an integral part of these 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 2024 SR</i>	<i>For the six-month period ended 30 June 2023 SR</i>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	549,808,260	546,149,755
CHANGES FROM OPERATIONS		
Total comprehensive income for the period	15,492,123	16,167,274
Income distributions during the period (note 15)	<u>(16,320,000)</u>	<u>(16,320,000)</u>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	<u>548,980,383</u>	<u>545,997,029</u>

Transactions in units during the periods are summarised as follows:

	<i>For the six-month period ended 30 June 2024 Units</i>	<i>For the six-month period ended 30 June 2023 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 21 form an integral part of these condensed interim financial information

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

		<i>For the six-month period ended 30 June 2024 SR</i>	<i>For the six-month period ended 30 June 2023 SR</i>
	<i>Notes</i>	<u>SR</u>	<u>SR</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat for the period		15,492,123	17,535,348
<i>Adjustment to reconcile net income to net cash generated from operating activities:</i>			
Depreciation expense on investment properties	10	3,355,000	3,025,898
Impairment reversal on investment properties	10	-	(1,855,584)
Finance cost	12	11,746,878	10,491,489
Operating cash flows before working capital changes		<u>30,594,001</u>	<u>29,197,151</u>
Changes in operating assets and liabilities:			
Net investment in finance lease, net		604,961	-
Prepayments, receivables and other assets		(8,341,299)	(5,569,781)
Due from a related party		(180,844)	-
Management fee payable		2,187,356	128,158
Accrued expenses and other liabilities		(3,056,852)	9,009,295
Zakat paid	16	-	(2,805)
Net cash generated from operating activities		<u>21,807,323</u>	<u>32,762,018</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of net investment in finance lease, net		-	198,275
Purchase of investment property	10	-	(6,931,648)
Net cash (used in) investing activities		<u>-</u>	<u>(6,733,373)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid, net off unclaimed dividends	15	(16,320,000)	(16,320,000)
Finance cost paid	12	(11,431,886)	(10,424,399)
Net cash used in financing activities		<u>(27,751,886)</u>	<u>(26,744,399)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(5,944,563)	(715,754)
Cash and cash equivalents at the beginning of the period		<u>6,497,565</u>	<u>16,845,637</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>553,002</u>	<u>16,129,883</u>

The accompanying notes from 1 to 21 form an integral part of these 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 2024

All amounts are presented in Saudi Riyals unless otherwise stated

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 denominated in Saudi Riyals established based on an agreement between Saudi Fransi Capital Company (the “Fund Manager” or “BSF Capital”) 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:

BSF Capital
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 Fund Manager of the Fund is BSF Capital 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 the 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, it should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2023. The results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024. 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 are 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 are presented in Saudi Riyal (“SR”), which is the Fund’s functional and presentation currency.

4. MATERIAL ACCOUNTING AND RISK MANAGEMENT POLICIES

The material accounting and risk management policies used in the preparation of these condensed interim financial information are consistent with those used and disclosed in the financial statements for the year ended 31 December 2023 other than this mentioned in Note 6.

5. MATERIAL ACCOUNTING POLICIES

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 these condensed interim financial information are consistent with those used and disclosed in the annual audited financial statements for the year ended 31 December 2023.

Going concern

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, Fund Manager 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 2024. Fund Manager has assessed that the amendments have no impact on the Fund’s condensed interim financial information.

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

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For the six-month period ended 30 June 2024

All amounts are presented in Saudi Riyals unless otherwise stated

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

New standards, interpretations and amendments adopted by the Fund (continued)

Standard/ interpretation	Description	Effective from periods beginning on or after
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

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 information of the Fund.

Standard/ interpretation	Description	Effective from periods beginning on or after
Amendment to IFRS 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.	1 January 2025
IFRS 18, Presentation and Disclosure in Financial Statements	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.	January 2027
IFRS 19 - Reducing subsidiaries' disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA	1 January 2027

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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 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> • 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; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • 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 • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). 	1 January 2026

7. CASH AND CASH EQUIVALENTS

	30 June 2024 (Un-Audited)	31 December 2023 (Audited)
Bank balances with Bank Saudi Fransi*	<u>553,002</u>	<u>6,497,565</u>
	<u>553,002</u>	<u>6,497,565</u>

*No special commission is received on this balance.

