TALEEM REIT FUND

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

FINANCIAL STATEMENTS
together with
THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024

TALEEM REIT FUND
(Managed by Saudi Fransi Capital Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2024

Independent auditor's report to the Unitholders and Fund Manager of Taleem REIT Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Taleem REIT Fund (the "Fund") as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to the Unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview

Key Audit Matter	Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where Fund Manager made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.

Independent auditor's report to the Unitholders and Fund Manager of Taleem REIT Fund (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Valuation of investment properties As at 31 December 2024, the carrying value of the Fund's investment properties were SR 700.5 million. The investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. The fair value of the investment properties is provided as a disclosure. For assessing the impairment of investment properties and to provide fair values for the required disclosure, Fund Manager engages two independent external certified property valuers to perform a valuation of the Fund's investment properties on a semi-annual basis. We considered this as a key audit matter as the external valuation used for the impairment assessment and disclosure requires significant assumptions and judgments and the potential impact of impairment, if any, could be material to the financial statements. Refer to Note 4 and Note 5 to the accompanying financial statements for accounting policy of investment properties and accounting judgments and Notes 10 and 18 for related disclosure of investment properties.	We have carried out the following audit procedures: • We obtained the valuation reports prepared by the two external valuers as at 31 December 2024 and assessed the recoverable amount of investment properties; • We assessed the qualification and expertise of external valuers appointed by Fund Manager for the valuation of the investment properties; • We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • We carried out procedures to consider the accuracy of information supplied to the external valuers by Fund Manager; • We involved our experts to assist us in assessing the reasonableness of the valuation methodology, assumptions and estimates used in deriving the valuation, on a sample basis; • We reconciled the average fair value of the investment properties as appearing in Note 18 of the accompanying financial statements to the external valuers' report; and • We assessed the adequacy of disclosures included in the financial statements.

Other information

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

Independent auditor's report to the Unitholders and Fund Manager of Taleem REIT Fund (continued)

Other information (continued)

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

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

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

Responsibilities of Fund Manager and those charged with governance for the financial statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Real Estate Investment Funds Regulations issued by the Capital Market Authority, the Fund's terms and conditions, and for such internal control as Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the Unitholders and Fund Manager of Taleem REIT Fund (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

PricewaterhouseCoopers

Waleed A. Alhidiri
License Number 559

18 March 2025

STATEMENT OF FINANCIAL POSITION

	Note	***As at 31 December 2024***	*As at 31 December 2023*
ASSETS			
Cash and bank balances	6	**1,077,232**	6,497,565
Net investment in finance lease	7	**71,759,615**	72,969,677
Murabaha deposit	8	**8,150,805**	-
Prepayments, receivables and other assets	9	**76,198,333**	72,008,122
Due from a related party	12	**101,382**	556,636
Investment properties, net	10	**700,474,392**	706,601,416
TOTAL ASSETS		**857,761,759**	858,633,416
LIABILITIES			
Management fee payable	12	**1,922,952**	2,217,451
Accrued expenses and other liabilities	11	**7,893,951**	9,293,108
Borrowings from a Bank	12, 13	**298,259,324**	297,314,597
TOTAL LIABILITIES		**308,076,227**	308,825,156
Equity attributable to the Unitholders		**549,685,532**	549,808,260
Units in issue - Numbers		**51,000,000**	51,000,000
Equity per unit in Saudi Riyals – Book value	18	**10.7781**	10.7806

