

TALEEM REIT FUND

(Managed by Saudi Fransi Capital)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
TOGETHER WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

CONDENSED INTERIM FINANCIAL STATEMENT

For the six-months period ended 30 June 2021

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

**TO: THE UNITHOLDERS OF
TALEEM REIT FUND
(Managed by Saudi Fransi Capital)**

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of **TALEEM REIT FUND ("the Fund")** managed by Saudi Fransi Capital (the "Fund Manager"), which comprises the statement of financial position as at 30 June 2021 and the related condensed interim statements of comprehensive income, changes in net assets and cash flows for the six months period then ended and notes to the condensed interim financial information, including a summary of significant accounting policies and other explanatory notes. Management 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 and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). 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 condensed 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 that are 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 does not present fairly, in all material respects, the financial position of the Fund as at 30 June 2021, and of its financial performance and its cash flows for the six months period then ended, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").



**Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants**


**Abdullah M. AlAzem
License No. 335**

09 Muharram 1443H (17 August 2021)
Riyadh, Saudi Arabia

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Note</i>	30 June 2021 (Un-Audited) SR	<i>31 December 2020 (Audited) SR</i>
<u>ASSETS</u>			
Cash and cash equivalents	7	1,778,785	5,633,083
Net investment in finance lease	8	34,805,517	34,679,063
Prepaid expenses and other assets	9	47,196,151	32,891,266
Investment properties	10	557,192,091	560,839,660
TOTAL ASSETS		640,972,544	634,043,072
<u>LIABILITIES</u>			
Management fee payable	11	3,287,003	1,105,702
Accrued expenses and other liabilities		251,509	3,162,053
Provision of zakat	15	874,747	1,748,511
Borrowing from bank	12	94,300,000	94,318,624
TOTAL LIABILITIES		98,713,259	100,334,890
Net assets attributable to unitholders		542,259,285	533,708,182
Units in issue – Numbers		51,000,000	51,000,000
Net asset value per unit – Book value		10.6325	10.4649
Net asset value per unit – Fair value	17	10.7169	10.6701

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six-months period ended 30 June 2021

	<i>Note</i>	<i>For the six- months period ended 30 June 2021</i>	<i>For the six- months period ended 30 June 2020</i>
		<u>SR</u>	<u>SR</u>
<u>INCOME</u>			
Income from investment properties	13	23,726,542	21,537,134
Finance lease income	8	1,161,122	1,204,611
Gain on investments measured at FVTPL		--	55,556
TOTAL INCOME		24,887,664	22,797,301
<u>EXPENSES</u>			
Management fees	11	(1,896,784)	(1,902,046)
Custodian fees		(100,157)	(102,112)
Other expenses		(568,171)	(402,018)
Finance cost		(1,087,168)	(13,494)
TOTAL EXPENSES		(3,652,280)	(2,419,670)
Depreciation expense on investment properties	10	(1,922,050)	(1,258,960)
Impairment in investment properties	10	(1,725,519)	(3,120,926)
NET INCOME BEFORE ZAKAT FOR THE PERIOD		17,587,815	15,997,745
Provision for zakat	15	(876,712)	(765,000)
NET INCOME AFTER ZAKAT FOR THE PERIOD		16,711,103	15,232,745
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		16,711,103	15,232,745
Earnings per unit			
Weighted average units in issue		51,000,000	51,000,000
Earnings per unit		0.3277	0.2987

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (UN-AUDITED)

For the six-months period ended 30 June 2021

	<i>For the six- months period ended 30 June 2021 SR</i>	<i>For the six- months period ended 30 June 2020 SR</i>
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	533,708,182	530,847,090
CHANGES FROM OPERATIONS		
Net income for the period	16,711,103	15,232,745
Total comprehensive income	16,711,103	15,232,745
Income distributions during the period (note 14)	(8,160,000)	(16,320,000)
	(8,160,000)	(16,320,000)
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	542,259,285	529,759,835
UNIT TRANSACTIONS		
Transactions in units during the periods are summarised as follows:		
	<i>For the six- months period ended 30 June 2021 Units</i>	<i>For the six- months period ended 30 June 2020 Units</i>
UNITS AT THE BEGINNING AND END OF THE PERIOD	51,000,000	51,000,000

