

**TALEEM REIT FUND**  
(Closed Ended Real Estate Investment Traded Fund)  
(MANAGED BY SAUDI FRANSI CAPITAL)  
**Financial Statements**  
**for the period from 30 May 2017 to 31 December 2017**  
together with the  
**Audit Report to the Unitholders**



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Licence No. 46/11/323 issued 11/3/1992

## Independent auditors' report

**To the Unitholders of  
 Taleem REIT Fund  
 Riyadh, Kingdom of Saudi Arabia**

### Opinion

We have audited the accompanying financial statements of Taleem REIT Fund (the "Fund"), managed by Saudi Fransi Capital (the "Fund Manager"), which comprise the balance sheet as at 31 December 2017, the statements of income, cash flows and changes in net assets attributable to the unitholders for the period from 30 May 2017 to 31 December 2017 and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2017, and its financial performance and its cash flows for the period from 30 May 2017 to 31 December 2017 in accordance with generally accepted accounting standards as issued by Saudi Organization for Certified Public Accountants (SOCPA).

### 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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.

### Valuation of investment property

See Note 4.1, 7 and 12 of the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the carrying value of the Fund's investment property was SR 250 million.</p> <p>The investment property is stated at cost less impairment in value, if any. However, the fair value of the investment property is disclosed along with its impact on Net Asset Value per unit. The fund manager uses two independent valuers licensed by Saudi Authority for Accredited Valuers (Taqeem) to evaluate the fair value of the property at the reporting date.</p>	<p>We evaluated the qualification and competence of the external valuers, as well as their independence.</p> <p>We assessed the valuation reports based on our industry knowledge and assessed the appropriateness of method used.</p> <p>We carried out procedures to satisfy ourselves of the accuracy of the property information supplied to the valuers by fund manager.</p>



The key audit matter	How the matter was addressed in our audit
We considered this as a key audit matter since the valuation requires significant judgement with respect to appropriateness of method used, and any input inaccuracies in this judgement could result in material misstatement of the financial statements disclosures.	We inspected the final valuation reports and agreed the fair value to the Fund's accounting records.

**Other Information**

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

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 when it becomes available 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 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 generally accepted accounting standards as issued by SOCPA 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 are responsible for overseeing the Fund's financial reporting process.

**Auditors' 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 auditors' 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 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 judgement and maintain professional scepticism 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.
- 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 the Fund's internal control.

## Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- 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, then we are required to draw attention in our auditors' 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 auditors' 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 of **Taleem REIT Fund**.

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

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 are therefore the key audit matters. We describe these matters in our auditors' 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.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

Abdullah Hamad Al Fozan  
License No: 348

Date: 10 Jumada'II 1439H  
Corresponding to: 26 February 2018



**TALEEM REIT FUND**  
(Closed Ended Real Estate Investment Traded Fund)  
(MANAGED BY SAUDI FRANSI CAPITAL)  
**BALANCE SHEET**  
As at 31 December 2017  
*(Amounts in SAR)*

	<u>Note</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	5	5,922,724
Investment property	7	250,000,000
Net investment in finance leases	8	35,138,399
<b>Total assets</b>		<b>291,061,123</b>
<b><u>LIABILITIES</u></b>		
Fund management fee payable	6	1,253,218
Other liabilities		108,584
<b>Total liabilities</b>		<b>1,361,802</b>
<b>Net asset value attributable to the Unitholders</b>		<b>285,897,432</b>
<b>Accrual for distribution</b>	1	<b>3,801,889</b>
<b>Total net asset value attributable to the Unitholders</b>		<b>289,699,321</b>
<b>Units in issue (numbers)</b>		<b>28,500,000</b>
<b>Net asset value - per unit</b>		<b>10.1649</b>

The accompanying notes 1 to 13 form an integral part of these financial statements.