The accompanying notes from 1 to 25 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	***For the year ended 31 December 2024***	*For the year ended 31 December 2023*
INCOME			
Income from investment properties	14	**62,607,315**	61,580,546
Finance lease income		**4,823,161**	4,816,815
Other income		**132,029**	-
TOTAL INCOME		**67,562,505**	66,397,361
EXPENSES			
Management fees	12	**(3,825,000)**	(3,825,000)
Custodian fees		**(216,185)**	(276,526)
Other expenses	15	**(1,563,420)**	(795,771)
TOTAL EXPENSES		**(5,604,605)**	(4,897,297)
Depreciation expense on investment properties	10	**(6,178,621)**	(6,320,504)
Impairment reversal on investment properties	10	**51,597**	3,732,857
PROFIT BEFORE FINANCE COST		**55,830,876**	58,912,417
Finance cost	12, 13	**(23,313,604)**	(22,593,316)
NET INCOME BEFORE ZAKAT FOR THE YEAR		**32,517,272**	36,319,101
Zakat expense		**-**	(20,596)
NET INCOME AFTER ZAKAT FOR THE YEAR		**32,517,272**	36,298,505
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,517,272**	36,298,505
Earnings per unit			
Weighted average units in issue		**51,000,000**	51,000,000
Earnings per unit (basic and diluted)		**0.6376**	0.7117

(All amounts in Saudi Riyals unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

	For the year ended 31 December 2024	*For the year ended 31 December 2023*
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR	**549,808,260**	546,149,755
CHANGES FROM OPERATIONS		
Total comprehensive income	**32,517,272**	36,298,505
Dividend distributions during the year (Note 16)	**(32,640,000)**	(32,640,000)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR	**549,685,532**	549,808,260

Transactions in units during the years are summarised as follows:

	For the year ended 31 December 2024 Units	*For the year ended 31 December 2023 Units*
UNITS AT THE BEGINNING AND END OF THE YEAR	**51,000,000**	51,000,000

(All amounts in Saudi Riyals unless otherwise stated)

STATEMENT OF CASH FLOWS

	Note	***For the year ended 31 December 2024***	*For the year ended 31 December 2023*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat for the year		**32,517,272**	36,319,101
Adjustment to reconcile net income to net cash generated from operating activities:			
Depreciation expense on investment properties	10	**6,178,621**	6,320,504
Impairment reversal on investment properties	10	**(51,597)**	(3,732,857)
Finance cost	13	**23,313,604**	22,593,316
Operating cash flows before working capital changes		**61,957,900**	61,500,064
Changes in operating assets and liabilities:			
Prepayments, receivables and other assets		**(5,092,301)**	(11,839,326)
Net investment in finance lease		**1,210,062**	894,459
Management fee payable		**(294,499)**	164,312
Accrued expenses and other liabilities		**(1,399,157)**	3,725,080
Due from a related party		**455,254**	(556,636)
Zakat paid		**-**	(2,680,540)
Net cash generated from operating activities		**56,837,259**	51,207,413
CASH FLOW FROM INVESTING ACTIVITY			
Purchase of investment property	10	**-**	(6,931,648)
Net cash used in investing activity		**-**	(6,931,648)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid, net off unclaimed dividends	16	**(32,640,000)**	(32,640,000)
Finance cost paid	13	**(22,612,210)**	(21,983,837)
Net cash used in financing activities		**(55,252,210)**	(54,623,837)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**1,585,049**	(10,348,072)
Cash and cash equivalents at the beginning of the year		**6,497,565**	16,845,637
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6.1	**8,082,614**	6,497,565

Supplemental non-cash information

Derecognition of investment property and transfer to net investment in finance lease	10	**-**	39,267,075

1. THE FUND AND ITS ACTIVITIES

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

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

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

The terms and conditions of the Fund have been approved by the CMA on 12 Sha'aban 1438H (corresponding to 8 May 2017). The terms and conditions have been updated on 15 Rabi' II 1445H (corresponding to 30 October 2023).

KASB Capital is the Custodian for the Fund.

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

Name	Commercial registration number	Date	Location
Rabwa Taleem Real Estate Company	1010710556	21 May 2017	Riyadh, Saudi Arabia
Raj Three Company Limited	1010898470	19 October 2017	Riyadh, Saudi Arabia

2. REGULATORY AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) (the "Regulations") issued by the Board of CMA dated 19 Jamada Al-Akhirah 1427 (corresponding to 15 July 2006) amended by the Board of CMA dated 12 Rajab 1442H (corresponding to 24 February 2021).