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the six-months period ended 30 June 2021

	<i>Note</i>	<i>For the six- months period ended 30 June 2021</i>	<i>For the six- months period ended 30 June 2020</i>
		SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat for the period		17,587,815	15,997,745
Adjustment for:			
Unrealised loss from investments measured at FVTPL		--	64,856
Depreciation expense on investment properties	10	1,922,050	1,258,960
Impairment in investment properties	10	1,725,519	3,120,926
Finance cost		1,087,168	13,494
Operating cash flows before working capital changes		22,322,552	20,455,981
Changes in operating assets and liabilities:			
Prepaid expenses and other assets		(14,304,885)	(23,670,360)
Management fee payable		2,181,301	(979,803)
Other liabilities		(2,924,287)	13,627,602
Zakat paid	15	(1,750,476)	--
Net cash flow from operating activities		5,524,205	9,433,420
CASH FLOWS FROM INVESTING ACTIVITIES			
Recovery of net investment in finance lease, net		(126,454)	84,863
Sale of investments measured at FVTPL, net		--	4,079,588
Purchase of investment property	10	--	(94,340,476)
Net cash flow (used in) investing activities		(126,454)	(90,176,025)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid, net off unclaimed dividends	14	(8,146,257)	(16,320,000)
Borrowings from bank	12	--	98,900,000
Finance cost paid		(1,105,792)	--
Net cash flow (used in) / from financing activity		(9,252,049)	82,580,000
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
		(3,854,298)	1,837,395
Cash and cash equivalents at the beginning of the period		5,633,083	14,622
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7	1,778,785	1,852,017

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements.

TALEEM REIT FUND (MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-months period ended 30 June 2021

1. GENERAL

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

Saudi Fransi Capital
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 constructionally developed real estate which is qualified to generate periodic return and rental income and to distribute ninety percent of the Fund’s net profit as dividends to the unitholders at least annually. The Fund can borrow Shariah compliant funds up to 50% of the value of its total assets.

The terms and conditions of the Fund have been approved by the CMA on 12 Sha’aban 1438H (corresponding to 8 May 2017). During the period, the terms and conditions has been updated on 19 Rajab 1442H (corresponding to 03 March 2021) and 24 Rajab 1442H (corresponding to 08 March 2021).

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

3. BASIS OF PREPARATION

3.1 *Statement of Compliance*

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

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, therefore, these should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2020.

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 (18).

3.2 *Basis of measurement*

The condensed interim financial statements have been prepared on a historical cost basis, using the accruals basis of accounting except for investments measured at fair value through profit or loss that are measured at fair value and financial assets measured at amortized cost.

3.3 *Functional and presentation currency*

These condensed interim 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 Riyal (“SR”).

TALEEM REIT FUND (MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting and risk management policies used in the preparation of these condensed interim financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2020.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements in conformity with the IFRS endorsed in the Kingdom of Saudi Arabia, 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:

Going concern

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

Net investment in finance lease

The following are the critical 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 the major part of the economic life of the leased asset.

Valuation of investment properties

The valuation of the investment properties (the "properties") is carried out by Olaat Properties Management and ValuStrat Consulting. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM").

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance each asset's performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The valuation models have been applied in accordance with the recommendations of the International Valuation Standards Committee. The Fund manager has concluded that the valuation models used by the Fund are consistent with the principles in IFRS 13. These models comprise land plus cost method, residual value method and the discounted cash flow ("DCF") method.

Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including estimated rental income and an exit or terminal value. This involves the projection of a series of cash flows to which an appropriate, market-derived discount rate is applied to establish the present value of the income stream.

