BONYAN REIT FUND

A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(Managed by Saudi Fransi Capital Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH THE
INDEPENDENT AUDITORS' REPORT

Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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Crowe

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INDEPENDENT AUDITOR'S REPORT

**TO: THE UNIT HOLDERS OF
BONYAN REIT FUND
(Managed by Saudi Fransi Capital Company)**

Opinion

We have audited the financial statements of **BONYAN REIT FUND** (the "Fund") managed by Saudi Fransi Capital (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other Standards and pronouncement issued by Saudi Organization for Certificate Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kingdom of Saudi Arabia, 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 judgement, were of most significance in our audit of the financial statements of the current year. 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. We have determined the following matters described below to be the key audit matters to be communicated in our report:

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
BONYAN REIT FUND
(Managed by Saudi Fransi Capital Company)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties As at 31 December 2019, the carrying value of the Fund's investment properties were SAR 1.64 billion. The investment properties are stated at cost less impairment in value, if any (Refer to Note 5 for relevant accounting policies). The fair value of the investment properties is also disclosed along with its impact on Net Asset Value per unit is disclosed in note 23. The Fund manager uses two independent valuers licensed by the Saudi Authority for Accredited Valuer's (Taqeem) to evaluate the value of the property at the reporting date. We consider it as key audit matter since the valuation requires significant judgement with respect to the valuation method adopted including the appropriateness of the various assumptions and projections used in the valuation. All assumptions and projections by their nature require significant judgement and there is a risk that changes to these may have significant impact on the valuation of these investment properties. This could result in a material misstatement of the financial statements either through a lack of recognition of impairment of the investment properties or through inaccurate disclosures of the fair value of the investment properties.	Our audit procedures in respect of valuation of investment properties comprised of the following, - Assessed the qualification and expertise of third party valuers appointed by the Fund for the valuation of the properties - Assessed the recoverable amount based assessment prepared by the third party valuers and assessed the model, assumptions and estimates used in deriving the recoverable values - Carried out procedures to satisfy ourselves of the accuracy of information supplied to the valuers by the Fund manager

Other information included in the Fund's 2019 Annual Report

The fund manager is responsible for the other information. Other information consists of the information included
in the Fund's 2019 annual report, other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and 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 other information, if we conclude that there is a material misstatement therein, we are required to communicated the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
BONYAN REIT FUND
(Managed by Saudi Fransi Capital Company)

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements:
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other Standards and pronouncement issued by Saudi Organization for Certificate Public Accountants (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.

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 ISAs 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 ISAs 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.
- 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.
- 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.

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INDEPENDENT AUDITOR'S REPORT(CONTINUED)
BONYAN REIT FUND
(Managed by Saudi Fransi Capital Company)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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, 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 year and are therefore the key audit matters. 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.

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148 ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

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

Abdullah M. Al Azem
License No. 335

05 Shaban 1441H (March 29, 2020)
Riyadh, Kingdom of Saudi Arabia

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*31 December 2019* SR	*31 December 2018 (As restated*)* SR
ASSETS			
Cash and cash equivalents	8	**33,553,060**	32,321,068
Investments measured at fair value through profit or loss (FVTPL)	9	**2,856**	-
Rental income receivable, net	10	**52,236,575**	60,736,486
Prepayment and other assets	11	**9,515,958**	9,261,649
Due from related parties	15	**-**	10,021,475
Intangible assets	12	**789,658**	530,181
Furniture and equipment	13	**15,193,248**	9,022,073
Investment properties	14	**1,640,249,986**	1,654,034,362
TOTAL ASSETS		**1,751,541,341**	1,775,927,294
LIABILITIES			
Due to related parties	15	**186,160,671**	192,102,911
Deferred rental income		**75,654,942**	74,083,262
Management fee payable	15	**1,802,380**	4,147,987
Accrued expenses and other liabilities	16	**36,196,299**	25,052,903
Provision for Zakat	19	**2,440,119**	-
TOTAL LIABILITIES		**302,254,411**	295,387,063
Net assets attributable to unitholders		**1,449,286,930**	1,480,540,231
Units in issue		**162,881,100**	162,881,100
Net asset value per unit		**8.8978**	9.0897
Net asset Fair value per unit	23	**10.1467**	9.6686