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

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

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

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

3.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting.

3.3 *Functional and presentation currency*

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

4. MATERIAL ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash and cash equivalents include balances maintained with Banque Saudi Fransi (Parent of Fund Manager) and bank overdraft.

Financial instruments

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

Initial recognition

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

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

Classification

The Fund classifies its financial assets under the following categories:
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); and
- Amortised cost.

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Derecognition of financial instruments

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

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

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

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

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

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

Offsetting of financial instruments

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

Impairment of financial assets

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement *(continued)*

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

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

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

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

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

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

Investment properties

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

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

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

Net investment in finance lease

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

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

Impairment of non-financial asset

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

4. MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial asset *(continued)*

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

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

Fund management fee

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

Custody fee

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

Provisions

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

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

Equity value per unit

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

Zakat

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

Revenue recognition

Investment properties

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

4. MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition *(continued)*

Finance lease income

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

Capital

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

(a) It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation. The Fund's net assets are those assets that remain after deducting all other claims on its assets. A pro rata share is determined by:
(i) dividing the net assets of the Fund on liquidation into units of equal amount; and
(ii) multiplying that amount by the number of the units held by the financial instrument holder.

(b) The instrument is in the class of instruments that is subordinate to all other classes of instruments and has no priority over other claims to the assets of the Fund on liquidation, and

(c) does not need to be converted into another instrument before it is in the class of instruments that is subordinate to all other classes of instruments.
All financial instruments in the class of instruments that is subordinate to all other classes of instruments must have an identical contractual obligation for the issuing entity to deliver a pro rata share of its net assets on liquidation.

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

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

The issuance, acquisition and cancellation of the Fund's units are accounted for as equity transactions.

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

4. MATERIAL ACCOUNTING POLICIES (continued)

Earnings per unit

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

Dividend distribution

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

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

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

New standards, interpretations and amendments adopted by the Fund

The following new and revised International Financial Reporting Standards have been adopted, which became effective for annual periods beginning on or after 1 January 2024. The adoption of these new revised International Financial Reporting Standards has not had any material effect on the reported amounts for current and prior years.

Standard, interpretation, amendments	**Description**	**Effective from annual 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

4. MATERIAL ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective and not early adopted by the Fund

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

Standard, interpretation, amendments	**Description**	**Effective from annual periods beginning on or after**
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • 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
IFRS 18, 'Presentation and Disclosure in Financial Statements	This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: • the structure of the statement of profit or loss; • required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	1 January 2027

4. MATERIAL ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective and not early adopted by the Fund (continued)

Standard, interpretation, amendments	**Description**	**Effective from annual periods beginning on or after**
Annual improvements to IFRS – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: • IFRS 1 First-time Adoption of International Financial Reporting Standards; • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments; • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash Flows.	1 January 2026
IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'	This new standard works alongside other IFRS. An eligible subsidiary applies the requirements in other IFRS except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: • it does not have public accountability; and • it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Judgments

Going concern

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

Net investment in finance lease

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

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

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

Estimates

Residual value and useful lives of investment properties

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

The estimated useful life for investment properties, excluding land (infinite useful life), range from 40 to 55 years. Moreover, the estimated residual value for investments properties (building) is estimated to be Nil at the end of the useful life.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Estimates (continued)

Impairment of financial assets (expected credit loss)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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

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

6. CASH AND BANK BALANCES

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Bank balances with Bank Saudi Fransi	**1,077,232**	6,497,565
	1,077,232	6,497,565

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 balances is insignificant as the balances are held with an investment grade credit rated financial institutions and therefore no ECL has been recognised in these financial statements.