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Residual value and useful lives of investment properties

The REIT's management 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. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management 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.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New IFRS, amendments and interpretations issued not yet effective and not early adopted

There are several standards and interpretations that are issued, but not yet effective, up to the date of authorization of the Fund's financial statements. In the opinion of the Board, these standards will have no significant impact on the financial statements of the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

7. CASH AND CASH EQUIVALENTS

	<i>30 June 2021 (Un-Audited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Balances with Saudi Fransi Capital	<u>260</u>	5,607,971
Bank balances	<u>1,778,525</u>	<u>25,112</u>
	<u><u>1,778,785</u></u>	<u><u>5,633,083</u></u>

No special commission is receivable on this balance (Note 11).

The management has conducted a review as required under IFRS 9 and based on such an assessment, the management believes that there is no need for any expected credit loss allowance against the carrying value of bank balances.

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

8. NET INVESTMENT IN FINANCE LEASE

	30 June 2021 (Un-Audited) SR	31 December 2020 (Audited) SR
<i>a) Net investment in finance lease consists of:</i>		
Gross investment in finance lease (see (b) below)	70,517,943	72,191,169
Less: Unearned finance income (see (c) below)	(35,712,426)	(37,512,106)
	34,805,517	34,679,063
<i>b) The future minimum lease payments to be received consist of:</i>		
Within one year	2,388,616	2,707,895
After one year but not more than five years	11,170,066	11,102,368
Five years onwards	56,959,261	58,380,906
	70,517,943	72,191,169
<i>c) The maturity of unearned finance income is as follows:</i>		
Within one year	(2,352,916)	(2,397,921)
After one year but not more than five years	(9,166,796)	(9,344,883)
Five years onwards	(24,192,714)	(25,769,302)
	(35,712,426)	(37,512,106)

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

Finance income earned on the finance lease during the period was SR 1.16 million (30 June 2020: SR 1.2 million).

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

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

9. PREPAYMENTS AND OTHER ASSETS

	<i>30 June 2021 (Un-Audited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Rent receivable (refer note a below)	17,516,011	14,340,508
Rent receivable from related party (refer note a below) & [note 11 (b)]	17,667,961	14,717,963
Receivable from lessee	10,879,220	-
Receivable against disposal of investments classified as FVTPL	--	2,709,413
VAT receivable – input tax	245,131	402,353
Prepaid expenses	625,328	458,529
Other assets (refer note b below)	262,500	262,500
	47,196,151	32,891,266

- (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.

During the period-end, the Fund Manager has suspended rental escalation(s) for 1 year, which were becoming due in the year 2021 and will now be affected in the year 2022. This Suspension for rental escalations have been appropriately accounted for in the condensed interim financial statements as disclosed in detail in note 22.

- (b) During the year 2020, the Fund was subject to VAT audit for the years 2018 and 2019. Zakat, Tax and Customs Authority (ZATCA) raised an assesment of SR 262,500. The Fund paid the said amount of assesment during the month of December 2020. During the current period, the Fund Manager filed an appeal in this regard. The appeal was rejected by ZATCA. The Fund Manager has esclated the case to General Secretariat of Tax Committee (GSTC).

10. INVESTMENT PROPERTIES

	<i>30 June 2021 (Un-Audited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Cost:		
At the beginning of the period / year	569,340,476	475,000,000
Additions	--	94,340,476
At the end of the period / year	569,340,476	569,340,476
Accumulated depreciation:		
At the beginning of the period / year	(6,308,834)	(3,128,520)
Charged during the period / year	(1,922,050)	(3,180,314)
At the end of the period / year	(8,230,884)	(6,308,834)
Impairment at the end of the period / year:	(3,917,501)	(2,191,982)
Net book value	557,192,091	560,839,660

For the six-months period ended 30 June 2021, the Fund recorded an impairment loss amounting to SR 1.73 million (30 June 2020: SR 3.12 million). The impairment is determined based on the valuation by two independent valuers (refer note 17).