The accompanying notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	*For the year ended 31 December 2019 SR*	*For the period from 03 July 2018 to 31 December 2018 (As restated*) SR*
INCOME			
Income from investment properties, net	17	122,480,842	52,639,326
Other income		359,513	330,510
Realised and unrealised gain on investment at FVTPL		229,830	-
TOTAL INCOME		123,070,185	52,969,836
EXPENSES			
Management fees	15	(7,319,871)	(3,950,464)
Allowance for Expected Credit Losses (ECL)	10	(2,844,805)	(331,103)
Other expenses	18	(2,004,806)	(698,371)
TOTAL EXPENSES		(12,169,482)	(4,979,938)
Income from operations during the year / period		110,900,703	47,989,898
Depreciation expense on furniture and equipment	13	(4,078,362)	(1,996,045)
Amortization expense on intangibles	12	(203,633)	(95,259)
Depreciation expense on investment properties	14	(42,172,440)	(20,958,250)
Reversal / (Impairment loss) on investment properties	14	26,451,599	(110,380,482)
NET INCOME / (LOSS) BEFORE ZAKAT FOR THE YEAR / PERIOD		90,897,867	(85,440,138)
Zakat charge during the year / period	19	(2,440,119)	-
NET INCOME / (LOSS) AFTER ZAKAT FOR THE YEAR / PERIOD		88,457,748	(85,440,138)
OTHER COMPREHENSIVE INCOME		-	-
Foreign exchange gain		6,559	-
TOTAL COMPREHENSIVE / loss INCOME FOR THE YEAR / PERIOD		88,464,307	(85,440,138)
Earnings / (loss) per unit			
Weighted average units in issue		162,881,100	162,881,100
Earnings / (loss) per unit		0.5431	(0.5245)

The accompanying notes 1 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2019

	31 December 2019 SR	*31 December 2018 SR*
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR / PERIOD	**1,480,540,231**	-
CHANGES FROM OPERATIONS		
Net income / (loss) for the year / period	**88,457,748**	(85,440,138)
Other comprehensive income	**6,559**	-
Total comprehensive income	**88,464,307**	(85,440,138)
CHANGES FROM UNIT TRANSACTIONS		
Subscription of units – Cash	-	651,524,400
Subscription of units – In kind contribution	-	977,286,600
Net change from unit transactions	-	1,628,811,000
Capital Structuring fees	-	(22,924,762)
Income distributions during the year / period (note 21)	**(119,717,608)**	(39,905,869)
	(119,717,608)	(62,830,631)
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR / PERIOD	**1,449,286,930**	1,480,540,231

UNIT TRANSACTIONS

Transactions in units during the year / period are summarised as follows:

	31 December 2019 Units	*31 December 2018 Units*
UNITS AT THE BEGINNING OF THE YEAR / PERIOD	**162,881,100**	-
Subscription of units – Cash	-	65,152,440
Subscription of units – In kind contribution	-	97,728,660
Net change in units	-	162,881,100
UNITS AT THE END OF THE YEAR / PERIOD	**162,881,100**	162,881,100

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*31 December 2019 SR*	*For the period from 03 July 2018 to 31 December 2018 (As restated*) SR*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year / period		**88,457,748**	(85,440,138)
Adjustment for:			
Depreciation expense on furniture and equipment		**4,078,362**	1,996,045
Amortization expense on intangibles		**203,633**	95,259
Depreciation expense on investment properties		**42,172,440**	20,958,250
Impairment gain on investment properties		**(26,451,599)**	110,380,482
Unrealised gain on investments measured at FVTPL	9	**(29)**	-
Allowance for Expected Credit Losses		**2,844,805**	
Provision for Zakat		**2,440,119**	-
Operating cash flows before working capital changes		**113,745,479**	47,989,898
Changes in operating assets:			
Rental income receivable		**5,655,106**	(60,736,486)
Prepayment and other assets		**(254,309)**	(9,261,649)
Due from related parties		**10,021,475**	(10,021,475)
Changes in operating liabilities:			
Deferred rental income		**1,571,680**	74,083,262
Management fee payable		**(2,345,607)**	4,147,987
Accrued expenses and other liabilities		**11,138,142**	25,052,903
Net cash generated from operating activities		**139,531,966**	71,254,440
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	12	**(398,055)**	(530,181)
Purchase of furniture and equipment	13	**(10,314,592)**	(9,022,073)
Addition to investment properties	14	**(1,954,130)**	(810,177,798)
Purchase of investments measured at FVTPL	9	**(65,000,000)**	-
Proceeds from investments measured at FVTPL	9	**64,997,173**	-
Net cash used in investing activities		**(12,669,604)**	(819,730,052)
CASH FLOWS FROM FINANCING ACTIVITY			
Subscription of units		**-**	651,524,400
Capital structuring fees paid		**-**	(22,924,762)
Due to related parties		**(5,942,240)**	192,102,911
Dividends paid (net off unclaimed dividend)		**(119,688,130)**	(39,905,869)
Net Cash used in financing activities		**(125,630,370)**	780,796,680
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		**1,231,992**	32,321,068
Cash and cash equivalents at the beginning of the year / period		**32,321,068**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD		**33,553,060**	32,321,068

The accompanying notes 1 to 29 form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

Bonyan REIT Fund (the "REIT" or the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund commenced its operations on 3 July 2018. The listing date of the Fund was on 25 July 2018.