**TALEEM REIT FUND**  
(Closed Ended Real Estate Investment Traded Fund)  
(MANAGED BY SAUDI FRANSI CAPITAL)  
**STATEMENT OF INCOME**  
For the period from 30 May 2017 to 31 December 2017  
*(Amounts in SAR)*

	<u>Note</u>	<u>2017</u>
<b><u>INCOME</u></b>		
Lease rental income on land		9,210,526
Lease finance income		1,427,874
Trading income (Mutual Funds)		<u>12,014</u>
		<u>10,650,414</u>
<b><u>EXPENSES</u></b>		
Fund management fee	6	(1,253,218)
Other expenses		<u>(422,875)</u>
<b>Total expenses</b>		<u>(1,676,093)</u>
<b>Net profit for the period</b>		<u><u>8,974,321</u></u>

The accompanying notes 1 to 13 form an integral part of these financial statements.

**TALEEM REIT FUND**  
(Closed Ended Real Estate Investment Traded Fund)  
(MANAGED BY SAUDI FRANSI CAPITAL)  
**STATEMENT OF CASH FLOWS**  
For the period from 30 May 2017 to 31 December 2017  
*(Amounts in SAR)*

	<u>Note</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the period		8,974,321
<b>Operating assets and liabilities</b>		
Fund management fee payable		1,253,218
Other liabilities		108,584
		<u>10,336,123</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land and building		<u>(285,138,399)</u>
Net cash used in investing activities		(285,138,399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units		285,000,000
Dividends distributed		<u>(4,275,000)</u>
Net cash generated from financing activities		280,725,000
Net change in cash and cash equivalents		<u>5,922,724</u>
Cash and cash equivalents at the end of the period		<u>5,922,724</u>

The accompanying notes 1 to 13 form an integral part of these financial statements.

**TALEEM REIT FUND**  
(Closed Ended Real Estate Investment Traded Fund)  
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**STATEMENT OF CHANGES IN NET ASSET**  
**ATTRIBUTABLE TO THE UNITHOLDERS**  
For the period from 30 May 2017 to 31 December 2017  
*(Amounts in SAR)*

	<u>Note</u>	<u>2017</u>
Net profit for the period		8,974,321
<b>Unit transactions during the period</b>		
Proceeds from issue of units		285,000,000
Dividends distributed		<u>(4,275,000)</u>
		<u>280,725,000</u>
<b>Net asset attributable to the unitholders at end of the period</b>		<u><u>289,699,321</u></u>

Transactions in units for the period are summarized as follows:

	<u>(In numbers)</u>
<b>Units in issue at the end of the period</b>	<u><u>28,500,000</u></u>

The accompanying notes 1 to 13 form an integral part of these financial statements.



**TALEEM REIT FUND**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the period from 30 May 2017 to 31 December 2017

**1. GENERAL**

Taleem REIT Fund (“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 30<sup>th</sup> May 2017 (“Commencement Date”), which is the first day of listing of Taleem REIT Fund on Saudi Stock Exchange (“Tadawul”).

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 Capital Market Authority (“CMA”).

The funds primary investment objective is to invest in developed real estates qualified to generate periodic return and rental income and 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 1438 H (corresponding to 08 May 2017). The Subscription days of the Fund commenced on 14 Sha’aban 1438 (corresponding to 10 May 2017) and ended on 20 Sha’aban 1438 (corresponding to 16 May 2017). The Fund commenced its operations on 4 Ramadan 1438 (corresponding to 30 May 2017).

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) and the Real Estate Investment Traded Funds Instructions (REITF) (the “Regulations”) published by Capital Market Authority (CMA), detailing the requirements for real estate funds and REITs within the Kingdom of Saudi Arabia.

**3. BASIS OF PREPARATION**

**3.1 *Statement of Compliance***

These financial statements have been presented in accordance with the requirements of the accounting standards on financial reporting issued by the Saudi Organization of Certified Public Accountants (SOCPA).

**3.2 *Basis of measurement***

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

**3.3 *Functional and presentation currency***

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

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(Amounts in SAR)

**3. BASIS OF PREPARATION (CONTINUED)**

**3.4 *Use of estimates and judgments***

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and on prospective basis.