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 cash equivalents is insignificant as the balances are held with an investment grade credit rated financial institution and therefore no ECL has been recognised in this condensed interim financial information.

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

For the six-month period ended 30 June 2024

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8. NET INVESTMENT IN FINANCE LEASE

	<i>As at 30 June 2024 (Un-Audited)</i>	<i>As at 31 December 2023 (Audited)</i>
<i>a) Net investment in finance lease consists of:</i>		
Gross investment in finance lease (see (b) below)	133,285,432	139,296,708
Less: Unearned finance income (see (c) below)	(60,920,716)	(66,327,031)
	<u>72,364,716</u>	<u>72,969,677</u>
<i>b) The future minimum lease payments to be received consist of:</i>		
Within one year	4,794,451	9,384,082
After one year but not more than five years	24,807,295	24,736,213
Five years onwards	103,683,686	105,176,413
	<u>133,285,432</u>	<u>139,296,708</u>
<i>c) The maturity of unearned finance income is as follows:</i>		
Within one year	(3,891,571)	(8,174,027)
After one year but not more than five years	(18,253,619)	(18,351,955)
Five years onwards	(38,775,526)	(39,801,049)
	<u>(60,920,716)</u>	<u>(66,327,031)</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 there is no need for any significant impairment loss against the carrying value of net investment in finance lease at the reporting date.

9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS

	<i>30 June 2024 (Un-Audited)</i>	<i>31 December 2023 (Audited)</i>
Rent receivable (refer note (a) below)	44,460,143	44,431,989
Rent receivable from related party (refer note (a) & note 12 (a) below)	34,785,812	26,408,860
Prepaid expenses	838,282	902,089
Other assets (refer note (b) below)	265,184	265,184
	<u>80,349,421</u>	<u>72,008,122</u>

(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.

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

For the six-month period ended 30 June 2024

All amounts are presented in Saudi Riyals unless otherwise stated

9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS (CONTINUED)

(b) This includes an amount of SAR 262,500, which was made as a result of a VAT audit conducted by the Zakat, Tax, and Customs Authority (ZATCA) for the years 2018 and 2019. This assessment was settled by the Fund in December 2020. Following this payment, Fund Manager appealed the decision with the General Secretariat of the Tax Committee (GSTC). The GSTC initially ruled in favor of the Fund, however, ZATCA has challenged this decision by appealing to the GSTC's Appeal Committees. The outcome of this appeal is still pending.

10. INVESTMENT PROPERTIES, NET

	<i>As at 30 June 2024 (Unaudited)</i>		
	<i>Land and Buildings</i>	<i>Capital work in progress</i>	<i>Total</i>
Cost:			
At the beginning of the period	<u>728,977,976</u>	-	<u>728,977,976</u>
At the end of the period	<u>728,977,976</u>	-	<u>728,977,976</u>
Accumulated depreciation:			
At the beginning of the period	<u>(22,324,963)</u>	-	<u>(22,324,963)</u>
Charged during the period	<u>(3,355,000)</u>	-	<u>(3,355,000)</u>
At the end of the period	<u>(25,679,963)</u>	-	<u>(25,679,963)</u>
Accumulated impairment:			
At the beginning of the period	<u>(51,597)</u>	-	<u>(51,597)</u>
At the end of the period	<u>(51,597)</u>	-	<u>(51,597)</u>
Net book value	<u><u>703,246,416</u></u>	<u>-</u>	<u><u>703,246,416</u></u>
	<i>As at 31 December 2023 (Audited)</i>		
	<i>Land and Buildings</i>	<i>Capital work in progress</i>	<i>Total</i>
Cost:			
At the beginning of the year	728,977,976	32,335,427	761,313,403
Additions during the year	-	6,931,648	6,931,648
Transfer from capital work in progress to net investment in finance lease	-	<u>(39,267,075)</u>	<u>(39,267,075)</u>
At the end of the year	<u>728,977,976</u>	<u>-</u>	<u>728,977,976</u>
Accumulated depreciation:			
At the beginning of the year	(16,004,459)	-	(16,004,459)
Charged during the year	<u>(6,320,504)</u>	-	<u>(6,320,504)</u>
At the end of the year	<u>(22,324,963)</u>	<u>-</u>	<u>(22,324,963)</u>
Accumulated impairment:			
At the beginning of the year	(3,784,454)	-	(3,784,454)
Reversal of impairment during the year	<u>3,732,857</u>	-	<u>3,732,857</u>
At the end of the year	<u>(51,597)</u>	<u>-</u>	<u>(51,597)</u>
Net book value	<u><u>706,601,416</u></u>	<u>-</u>	<u><u>706,601,416</u></u>