The REIT is managed by Saudi Fransi Capital Company (the 'Fund Manager'), a Saudi Closed Joint Stock company with commercial registration no.1010231217, and an Authorized Person licensed by the CMA under license no. 11153-37 dated 30 January 2011.

The REIT is listed on Tadawul and the units of the REIT are traded on Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amounts to SAR 1,628,811,000. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of CMA.

The primary investment objective of the REIT is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia, United Arab Emirates and globally, provided that the fund's investments outside Saudi Arabia do not exceed 25% of Fund's assets. In addition to this, the Fund may also opportunistically invest in real estate development projects, provided the Fund invests at least 75% of the assets of the Fund in income generating real estate assets and that the Fund does not invest in white lands.

The terms and conditions of the REIT were approved by CMA on 04 Rajab 1439H (corresponding to 21 March 2018). The terms and conditions has been updated on 10 Rabi ul Awal 1441H (corresponding to 07 November 2019).

In accordance with the approved terms and conditions of the REIT, investment properties amounting to SAR 1,628,811,000 was transferred to the REIT upon its commencement date. The consideration of the above transaction was executed by the REIT by way of in-kind subscription of units to the original unit holders of Bonyan Real Estate Fund Company amounting to SAR 977,286,600 along with a public offering of units for a cash consideration of SAR 651,524,400.

AlBilad Investment Company 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 the Capital Market Authority (CMA), detailing the 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA").

3.2 *Basis of measurement*

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

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 Riyal ("SR").

4. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Effective 1 January 2019, the Fund has adopted IFRS 16 - Leases. Accounting policies for these new standards are disclosed in note 5 of these financial statements.

The impact of the adoption of this standard is explained below:

IFRS 16 – "Leases"

Before January 01, 2019, the Fund follow following accounting for leases:

When assets are transferred under a finance lease, the present value of the lease payments is recognised as a receivable and disclosed as "***Net investment in finance lease***". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

The Fund adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Fund's Financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

However, Lessor accounting is substantially unchanged from today's accounting under IAS 17 and Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Fund plans to adopt IFRS 16 using the modified retrospective approach. The Fund elected to apply the standard to contracts that were previously identified as lease applying IAS 17 and IFRIC 4. The Fund therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

During the year, the Fund has performed an assessment of IFRS 16 and resolved that impact of difference as compared to leases accounted for applying IAS 17 & IFRIC 4 is not material to the Fund's financial statements as a whole, as Fund is a lessor.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements for the period ended 31 December 2018, except for the policies explained below.

Based on the adoption of new standards explained in note 4, the following accounting policies are applicable effective 1 January 2019 replacing / amending or adding to the corresponding accounting policies set out in 2018 financial statements.

A. Policies effective from 01 January 2019

Right of Use Asset / Lease Liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of Use Assets

Company apply cost model, and measure right of use asset at cost;
a) Less any accumulated depreciation and any accumulated impairment losses; and
b) Adjusted for any re-measurement of the lease liability for lease modifications.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.
After the commencement date, Company measures the lease liability by:
1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

B. Policies effective from 01 January 2018

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances, and are available for use by the Fund unless otherwise stated.

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.

a. Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) or Fair Value Through Profit or Loss (FVTPL).

Financial asset held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI').

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets held at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Special commission income and foreign exchange gains or losses are recognised in statement of comprehensive income.

Equity Instruments

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets held at FVTPL

All other financial assets are classified as measured at FVTPL. This may include equity held for trading and debt securities not classified as either amortised cost or FVTOCI.

In addition, on initial recognition, the Fund may also irrevocably designate a financial asset at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVTOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Impairment of financial assets

The Fund recognises a loss allowance for expected credit losses ("ECL") on a financial asset that is measured at amortised cost or classified as FVOCI at each reporting date, at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. When making the assessment, the Fund uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of ECL. To make that assessment, the Fund compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Fund assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if it is determined to have low credit risk at the reporting date.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. For receivables, the Fund always measure the loss allowance at an amount equal to lifetime ECL.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

a. Financial assets (continued)

Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The Fund measures ECL of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money; and the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Special commission income continues to be accrued on the gross carrying amount using the effective rate of interest unless the financial instrument is credit-impaired in which case the special commission income is recognised on reduced carrying amount. The special commission income is recorded as part of finance revenue in the statement of comprehensive income.

Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

b. Financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are Real estate that are held for capital appreciation and/or rental yields are recorded as investment properties. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over its estimated useful life as per the Depreciation policy in place for the REIT. Any capital expenditure incurred post acquisition on investment properties is depreciated on Straight line basis over its estimated useful life as per the policy.

Residual values and useful lives of investment property are subject to review and adjustment, as necessary, when an asset carrying exceeds its recoverable amount; it has to be written down immediately to its recoverable amount. Capital gains result from disposal, arises when selling value of an asset exceeds its carrying value, recorded in net basis in the statement of income.