6.1 CASH AND CASH EQUIVALENTS

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Bank balances with Bank Saudi Fransi	**1,077,232**	6,497,565
Murabaha deposits (note 8)	**8,150,805**	-
Bank overdraft	**(1,145,423)**	-
	8,082,614	6,497,565

7. NET INVESTMENT IN FINANCE LEASE

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
a) Net investment in finance lease consists of:		
Gross investment in finance lease (see (b) below)	**130,260,105**	139,296,708
Less: Unearned finance income (see (c) below)	**(58,500,490)**	(66,327,031)
	71,759,615	72,969,677
b) The future minimum lease payments to be received consist of:		
Within one year	**6,380,702**	9,384,082
After one year but not more than five years	**25,037,874**	24,736,213
Five years onwards	**98,841,529**	105,176,413
	130,260,105	139,296,708
c) The maturity of unearned finance income is as follows:		
Within one year	**(5,075,952)**	(8,174,027)
After one year but not more than five years	**(17,921,524)**	(18,351,955)
Five years onwards	**(35,503,014)**	(39,801,049)
	(58,500,490)	(66,327,031)

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

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

8. MURABAHA DEPOSIT

As at 31 December 2024, Murabaha deposit represents amount invested by the Fund in a local commercial bank and carries a profit rate of 3.9%. This deposit will mature in January 2025.

9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Rent receivable *(refer note (a) below)*	**46,477,391**	44,431,989
Rent receivable from related party *(refer note (a) & note 12)*	**28,025,888**	26,408,860
VAT receivable – input tax	**1,695,054**	-
Prepaid expenses	**-**	902,089
Other assets *(refer note (b) below)*	**-**	265,184
	76,198,333	72,008,122

(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.

9. PREPAYMENTS, RECEIVABLES AND OTHER ASSETS (continued)

(b) In 2023, this includes an amount of SR 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. The payment against this assessment was made 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 ruled in favor of the Fund and the amount was settled by ZATCA during 2024.

10. INVESTMENT PROPERTIES, NET

	31 December 2024	
	Land and Buildings SR	***Total SR***
Cost:		
At the beginning and end of the year	**728,977,976**	**728,977,976**
Accumulated depreciation:		
At the beginning of the year	**(22,324,963)**	**(22,324,963)**
Charged during the year	**(6,178,621)**	**(6,178,621)**
At the end of the year	**(28,503,584)**	**(28,503,584)**
Accumulated impairment:		
At the beginning of the year	**(51,597)**	**(51,597)**
Reversal of impairment during the year*	**51,597**	**51,597**
At the end of the year	**-**	**-**
Net book value	**700,474,392**	**700,474,392**

	31 December 2023		
	Land and Buildings SR	***Capital work in progress SR***	***Total SR***
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	-	(39,267,075)	(39,267,075)
At the end of the year	728,977,976	-	728,977,976
Accumulated depreciation:			
At the beginning of the year	(16,004,459)	-	(16,004,459)
Charged during the year	(6,320,504)	-	(6,320,504)
At the end of the year	(22,324,963)	-	(22,324,963)
Accumulated impairment:			
At the beginning of the year	(3,784,454)	-	(3,784,454)
Reversal of impairment during the year	3,732,857	-	3,732,857
At the end of the year	(51,597)	-	(51,597)
Net book value	706,601,416	-	706,601,416

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

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. Spanning a total of 19,423 square meters, these assets are designated as investment properties by the Fund. The Fund financed the purchase 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. 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 Fund financed the purchase through a facility provided by Banque Saudi Fransi, a related party.

c) The Fund has entered into a lease agreement with Al Rwad International School for a property, which was acquired in exchange for SR 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. 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. Located in the Umm-al-Hamam district of Riyadh City, on Al-Takhassusi 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 (2023: 38.98%). The Fund categorizes the land as an Investment Property and the building as net investment in finance lease.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Advance lease payments	**5,502,902**	5,156,694
Accrued expenses and others	**2,224,389**	1,351,131
Custody fee payable	**154,060**	214,399
Audit fee payable	**12,600**	40,001
VAT payable – output tax	**-**	2,530,883
	7,893,951	9,293,108