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 2024

All amounts are presented in Saudi Riyals unless otherwise stated

10. INVESTMENT PROPERTIES, NET (CONTINUED)

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. for SR 159.6 million (excluding transaction costs), acquired on 13 February 2022 (12 Rajab 1443). The properties are registered under Rabwa Taleem Real Estate Company, owned by KASB Capital, serving as the Fund's custodian. Although Rabwa Taleem holds the titles, it only does so for the Fund's benefit, without any controlling interest in the assets. Spanning a total of 19,423 square meters, these assets are designated as investment properties by the Fund. The purchase was financed through a facility provided by Banque Saudi Fransi, a related party.
- b) The Fund has leased a property to Al Ghad National School, acquired for SR 94.3 million (excluding transaction costs) on 29 June 2020 (08 Dhul-Qadah 1441). This property is registered under Rabwa Taleem Real Estate Company, owned by KASB Capital, the Fund's custodian. Rabwa Taleem holds the title on behalf of the Fund, with no direct control or ownership stake in the property. 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. The purchase was financed through a facility from Banque Saudi Fransi, indicating a related party transaction.
- c) The Fund has entered into a lease agreement with Al Rwad International School for a property, which was acquired in exchange for 225 million worth of Fund units at SR 10 per unit on 26 September 2018 (16 Muharram 1440). The property is registered under Raj Three Company Limited, a subsidiary of KASB Capital, which acts as the Fund's custodian. Raj Three Company Limited holds the title for the benefit of the Fund, without any direct control or ownership interest in the asset. 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.
- d) The Fund has leased a property to Al Tarbiah Islamiah School (TIS), acquired for SR 250 million in Fund units at SR 10 per unit on 25 May 2017 (29 Shaban 1438). This property is owned by Rabwa Taleem Real Estate Company, under the custodianship of KASB Capital. Rabwa Taleem holds the title for the Fund's benefit, without any controlling interest or ownership in the asset. Located in the Umm-al-Hamam district of Riyadh City, on AlTakhasusi Street, the property spans 45,666.94 square meters. The previous owners, Ahmed Al Rasheed and Sons Holding Company, retain 38.98% of the Fund's total units (retain from 39.98% in 2023). The Fund categorizes the land as an Investment Property and the building as net investment in finance lease.
- e) The Fund 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 has been capitalized during the current period and later derecognized as an asset and classified as TIS Expansion finance lease amounting to SAR 39.3 million for the year ended 31 December 2023.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>As at 30 June 2024 (Un-Audited)</i>	<i>As at 31 December 2023 (Audited)</i>
Advanced lease payments	2,216,026	5,156,694
VAT payable - output tax	2,185,519	2,530,883
Accrued expenses and others	1,574,758	1,351,131
Custody fees payable	227,631	214,399
Professional fees payable	32,322	40,001
	<u>6,236,256</u>	<u>9,293,108</u>

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 2024

All amounts are presented in Saudi Riyals unless otherwise stated

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 BSF Capital (“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 2024 (Un-audited)</i>	<i>For the period ended 30 June 2023 (Unaudited)</i>	<i>As at 30 June 2024 (Un-Audited)</i>	<i>As at 31 December 2023 (Audited)</i>
Fund manager	Asset management fees	(1,902,049)	(1,896,781)	(4,404,807)	(2,217,451)
	Interest penalty compensation*	-	-	737,480	556,636
Board of Directors	Board fees to independent board members	(20,000)	(19,835)	-	-
Unitholders (note a below)	Rental income	10,963,119	10,963,119	34,785,812	26,408,860
	Net investment in finance lease		-	72,364,724	72,969,684
	Finance lease income	2,402,935	1,155,672	-	-
Banque Saudi Fransi	Borrowing from Bank	-	-	(297,629,589)	(297,314,597)
	Management fee on loan facility	127,961	127,961	774,128	-
	Borrowing fee / roll over charges on loan facility	34,336	80,568	-	-
	Finance cost charge	(11,746,878)	(10,491,489)	-	-
	Finance cost paid	(11,431,886)	(10,424,399)	-	-

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.