Intangible assets

Intangible assets include computer software and licenses. Intangibles assets are initially capitalised at cost and subsequently at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The cost less residual value of intangible assets is depreciated over its estimated useful life as per the Depreciation policy in place for the REIT.

Furniture and equipment

Furniture and equipment includes air conditioners, computers and printers, electrical tools, furniture and fixtures, office and electrical equipment. Furniture and equipment are initially capitalised at cost and subsequently at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The cost less residual value of intangible assets is depreciated over its estimated useful life as per the Depreciation policy in place for the REIT.

Estimated useful life for depreciation / amortisation

The estimated useful life for investment properties, intangible assets and furniture and equipment is as below:

- Investment properties – 20 to 50 years
- Intangible assets – 5 to 20 years
- Furniture and equipment – 3 to 10 years

Impairment of non-current assets

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Rental income

Rental income receivable from operating lease of property is recognized on a straight-line basis over the term of the lease.

Revenue from hotel services

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered.
Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Fund recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

- **Step 1:** The Fund accounts for a contract with a customer when: The contract has been approved and the parties are committed; Each party's rights are identified; payment terms arc defined; the contract has commercial substance; and collection is probable.
- **Step 2:** The Fund identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation.
- **Step 3:** The Fund determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.
- **Step 4:** The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.
- **Step 5:** Revenue is recognized when control of the goods or services is transferred to the customer. The Fund transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

Management fees and other expenses

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the REIT. Management fee is calculated and payable quarterly in arrears.

Custody fees

As per the terms and conditions of the Fund, the custodian charges 0.025% per annum of the Fund's net assets. The fee is calculated on the net asset value of the Fund and is payable on a quarterly basis.

Foreign exchange transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to SR at the foreign currency closing exchange rate ruling at the reporting date. Foreign currency exchange differences arising on retranslation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of profit or loss and other comprehensive income.

Zakat

Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat are accrued on a quarterly basis and charged to statement of comprehensive income.

Net assets value

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the REIT by the number of units in issue at the period-end.

Dividend distribution

The REIT has a policy of distributing on semi-annually at least 90% of its net profit, not including profit resulting from the sale of the underlying real estate assets and other investments.

6. 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 period. 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.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Valuation of investment properties

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 of the investment properties (the "properties") is carried out by ValuStrat Consulting Company and Saudi Asset Valuation Company. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM").

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 (see note 23).

Residual and useful lives of investment properties, furniture and equipment

The REIT's management determines the estimated residual value and useful lives of its investment properties, furniture and equipment 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.

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

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized 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.

7. 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 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.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprised of the following:

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Bank Balance	33,493,060	32,291,568
Cash in hand	60,000	29,500
	33,553,060	32,321,068

The cash at bank are held in a current account with local banks.

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

9. INVESTMENTSS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investments as at the reporting date comprise of investments in mutual funds.

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Financial assets measured at fair value through profit or loss (FVTPL)		
Al Badr Murabaha Fund	2,856	-

The following is the movement in investments during the year / period:

	31 December 2019 SR	*31 December 2018 (Audited) SR*
Carrying amount:		
At beginning of the year / period	-	-
Additions during the year / period	65,000,000	-
Sold during the year / period	64,997,173	-
At end of the year / period	2,827	-
Changes in fair value:		
Changes in fair value during the year / period	29	-
Net investments at end of the year / period	2,856	-

As at 31 December 2019, Bonyan REIT Fund has an investments of 184 units in Al BADR Murabaha Fund. Bonyan REIT and Al BADR Murabaha Fund are managed by same Fund Manager i.e Saudi Fransi Capital.

10. RENTAL INCOME RECEIVABLE, NET

Rental income receivable comprised of the following:

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Rental income receivable	**55,412,483**	61,067,589
Less: Loss allowance	**(3,175,908)**	(331,103)
	52,236,575	60,736,486

The movement in loss allowance is as follows:

Opening balance	**331,103**	-
Charged during the year / period	**2,844,805**	331,103
Balance at the end of the year / period	**3,175,908**	331,103

Below is the aging analysis of gross rental income receivables:

0-30 days	**10,803,959**	17,022,066
1-4 months	**22,959,550**	35,219,020
5-12 months	**14,148,620**	8,826,503
Over 365 days	**7,500,354**	-
Balance at the end of the year / period	**55,412,483**	61,067,589

11. PREPAYMENT AND OTHER ASSETS

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Prepaid insurance	**1,066,325**	1,110,191
Other prepaid expenses and other assets	**3,140,334**	1,575,513
Advance payment to suppliers	**5,105,872**	5,112,169
VAT input credit	**203,427**	1,463,776
	9,515,958	9,261,649