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

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

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

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

		Amount of transactions		***Balances receivables / (payables)***	
Related Party	***Nature of transactions***	***For the year ended 31 December 2024 SR***	*For the year ended 31 December 2023 SR*	***As at 31 December 2024 SR***	*As at 31 December 2023 SR*
Fund Manager	Asset management fees	**(3,825,000)**	(3,825,000)	**(1,922,952)**	(2,217,451)
	Interest compensation	**-**	-	**101,382**	556,636
Board of Directors	Board fees to independent board members	**(40,000)**	(40,000)	**-**	-
Unitholders [note (a) below]	Rental income	**21,926,239**	21,926,239	**28,025,888**	26,408,860
	Net investment in finance lease	**-**	39,267,075	**71,759,615**	72,969,684
	Finance lease income	**4,823,161**	4,816,815	**-**	-
Banque Saudi Fransi	Borrowing from Bank	**(644,047)**	(902,106)	**298,259,324**	297,314,597
	Borrowing fee / roll over chargers on loan facility	**(68,238)**	(354,741)	**-**	-
	Finance cost charge	**(23,313,604)**	(22,593,316)	**-**	-
	Finance cost paid	**(22,612,210)**	(21,983,837)	**-**	-

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.

13. BORROWINGS 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 in note 10 to these financial statements. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Fund obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission. The Fund is to repay the principal in one bullet payment on 30 June 2027. The loan has been obtained in the name of Rabwa Taleem Real Estate Company.

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

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Balance at the beginning the year	**297,314,597**	297,607,224
Overdraft facility received / (paid) (refer note 6)	**1,145,423**	(902,106)
Unamortised facility fees	**(902,090)**	-
Accrued profit	**23,313,604**	22,593,316
Profit paid	**(22,612,210)**	(21,983,837)
Balance at the end the year	**298,259,324**	297,314,597

14. INCOME FROM INVESTMENT PROPERTIES

	For the year ended 31 December 2024 SR	*For the year ended 31 December 2023 SR*
Lease rental income on investment properties	**62,607,315**	61,580,546

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

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

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Not later than one year	**29,244,679**	46,283,868
Later than one year and less than five years	**122,006,386**	191,887,588
Later than five years	**355,019,784**	690,474,746
	506,270,849	928,646,202

15. OTHER EXPENSES

	For the year ended 31 December 2024 SR	*For the year ended 31 December 2023 SR*
Unrecoverable VAT	**556,636**	-
Registrar fee	**420,000**	420,000
Listing fee	**170,031**	182,403
Insurance expense	**127,609**	73,270
Audit fee	**70,248**	68,250
Board fee	**40,000**	40,000
Others	**178,896**	11,848
	1,563,420	795,771

16. DIVIDEND DISTRIBUTION

During the year, the Fund has paid dividends amounting to SR 32.64 million (2023: SR 32.64 million). The dividend per unit amounted to SR 0.64 per unit (2023: SR 0.64 per unit).

Subsequent to the year-end on 26 January 2025, Fund Manager announced the distribution of cash dividend to the Unitholders of the Fund for the period from 27 Rabi' al-Awwal 1446H (corresponding to 30 September 2024) to 30 Jumada al-Alkhirah 1446H (corresponding to 31 December 2024) amounting to SR 8.16 million (SR 0.16 per unit) (2023: SR 8.16 million (SR 0.16 per unit)).

17. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of investment properties is SR 955 million (2023: SR 814 million) carried at Level 3. The Fund believes that the fair value of all other financial assets and liabilities approximately equal their carrying value.