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

10. INVESTMENT PROPERTIES (CONTINUED)

The investment properties represent following acquired properties:

- (a) During 2020, the Fund acquired the land and building leased out to “Al Ghad National School” for a consideration of SR 92 million (excluding transaction cost) on 29 June 2020 corresponding to 08 Dhu’l-Qi’dah 1441. The said property is held in the name of “Rabwa Taleem Real Estate Company” which is owned by the KASB Capital (“Custodian of the Fund”). Rabwa Taleem Real Estate Company is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Al Ghad National School is located in King Abdullah District in Riyadh City on Al-Uruba Street on a total land size spanning 11,282.58 square meters, with a total built-up area of 17,908.28 square meters. The Fund has classified land and building as an Investment Property. The acquisition is funded by financing facility from Banque Saudi Fransi (Related Party).
- (b) During 2018, the Fund acquired the land and building leased out to “Al Rwad International School” for a consideration of SR 225 million worth of Fund units at SR 10 per unit on 26 September 2018 corresponding to 16 Muharram 1440. The said property is held in the name of “Raj Three Company Limited” which is owned by the KASB Capital (“Custodian of the Fund”). Raj Three Company Limited is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Al Rwad International School is located in the Alnuzha district in Riyadh City and covers an area of 30,000 square meters. The Fund has classified land and building as an Investment Property.
- (c) During 2017, the Fund acquired the land and building leased out to “Tarbiah Islamiah School” for a consideration of SR 285 million worth of Fund units at SR 10 per unit on 29 Shabaan 1438 corresponding to 25 May 2017. The said property is held in the name of “Rabwa Taleem Real Estate Company” which is owned by the KASB Capital (“Custodian of the Fund”). Rabwa Taleem Real Estate Company is holding the property in its name for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property. Tarbiah Islamiah School is located in the Umm-al-Hamam district in Riyadh City and covers an area of 45,666.94 square meters on Al-Takhassusi Street. The previous owner (Ahmed Al Rasheed and Sons Holding Company) holds 38.92% (31 December 2020: 38.92%) of the total units in the Fund. The Fund has classified land as an Investment Property.

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties include Saudi Fransi Capital (“the Fund Manager”), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Funds’ Board of Directors (BOD), affiliates of the Fund Manager, the Funds managed by the Fund Manager and the Unit holders of the Fund.

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

Transactions with related parties during the periods and balances are as follows:

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Balances</i>	
		<i>For the six-months period ended 30 June 2021</i>	<i>For the six-months period ended 30 June 2020</i>	<i>30 June 2021 (Un-Audited)</i>	<i>31 December 2020 (Audited)</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Fund manager	Asset management fees (note “a” below)	(1,896,784)	(1,902,046)	(3,287,003)	(1,105,702)
	Reimbursement of expenses paid by the Fund manager on behalf of the Fund	-	69,250	--	-
	Receivable against disposal of investments classified as FVTPL	-	-	--	2,709,413

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Balances Receivables / (Payables)</i>	
		<i>For the six-months period ended 30 June 2021</i> SR	<i>For the six-months period ended 30 June 2020</i> SR	<i>30 June 2021</i> <i>(Un-Audited)</i> SR	<i>31 December 2020</i> <i>(Audited)</i> SR
Board of directors	Board fees to independent board members	(19,839)	(4,967)	161	-
Unitholders (note "b" below)	Rental income	10,340,490	21,537,134	17,667,961	14,717,963
	Finance lease income	1,161,122	1,204,611	-	-
	Receivable from lessee	-	-	10,879,220	-
Banque Saudi Fransi	Borrowing from Bank	--	-	(94,300,000)	(94,300,000)
	Management fee on loan facility	(35,004)	(387)	423,525	458,529
Banque Saudi Fransi	Borrowing fee / roll over charges on loan facility	(9,430)	-	-	-
	Dividend distribution charges	(8,592)	(5,922)	-	(3,416)
	Finance cost	(1,087,168)	-	-	(18,624)

- a. As per the Terms and Conditions of the Fund, the Fund Manager charges a management fee calculated at an annual rate of 0.75% of the net asset value of the Fund. This is accrued monthly and paid on a semi-annual basis.