**Area of estimate**

Determination of fair value of investment property with significant unobservable inputs as of 31 December 2017 as disclosed in Note 12.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies for the presentation of these financial statements are set out below;

**4.1 *Investment property***

Real estate that are held for capital appreciation or / and rental yields are presented as investment properties. Currently, the fund has recognized land as an investment property.

Investment property is stated at cost and impairment in value, if any.

The carrying values of Investment property 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.

**4.2 *Net investment in finance leases***

Leases in which the Fund transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the finance lease receivables, which are included in the financial statements as "net investment in finance leases". The difference between the finance lease receivables and the cost of the leased asset is recorded as an unearned lease finance income.

The Fund has classified the building as a finance lease as it met the following criteria:

- (1) 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
- (2) the lease term of the assets covers major part of the economic life of the leased asset.

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4.3 *Impairment of non-financial asset***

An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

**4.4 *Fund management fee***

Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager will charge a management fee of 0.75% of the net book value per annum accrued daily and deducted bi-annually. Net book value is the cost that the Fund pays through amounts raised from investors or through borrowing, in order to acquire or invest in projects or investments within the Fund.

**4.5 *Provisions***

A provision is recognised if, as a result of past events, the Fund has present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

**4.6 *Revenue Recognition***

*Investment property*

Rental income from operating lease is recognized on a straight line basis.

*Finance lease*

The Fund follows the effective interest method in accounting for the recognition of lease finance income. Under this method, the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease.

**4.7 *Cash and cash equivalents***

Cash and cash equivalents represent bank balance and murabaha deposits maturing within ninety days from the date of deposits.

**4.8 *Net asset value***

Net asset value per unit as disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

**4.9 *Zakat/ Income tax***

Zakat/ Income tax is the obligation of the Unitholders and is not provided for in these financial statements.

**TALEEM REIT FUND**  
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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4.10 Provision for distribution**

The fund has accrued for provision for distribution as the fund is required to distribute a minimum of 90% of the fund's net profit.

**5. CASH AND CASH EQUIVALENTS**

2017

Cash at bank	(a)	5,922,724
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(a) This cash is deposited in current account maintained with Banque Saudi Fransi under the name of fund manager (Saudi Fransi Capital). No interest is receivable on this balance.

**6. MANAGEMENT FEE, CUSTODIAN FEE AND OTHER CHARGES**

As per the Terms and Conditions (T&C) of the Fund, the Fund Manager charges the following fees:

- Management fee calculated at an annual rate of 0.75% of the net book value. This is accrued daily and paid on semi-annual basis.
- Custody fee of 0.0375% of the net book value per annum, accrued daily and deducted bi-annually.

In addition to the above, the Fund will be directly and indirectly subject to other fee such as, but not limited to audit fee, trustee fee, Tadawul registration fee, CMA annual monitoring fee, lawyers' fee, government or municipality fee, and further any other fee and expenses related to the evaluation, management and development of properties such as valuation fee.

**7. INVESTMENT PROPERTY**

The fund has acquired the land and building leased out to "Tarbiah Islamiah School" for a consideration of SAR 285,000,000 (Saudi Riyal Two Hundred and Eighty Five Million) 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.

The Investment Property represents the land portion of the acquired property. The land 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.

**31 December 2017**

Purchased during the period		250,000,000
Impairment charge		--
Investment property at the end of the period		250,000,000

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**8. NET INVESTMENT IN FINANCE LEASES**

	<b>31 December 2017</b>			
	<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Later than five years</b>	<b>Total</b>
Finance lease receivable	2,578,947	10,573,684	66,775,379	79,928,011
Unearned lease finance income	(2,434,049)	(9,617,224)	(32,738,338)	(44,789,611)
	144,898	956,460	34,037,041	35,138,399
Provision for lease losses	--	--	--	--
<b>Net investment in finance lease</b>	<b>144,898</b>	<b>956,460</b>	<b>34,037,041</b>	<b>35,138,399</b>

The finance lease represents the building portion of the acquired property (refer Note 7).

**9. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related 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), KASB Capital ("Custodian"), Funds' Board of Directors (BOD), affiliates of the Fund manager and the Unit holders of the Fund are related parties.