18. EFFECT ON EQUITY VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

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

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:

	Note	***As at 31 December 2024 SR***	*As at 31 December 2023 SR*
Estimated fair value of investment properties		**954,562,500**	814,192,085
Book value of investment properties	10	**(700,474,392)**	(706,601,416)
Estimated fair value surplus relative to book value		**254,088,108**	107,590,669
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		**4.9821**	2.1096

Equity value

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Equity as per the financial statements	**549,685,532**	549,808,260
Estimated fair value surplus relative to book value	**254,088,108**	107,590,669
Equity based on fair valuation of investment properties	**803,773,640**	657,398,929
Equity value per unit		
Equity per unit as per the statement of financial position	**10.7781**	10.7806
Per unit value impact from excess of investment properties' estimated fair value over book value	**4.9821**	2.1096
Equity value per unit based on fair valuation of investment properties	**15.7602**	12.8902

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.

19. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

As at 31 December 2024	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Cash and bank balances	**1,077,232**	**-**	**1,077,232**
Net investment in finance lease	**1,304,750**	**70,454,865**	**71,759,615**
Murabaha deposit	**8,150,805**	**-**	**8,150,805**
Prepayments, receivables and other assets	**9,905,479**	**66,292,854**	**76,198,333**
Due from related party	**101,382**	**-**	**101,382**
Investment properties, net	**-**	**700,474,392**	**700,474,392**
TOTAL ASSETS	**20,539,648**	**837,222,111**	**857,761,759**
LIABILITIES			
Management fee payable	**1,922,952**	**-**	**1,922,952**
Accrued expenses and other liabilities	**7,893,951**	**-**	**7,893,951**
Borrowings from a bank	**3,459,324**	**294,800,000**	**298,259,324**
TOTAL LIABILITIES	**13,276,227**	**294,800,000**	**308,076,227**

As at 31 December 2023	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Cash and bank balances	6,497,565	-	6,497,565
Net investment in finance lease	1,210,055	71,759,622	72,969,677
Prepayments, receivables and other assets	11,599,897	60,408,225	72,008,122
Due from related party	556,636	-	556,636
Investment properties, net	-	706,601,416	706,601,416
TOTAL ASSETS	19,864,153	838,769,263	858,633,416
LIABILITIES			
Management fee payable	2,217,451	-	2,217,451
Accrued expenses and other liabilities	9,293,108	-	9,293,108
Borrowings from a bank	-	297,314,597	297,314,597
TOTAL LIABILITIES	11,510,559	297,314,597	308,825,156

20. SEGMENT INFORMATION

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

21 FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management

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

Credit risk

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

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

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

	As at 31 December 2024 SR	*As at 31 December 2023 SR*
Cash and bank balances	**1,077,232**	6,497,565
Net investment in finance lease	**71,759,615**	72,969,677
Murabaha deposit	**8,150,805**	-
Due from a related party	**101,382**	556,636
Prepayments, receivables and other assets	**74,503,279**	70,840,849
	155,592,313	150,864,727

Concentration risk

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

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

21 FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

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

The remaining contractual maturities at the reporting date of the Fund's assets and liabilities are disclosed in note 19 to these financial statements.

Market risk

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

Currency risk

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

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Fund is subject to special commission rate risk on its special commission bearing assets including net investment in finance lease. The Fund does not account for any fixed rate special commission bearing financial assets at fair value and therefore, a change in special commission rates at the reporting date would not have any effect on the financial statements. The Fund is exposed to cashflow special commission rate risk on the floating rate borrowings. A hundred basis points change in commission rate keeping all other factors constant will increase/decrease the special commission expense by SR 369,872 (2023: SR 306,881).

Property valuation risk

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

22 LAST VALUATION DAY

The last valuation day for the purpose of preparation of these financial statements for the year was 31 December 2024 (31 December 2023).

23 EVENTS AFTER THE END OF REPORTING PERIOD

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

24. CONTINGENCIES AND COMMITMENTS

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

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Fund Board on 13 March 2025 (corresponding to 13 Ramadan 1446H).