12. INTANGIBLE ASSETS

	31 December 2019 SR	*31 December 2018 (Restated) SR*
<u>Cost</u>		
Balance at the beginning of the year / period	**625,440**	-
Additions during the year / period	**398,055**	625,440
Transfer in from furniture and equipment (note 13)	**75,855**	-
Balance at the end of the year / period	**1,099,350**	625,440
<u>Accumulated Amortisation</u>		
Balance as of 1 January 2019	**(95,259)**	
Charge for the year	**(203,633)**	(95,259)
Transfer in from furniture and equipment (note 13)	**(10,800)**	
Balance at the end of the year / period	**(309,692)**	(95,259)
Book Value at the end of the year / period	**789,658**	530,181

13. FURNITURE AND EQUIPMENT

	31 December 2019 SR			*31 December 2018 (Restated)*
	Furniture and equipment	*Capital work in progress*	*Total*	*Total*
<u>Cost</u>				
Balance at the beginning of the year / period	**11,018,118**	-	**11,018,118**	-
Additions during the year / period	**650,498**	**9,664,094**	**10,314,592**	11,018,118
Fixed assets sold / written off	**(75,044)**	-	**(75,044)**	-
Transfer out to intangibles (note 12)	**(75,855)**	-	**(75,855)**	-
Balance at the end of the year / period	**11,517,717**	**9,664,094**	**21,181,811**	11,018,118
<u>Accumulated Depreciation and Impairment</u>				
Balance at the beginning of the year / period	**(1,996,045)**	-	**(1,996,045)**	-
Charge for the year / period	**(4,078,362)**	-	**(4,078,362)**	(1,996,045)
Reversal of accumulated depreciation	**75,044**	-	**75,044**	-
Transfer out to intangibles (note 12)	**10,800**	-	**10,800**	-
Balance at the end of the year / period	**(5,988,563)**	-	**(5,988,563)**	(1,996,045)
Book Value at the end of the year	**5,529,154**	**9,664,094**	**15,193,248**	9,022,073

14. INVESTMENT PROPERTIES

	31 December 2019 SR		
	Land	***Building***	***Total***
Cost			
Balance at the beginning of the year	**243,843,205**	**1,541,529,889**	**1,785,373,094**
Additions during the year	**-**	**1,954,130**	**1,954,130**
Fixed assets sold / written off	**-**	**(17,665)**	**(17,665)**
Balance at the end of the year	**243,843,205**	**1,543,466,354**	**1,787,309,559**
Accumulated Depreciation and Impairment			
Balance at the beginning of the year	**-**	**(131,338,732)**	**(131,338,732)**
Charge for the year		**(42,172,440)**	**(42,172,440)**
Reversal of Impairment loss		**26,451,599**	**26,451,599**
Balance at the end of the year	**-**	**(147,059,573)**	**(147,059,573)**
Book Value at the end of the year	**243,843,205**	**1,396,406,781**	**1,640,249,986**

	31 December 2018 (Restated) SR		
	Land	*Building*	*Total*
Cost			
Balance at the beginning of the period	-	-	-
Additions during the period	243,843,205	1,541,529,889	1,785,373,094
Balance at the end of the period	243,843,205	1,541,529,889	1,785,373,094
Accumulated Depreciation and Impairment			
Balance at the beginning of the period	-	-	-
Charge for the period		(20,958,250)	(20,958,250)
Impairment loss		(110,380,482)	(110,380,482)
Balance at the end of the period	-	(131,338,732)	(131,338,732)
Book Value at the end of the period	243,843,205	1,410,191,157	1,654,034,362

14. INVESTMENT PROPERTIES (CONTINUED)

The investment properties represent following ten properties; namely:

- The Al Rashid Mega Mall investment, a freehold property acquired by the Fund, is located in Madinah and is classified as in the Commercial sector.

- The Al Rashid Mall - Abha investment, a leasehold property acquired by the Fund under a 20-year usufruct agreement, is located in Abha and is classified as in the Commercial sector. The Fund has the right to purchase this property outright within 5 years from the signing date of the usufruct agreement for a consideration of SAR 110 million.

  Moreover, the Fund was liable to pay SAR 148.8 million as a lease liability as per the lease agreement, which have been recognised under due to related party. The said lease liability of SAR 148.8 million is due to mature within one year as of date of statement of financial position.

- The Al Rashid Mall - Jazan, a freehold property acquired by the Fund, investment is located in Jazan and is classified as in the Commercial sector.

- The Al Rashid Strip Mall investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Commercial sector.

- The Courtyard Marriott Hotel investment, a freehold property acquired by the Fund, is located in Jazan and is classified as in the Four Star Hotel sector.

- The Residence Inn by Marriott investment, a freehold property acquired by the Fund, is located in Jazan and is classified as in the Four Star Apartment Hotel sector.

- Marriott Executive Apartments investment, a freehold property acquired by the Fund, is located in Madinah and is classified as in the Five Star Apartment Hotel sector.

- The Citywalk Residential Building investment, a freehold property acquired by the Fund, is located in Dubai and is classified as in the Residential sector.