*The Fund had paid penalties due to late payment of interest on the borrowing amounting to SR 737,480 (31 December 2023: SR 556,636), which is reimbursable by Fund Manager, Saudi Fransi Capital and the receivable is disclosed as due from a related party in the statement of financial position.

At the end of the period, cash balance with the Banque Saudi Fransi is SR 553,002 (31 December 2023: SR 6,497,565).

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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 properties as detailed note 10 to this 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 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.

	<i>As at</i> 30 June 2024 <i>(Un-Audited)</i>	<i>As at</i> 31 December 2023 <i>(Audited)</i>
Balance at the beginning the period / year	297,314,597	297,607,224
Overdraft facility paid	-	(902,106)
Accrued profit	11,746,878	22,593,316
Profit paid	(11,431,886)	(21,983,837)
Balance at the end the period / year	297,629,589	297,314,597

14. INCOME FROM INVESTMENT PROPERTIES

	<i>For the six- month</i> <i>period ended</i> 30 June 2024 <i>(Un-Audited)</i>	<i>For the six- month</i> <i>period ended</i> 30 June 2023 <i>(Un-Audited)</i>
Lease rental income on investment properties	30,790,273	30,790,273

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 period end, under the operating leases is as follows:

	<i>As at</i> 30 June 2024 <i>(Un-Audited)</i>	<i>As at</i> 31 December 2023 <i>(Audited)</i>
Not later than one year	46,510,303	46,283,868
Later than one year and less than five years	193,155,892	191,887,588
Later than five years	665,958,702	690,474,746
	905,624,897	928,646,202

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15. DIVIDEND DISTRIBUTION

During the year, the Fund has paid dividends amounting to SR 16.32 million (2023: SR 16.32 million). The dividend per unit amounted to SR 0.32 per unit (2023: SR 0.32 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 2023: SR 8.16 million (SR 0.16 per unit)).

16. PROVISION FOR ZAKAT

Basis for zakat

Article 3 of Zakat Collection Rules for Investing in Investment Funds (the "Rules"), stipulates that all investment funds or real estate investment funds approved to be established by the CMA after the effective date of the resolution (1 January 2023), must register with ZATCA for Zakat purposes before the end of the first fiscal year from the date of the approval on their establishment and submit an informative zakat return within 120 days of fiscal year end. Prior to the above Rules, the Fund was already registered with ZATCA and was paying zakat at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi Unitholders. However, effective 1 January 2023, in accordance with the stipulated article of the Rules, the Fund has ceased the recognition of Zakat expenses. Consequently, the responsibility for Zakat at the Fund level now rests with the Unitholders, and such obligations are not accounted for within this financial information.

17. FAIR VALUE OF ASSETS AND LIABILITIES

Fund Manager believes that the fair value of all financial assets and liabilities is approximately equal to their carrying value, except for investment properties. The fair value of investment properties is SAR 945 million (2023: SAR 814 million) and is classified at Level 3.

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

In accordance with Article 36 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 in case of impairment.

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 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>As at</i> 30 June 2024 <i>(Un-Audited)</i>	<i>As at</i> 31 December 2023 <i>(Audited)</i>
Estimated fair value of investment properties	945,320,500	814,192,085
Book value of investment properties	(703,246,416)	(706,601,416)
Accrued rental receivables	(34,785,812)	(26,408,860)
Estimated fair value surplus relative to book value	207,288,272	81,181,809
Units in issue (numbers)	51,000,000	51,000,000
Per unit value impact from excess of investment properties' estimated fair value over book value	4.0645	1.5918

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

Equity value

	<i>As at 30 June 2024 (Un-Audited)</i>	<i>As at 31 December 2023 (Audited)</i>
Equity as per the financial statements	548,980,383	549,808,260
Estimated fair value surplus relative to book value	242,074,084	81,181,809
Equity based on fair valuation of investment properties	791,054,467	630,990,069

Equity value per unit

Equity per unit as per the statement financial position	10.7643	10.7806
Per unit value impact from excess of investment properties' estimated fair value over book value	4.7466	1.5918
Equity value per unit based on fair valuation of investment properties	15.5109	12.3724

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

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 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.

20. 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.

21. 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 2024 (2023: 31 December 2023).

22. APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

This condensed interim financial information was approved and authorised for issue by the Fund Board 8 August 2024 (Corresponding to 4 Safar 1446H).