In the ordinary course of its activities, the Fund transacts business with related parties. The related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are approved by the Fund Board.

Transactions with related parties during the period are as follows:

	<b>2017</b>
Management fee	(1,253,218)
Custody fee	(62,662)
Fund's BOD fee	(10,000)
Trading income	12,014

The above transactions resulted in following balances as at 31 December:

	<b>2017</b>
<b>Receivable / (Payable)</b>	
Fund management and administration fee payable	(1,253,218)
Custody fee payable	(53,584)
Fund's BOD fee payable	(5,000)
Cash with the Bank	5,922,724

The Fund has entered into lease agreement with one of its unit holder and currently all the revenues recognised in the financial statements are from the said lease agreement.

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**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Financial instruments comprise of financial assets and financial liabilities.

The Fund's financial assets consist of bank balance, net investment in the finance leases and other assets; its financial liabilities consist of fund management fee payable and other liabilities. The fair values of financial instruments are not materially different from their carrying values. Investment property which comprises land is carried at cost and the fair value is expected to be significantly higher than the cost. The Fund will monitor the fair value on a regular basis in line with the relevant legislation.

**11. RISK MANAGEMENT**

***Credit risk***

Credit risk is the possibility of non-payment by counterparties and financial institutions through which the Fund transacts. The Fund is exposed to credit risk on its bank balance, and net investment in finance lease. The bank balance is maintained with a reputed local bank in the Kingdom of Saudi Arabia. The maximum exposure to the credit risk for the financial assets is their carrying value. Net investment in finance lease is made with a unit holder of the Fund for whom no credit rating is available.

***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 fund management, other liabilities and provision for distribution. The Fund is a closed-ended fund and further to subscribing to the Fund's units during the offering period, no sales and purchase of units are permitted.

The Fund Manager expects to settle its financial liabilities contingent upon receipts of amounts from lease rentals.

***Currency risk***

Currency risk is the risk that the value of a financial instrument may fluctuate due to change in foreign exchange rates. The financial instruments of the Fund i.e. cash and payables are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

***Market Risk***

The Fund will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited, to the overall macroeconomic growth of the Kingdom, interest rates, demand-supply of land, availability of financing, investor sentiment, liquidity, legal, foreign exchange rate and regulatory environment.

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**12. EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTY AND NET INVESTMENT IN FINANCE LEASE ARE FAIR VALUED**

In accordance with Article 22 of the Real Estate Investments 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 evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, development and investment property are carried at cost in these financial statements.

The valuation of the investment property (the "property") is carried out by Olat Properties Management and ValuStrat Consulting. Some of the individuals involved at the valuation from the appraiser's side are licensed by the Saudi Authority for Accredited Valuers (TAQEEM). Management 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 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.

	<u>2017</u>
Estimated fair value of investment property	250,432,529
Book value of investment property	250,000,000
Estimated fair value in excess of book value	<u>432,529</u>
Units in issue (numbers)	<u>28,500,000</u>
Share per unit in estimated fair value in excess of book value	<u>0.0152</u>

Below is an analysis of the properties fair value versus cost as at 31 December:

Net asset value:	<u>2017</u>
Net assets value as per the financial statements	289,699,321
Estimated fair value in excess of book value	432,529
Net asset value based on fair valuation	<u>290,131,850</u>
Net asset value per unit:	<u>2017</u>
Net assets value per unit as per the financial statements	10.1649
Estimated fair value in excess of book value	0.0152
Net asset value per unit based on fair valuation	<u>10.1801</u>

Fund's investment in the building has been classified as finance lease in accordance with generally accepted accounting standards as issued by SOCPA. The fair value of the net investment in finance lease has been determined based on the market interest rates. As of the reporting date, carrying value of the net investment in finance lease approximates fair value.

Had the fair value of the building been determined with reference to its market value instead of interest rates, the valuation may have been higher from the fair value of the lease.

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the period from 30 May 2017 to 31 December 2017  
*(Amounts in SAR)*

**13. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Fund Board on 22 February 2018 corresponding to 6 Jumada Al-Thani 1439H.