- The Al Rafiah Village investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Residential sector.

- The Al Maather Villas Complex investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Residential sector.

The investment properties are held in the name of “Bonyan Real Estate Fund One Person Company LLC” ("Special Purpose Vehicle - SPV") which is owned by the AlBilad Investment Company (“Custodian of the Fund”). The properties are held by the SPV on behalf of the Fund.

15. RELATED PARTY 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), Albilad Investment Company ("the Custodian"), Saudi Bonyan Company (being the property manager of the investment properties), 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 including Abdul Rahman Saad Al Rashid & Sons Company (being a substantial unitholder).

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 periods and balances are as follows:

Related Party	*Nature of transaction*	*Amount of transactions*	*Amount of transactions*	*Balances Receivables/(Payables)*	
		For the year ended 31 December 2019 SR	*For the period from 03 July 2018 to 31 December 2018 SR*	***31 December 2019 SR***	*31 December 2018 (Restated) SR*
Saudi Fransi Capital (Fund manager)	Asset management fees (note "a" below)	**(7,319,871)**	(4,147,987)	**(1,802,380)**	(4,147,987)
	Capital Structuring fees (note "b" below)	-	(22,924,762)	-	-
	Expenses paid by the Fund manager on behalf of the Fund	-	-	**(284,702)**	(284,702)
Board of directors	Board fees to independent board members	**(105,000)**	(30,000)	**(30,000)**	(30,000)
Saudi Bonyan Company	Property Management Fees	**9,370,871**	4,516,642	**(2,443,144)**	(4,734,597)
	Property Operating Expenses	**42,307,779**	27,695,280	**(7,065,081)**	(6,140,936)
	Purchase of intangibles	-	530,181	-	-
	Purchase of furniture and equipment	-	9,022,073	-	-
	Purchase of investment properties	-	810,177,798	-	-
	Advances to supplier	-	-	**5,071,820**	5,071,820
	Due from Property manager for rent collection	-	10,021,475	-	10,021,475
	Cash collected against old rental receivables	**6,188,502**	5,942,911	-	(5,942,911)
	Cash paid against old rental received	**(12,131,413)**	-	-	-
	Others	-	-	**(671)**	-

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related Party	*Nature of transaction*	*Amount of transactions*	*Amount of transactions*	*Balances Receivables / (Payables)*	
		For the year ended 31 December 2019 SR	*For the period from 03 July 2018 to 31 December 2018 SR*	***31 December 2019 SR***	*31 December 2018 (Restated) SR*
Abdul Rahman Saad Al Rashid & Sons Company*	Acquisition of Investment Properties	-	-	**(186,160,000)**	(186,160,000)
	Addition to Investment Properties *	-	5,765,667	-	(2,681,479)
	Addition to Investment Properties	**1,954,130**	-	**(44,986)**	-
	Capital work in progress	**9,664,094**	-	**(9,664,094)**	-

The Fund maintained cash with Saudi Fransi Capital at SR 21,652,162 (31 December 2018 (Restated): SR 14,469,345). This cash is deposited in a current account maintained with Banque Saudi Fransi under the name of the Fund manager (Saudi Fransi Capital).

As at 31 December 2019, Bonyan REIT Fund has an investments of 184 units in Al BADR Murabaha Fund. Bonyan REIT and Al BADR Murabaha Fund are managed by same Fund Manager i.e Saudi Fransi Capital.

**In addition to the acquisition of investment properties as defined in Funds terms and conditions, the Fund also acquired other business assets and liabilities, which are customary to the operations of underlying properties.*

a. Management fee

As per the terms and conditions of the Fund, the Fund is liable to pay the Fund Manager a management fee being 0.5% of the net asset value of the Fund. The fee is calculated from the net asset value of the Fund after deduction of expenses and is payable on a quarterly basis.

b. Capital structuring fee

As per the terms and conditions of the Fund, for the period ended 31 December 2018, the Fund Manager charged the Fund, a onetime capital structuring fee at the rate of 1.5% on the subscription amounts raised during the Initial Public Offering or any subsequent equity raised by means of rights issue or in-kind contributions. During the prior period, this fee amounted to SR 22,924,762.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Trade and other payable	**10,984,625**	6,261,953
Property Management fee	**2,443,144**	4,734,597
Property Operating expenses	**7,065,081**	6,140,936
Accrued expenses	**5,823,910**	2,253,959
FF and E reserves	**4,243,514**	494,901
Advance from customers	**4,696,661**	4,416,626
Custody fees	**205,781**	272,482
Listing fees	**136,507**	131,507
Audit fees	**80,000**	110,000
Board and committee fees	**30,000**	30,000
Property Valuation fee	**180,000**	-
Other payable	**307,074**	205,942
	36,196,299	25,052,903

17. INCOME FROM INVESTMENT PROPERTIES

	For the year ended 31 December 2019 SR	*For the period from 03 July 2018 to 31 December 2018 SR*
Income from investment properties		
Lease rental income on investment properties	193,023,524	90,293,660
Revenue from hotel services	19,967,277	8,765,616
	212,990,801	99,059,276
Operational costs for investment properties	(90,509,959)	(46,419,950)
Net income from investment properties	122,480,842	52,639,326

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided.