During the year 2018, the Fund Board resolved to charge the Management fee based on the Capital base (SR 510 million) of the Fund instead of net assets of the Fund as long as the NAV is above the Capital base.

- b. The sponsor unitholder of the Fund namely; Ahmed Al Rasheed and Sons Holding Company is also the shareholders 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 maintained cash with Saudi Fransi Capital amounting to SR 260 (31 December 2020: SR 5,607,971) and Banque Saudi Fransi amounting to SR 1,778,525 (30 June 2020: SR 25,112).

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

12. BORROWING FROM BANK

This represents Islamic mode of financing obtained from a local bank (Banque Saudi Fransi) utilized to finance the acquisition of the property "Al Ghad National School". The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Fund obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission. The Fund is to repay the principal in one bullet payment on 30 June 2027. The loan has been obtained in the name of Rabwa Taleem Real Estate Company (SPV of the fund).

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

13. INCOME FROM INVESTMENT PROPERTIES

	<i>For the six- months period ended 30 June 2021 SR</i>	<i>For the six- months period ended 30 June 2020 SR</i>
Lease rental income on investment properties	<u>23,726,542</u>	<u>21,537,134</u>

The operating lease relates to land of Tarbiah Islamiah School, land and building of Al Rwad International School, and land and building of Al Ghad National School which is leased out for a remaining lease term of 22.7 years (31 December 2020: 23.2 years), 20.75 years (31 December 2020: 21.25 years) and 9 years (31 December 2020: 9.5 years) respectively. The leases provide for tenants to pay the base rent, with provisions for contractual increases in base rent over the term of the leases.

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

	<i>30 June 2021 (Un-Audited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Not later than one year	<u>37,363,655</u>	<u>41,264,105</u>
Later than one year and less than five years	<u>172,657,184</u>	<u>171,375,032</u>
Later than five years	<u>796,434,648</u>	<u>815,373,853</u>
	<u>1,006,455,487</u>	<u>1,028,012,990</u>

14. DIVIDEND / DISTRIBUTION

During the period, the Fund has paid dividends amounting to SR 8.16 million (30 June 2020: SR 16.32 million). The dividend per unit amounted to SR 0.16 per unit (30 June 2020: SR 0.32 per unit).

Subsequent to the period-end, the Funds' Board has approved, declared and paid dividends amounting to SR 12.24 million (SR 0.24 per unit) (30 June 2020: SR 8.16 million (SR 0.16 per unit)).

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

15. PROVISION OF ZAKAT

a) Basis for Zakat:

Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Saudi Unitholders.

The Fund has computed the provision for zakat based on the zakat base.

b) Movement of provision for zakat:

	30 June 2021 (Un-Audited) SR	31 December 2020 (Audited) SR
Balance at the beginning of the period / year	1,748,511	1,529,806
Provision for the period / year	876,712	1,748,511
Payments during the period / year	(1,750,476)	(1,529,806)
Balance at the end of the period / year	874,747	1,748,511

c) Status of annual return and assessments:

The Fund filed the annual return for the year ended 31 December 2020 within the stipulated timelines as specified under the Zakat regulations issued by Zakat, Tax and Customs Authority ("ZATCA").

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the principal or the most advantageous market must be accessible to the Fund.

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

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

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

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

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

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

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

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

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

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

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

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

	30 June 2021 (Un-Audited)	31 December 2020 (Audited) SR
Estimated fair value of investment properties	561,497,450	571,303,116
Book value of investment properties	(557,192,091)	(560,839,660)
Estimated fair value in excess of book value	4,305,359	10,463,456
Units in issue (numbers)	51,000,000	51,000,000
Value per unit relating to excess of estimated fair value over book value of investment properties	0.0844	0.2052
Net asset value		
	30 June 2021 (Un-Audited) SR	31 December 2020 (Audited) SR
Net asset value as per the financial statements	542,259,285	533,708,182
Estimated fair value in excess of book value of investment properties	4,305,359	10,463,456
Net asset value based on fair valuation of investment properties	546,564,644	544,171,638
Net asset value per unit		
Net asset value per unit as per the financial statements	10.6325	10.4649
Estimated fair value in excess of book value of investment properties	0.0844	0.2052
Net asset value per unit based on fair valuation of investment properties	10.7169	10.6701

The Fund's investment in the building of Tarbiah Islamiah School has been classified as a finance lease in accordance with IFRS as endorsed in KSA. The fair value of the net investment in finance lease has been determined based on the market special commission rates. As of the reporting date, the carrying value of the net investment in finance lease approximates its fair value.

TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

	<i>Within</i> <i>12 months</i> <i>SR</i>	<i>After</i> <i>12 months</i> <i>SR</i>	<i>Total</i> <i>SR</i>
30 June 2021 (Un-Audited)			
ASSETS			
Cash and cash equivalents	1,778,785	-	1,778,785
Net investment in finance lease	35,700	34,769,817	34,805,517
Prepayments, and other assets	12,012,179	35,183,972	47,196,151
Investment properties	--	557,192,091	557,192,091
TOTAL ASSETS	13,826,664	627,145,880	640,972,544
LIABILITIES			
Management fees payable	3,287,003	-	3,287,003
Accrued expenses and other liabilities	251,509	-	251,509
Provision of zakat	874,747	-	874,747
Borrowing from Bank	--	94,300,000	94,300,000
TOTAL LIABILITIES	4,413,259	94,300,000	98,713,259
	<i>Within</i> <i>12 months</i> <i>SR</i>	<i>After</i> <i>12 months</i> <i>SR</i>	<i>Total</i> <i>SR</i>
31 December 2020 (Audited)			
ASSETS			
Cash and cash equivalents	5,633,083	-	5,633,083
Net investment in finance lease	309,974	34,369,089	34,679,063
Prepayments, and other assets	3,832,795	29,058,471	32,891,266
Investment properties	--	560,839,660	560,839,660
TOTAL ASSETS	9,775,852	624,267,220	634,043,072
LIABILITIES			
Management fees payable	1,105,702	-	1,105,702
Accrued expenses and other liabilities	3,162,053	-	3,162,053
Provision of zakat	1,748,511	-	1,748,511
Borrowing from Bank	18,624	94,300,000	94,318,624
TOTAL LIABILITIES	6,034,890	94,300,000	100,334,890

19. SEGMENT INFORMATION

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

**TALEEM REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL)**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six-months period ended 30 June 2021

20. LAST VALUATION DAY

The last valuation day of the year was 30 June 2021 (2020: 31 December 2020).

21. EVENTS AFTER THE END OF REPORTING PERIOD

No events have incurred subsequent to the statement of financial position date, which requires disclosures and / or adjustments in the condensed interim financial statements except for the event that has already disclosed in detailed in note 22.

22. IMPACT OF COVID-19

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews. Later on, the situation has improved with the easing of lockdown restrictions.

In response to the spread of the Covid-19 virus, the Fund Manager has proactively assessed its impacts on the operations of the Fund and has taken a series of proactive and preventative measures to ensure the health and safety of its employees.

For the six-months period ended 30 June 2021, the impacts due to Covid-19 pandemic on the operations of the Fund have been disclosed below:

- With due consideration to the potential impact of the COVID-19 pandemic, the Fund Manager has suspended rental escalation(s) for 1 year, which were becoming due in the year 2021 and will now be affected in the year 2022; and
- The Fund Manager appointed an independent financial consultant to assess the financial stress caused by COVID-19 pandemic on Fund’s tenants. Based on the independent financial consultant's report, the Fund has extended the financial support to tenants and offered certain discounts for the current period / year. The discounts have been appropriately accounted for in the condensed interim financial statements.

The Fund Manager continues to monitor the evolving situation carefully and will take required actions. Further, the Fund will continue to follow the Government policies and advice and, in parallel, will do utmost to continue Fund’s operations in the best and safest way possible without jeopardizing the health of employees. Moreover, the fund manager will follow up on events and monitor any future substantial developments.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 08 Muharram 1443H (corresponding to 16 August 2021).