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

	31 December 2019 SR	*31 December 2018 SR*
Not later than one year	93,853,555	90,171,360
Later than one year and less than five years	124,328,393	147,460,481
Later than five years	93,976,847	96,325,083
	312,158,795	333,956,924

18. OTHER EXPENSES

	31 December 2019 SR	*31 December 2018 SR*
Registration Fee	606,027	137,289
Custody Fee	430,833	272,482
Property Valuation Fees	361,000	-
Listing Fees	300,000	131,507
Audit Fee	110,000	110,000
Board & Committee Fee	105,000	30,000
Bank Charges	26,446	13,805
Publishing Fee	5,000	-
Regulatory Fee	7,500	3,288
Others	53,000	-
	2,004,806	698,371

5.

19. ZAKAT

a) Basis for Zakat:

Up to the period ended December 31, 2018, the Fund was not subject to Zakat. However, during the year 2019, the Fund voluntarily registered as a Zakat-able entity. Zakat is payable at 2.5% of higher of the approximate zakat base and adjusted net income attributable to the Unitholders.

As the zakat base of the Fund was negative. Accordingly, the Zakat for the year was computed on the basis of adjusted net income.

b) Zakat charge for the year / period:

	31 December 2019 SR	*31 December 2018 SR*
Net income before zakat for the year / period	**90,897,867**	-
Adjustments:		
Allowance for Expected Credit Losses (ECL)	**2,844,805**	-
End of service provision charged during the year / period	**113,466**	-
FF & E reserves charged during the year / period	**3,748,613**	-
Adjusted Net Income	**97,604,751**	-
Zakat percentage – 2.5%	**2.5%**	-
	2,440,119	-

c) Movement of provision for zakat:

	31 December 2019 SR	*31 December 2018 SR*
Balance at the opening of the year / period	-	-
Provision for the year / period	**2,440,119**	-
Payments during the year / period	-	-
Balance at the end of the year / period	**2,440,119**	-

d) Status of annual return and assessments:

The Fund would file the annual return for the year ended 31 December 2019 within the stipulated timelines as specified under the Zakat regulations issued by General Authority of Zakat and Tax ("GAZT")

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The REIT's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, other receivables, accrued liabilities and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia and United Arab Emirates, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the country, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory changes, and the geopolitical environment. The REIT management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the REIT.

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 due from related parties an obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Bank Balances	**33,553,060**	32,321,068
Rental income receivable	**52,236,575**	60,736,486
Due from related parties	-	10,021,475
	85,789,635	103,079,029

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Cash is placed with reputable financial institutions.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager. The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	31 December 2019		
	Less than one year	**More than one year**	**Total**
Cash and cash equivalents	**33,553,060**	**-**	**33,553,060**
Rental income receivable	**52,236,575**	**-**	**52,236,575**
Investment properties	**-**	**1,640,249,986**	**1,640,249,986**
Furniture and equipment	**-**	**15,193,248**	**15,193,248**
Intangible assets	**-**	**789,658**	**789,658**
Total Assets	**85,789,635**	**1,656,232,892**	**1,742,022,527**
Management fee payable	**1,802,380**	**-**	**1,802,380**
Accrued expenses and other liabilities	**36,196,299**	**-**	**36,196,299**
Provision for Zakat	**2,440,119**	**--**	**2,440,119**
Due to related parties	**186,160,671**	**-**	**186,160,671**
Total Liabilities	**226,599,469**	**-**	**226,599,469**
Surplus / (Deficit)	**(140,809,834)**	**1,656,232,892**	**1,515,423,058**

	31 December 2018 (Restated)		
	Less than one year	More than one year	Total
Assets:			
Cash and cash equivalents	32,321,068	-	32,321,068
Rental income receivable	60,736,486	-	60,736,486
Due from related parties	10,021,475	-	10,021,475
Investment properties	-	1,654,034,362	1,654,034,362
Furniture and equipment	-	9,022,073	9,022,073
Intangible assets	-	530,181	530,181
Total Assets	103,079,029	1,663,586,616	1,766,665,645
Liabilities:			
Management fee payable	4,147,987	-	4,147,987
Accrued expenses and other liabilities	25,052,903	-	25,052,903
Due to related parties	-	192,102,911	192,102,911
Total Liabilities	29,200,890	192,102,911	221,303,801
Surplus / (Deficit)	73,878,139	1,471,483,705	1,545,361,844

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The fund's functional and presentation currency is Saudi Riyal, with some transactions with UAE Dirham which has a stable exchange rate to Saudi Riyal. The Fund is not consequently exposed to any currency risk.

21. DIVIDEND / DISTRIBUTION

In accordance with the approved terms and conditions of the Fund, on 24 April 2019, the Fund's board of directors approved to distribute dividends with regards to the period ended 30 April 2019 amounting to SAR 0.3675 per unit amounted to SAR 59,858,804 to its unit holders.

On 27 November 2019, the Fund's board of directors approved to distribute dividends with regards to the period from 01 May 2019 to 31 October 2019 amounting to SAR 0.3675 per unit amounted to SAR 59,858,804 to its unit holders.

During the period 2018, the Fund's board of directors approved to distribute dividends with regards to the period ended 31 October 2018 amounting to SAR 0.2449 per unit totalling SAR 39,905,869 to its unit holders.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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, investments measured at FVTPL, and rental income receivable, net and Due from related parties. The Fund's financial liabilities consist of due to related parties, deferred rental income, management fees payable and, accrued expenses and other liabilities.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments are measured at fair value. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value and then carrying amount is a reasonable approximation of fair value.

	Carrying value	*Level 1*	*Level 2*	*Level 3*	*Total*
31 December 2019					
Financial assets measured at FVTPL	2,856	2,856	-	-	2,856
	2,856	2,856	-	-	2,856
31 December 2018					
Financial assets measured at FVTPL	-	-	-	-	-
	-	-	-	-	-

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

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

The Fund will monitor the fair value on a regular basis in line with the relevant legislation.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation techniques

When the fair values of items recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of items in the statement of financial position and the level where the items are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same item (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the fund performs sensitivity analysis or stress testing techniques.

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

Below is the fair valuation of the investments properties by the two valuators:

	First Appraiser	*Second Appraiser*	*Average*
31 December 2019			
Investment properties	**1,885,433,300**	**1,997,820,000**	**1,941,626,650**
	1,885,433,300	**1,997,820,000**	**1,941,626,650**
31 December 2018 (Audited)			
Investment properties	1,806,704,880	1,879,193,698	1,842,949,289
	1,806,704,880	1,879,193,698	1,842,949,289

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

	31 December 2019 SR	*31 December 2018 (Restated) SR*
Estimated fair value of investment properties	**1,941,626,650**	1,842,949,289
Book value of investment properties	**(1,640,249,986)**	(1,654,034,362)
Less: present value of purchase option on Rashid Mall Abha	**(97,955,099)**	(94,623,149)
Estimated fair value in excess of book value	**203,421,565**	94,291,778
Units in issue (numbers)	**162,881,100**	162,881,100
Value per unit relating to excess of estimated fair value over book value of investment properties	**1.2489**	0.5789

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

Net asset value	*31 December 2019 SR*	*31 December 2018 SR*
Net asset value as per the financial statements	**1,449,286,930**	1,480,540,231
Estimated fair value in excess of book value of investment properties	**203,421,565**	94,291,778
Net asset value based on fair valuation of investment properties	**1,652,708,495**	1,574,832,009
Net asset value per unit		
Net asset value per unit as per the financial statements	**8.8978**	9.0897
Estimated fair value in excess of book value of investment properties	**1.2489**	0.5789
Net asset value per unit based on fair valuation of investment properties	**10.1467**	9.6686

24. RESTATEMENTS

For the year ended 31 December 2019, the Fund Manager has re-classified certain trial balance line items under different financial statement line items (as compared to 31 December 2018). This was done in order to achieve fair presentation and appropriate classification for each type of asset, liability, and revenue and expense item.

Following is the reconciliation for impact of restatements on the line items of the statement of financial position as of 31 December 2018. In addition, none of the restatements had any impact on the net income for the period then ended and neither net asset value as at 31 December 2018.

	31 December 2018		
	(Previously disclosed) SR	*Adjustments SR*	*(As restated) SR*
ASSETS			
Cash and cash equivalents	32,294,099	26,969	32,321,068
Rental income receivable, net	60,069,918	666,568	60,736,486
Prepayment and other assets	9,833,840	(572,191)	9,261,649
Due from related parties	10,061,212	(39,737)	10,021,475
Intangible assets	-	530,181	530,181
Furniture and equipment	-	9,022,073	9,022,073
Investment properties	1,663,562,619	(9,528,257)	1,654,034,362
TOTAL ASSETS	1,775,821,688	105,606	1,775,927,294
LIABILITIES			
Due to related parties	186,207,131	5,895,780	192,102,911
Deferred rental income	74,071,673	11,589	74,083,262
Accrued Management fee	4,147,987	-	4,147,987
Accrued expenses and other liabilities	30,854,666	(5,801,763)	25,052,903
TOTAL LIABILITIES	295,281,457	105,606	295,387,063
Net assets attributable to unitholders	1,480,540,231	-	1,480,540,231

24. RESTATEMENTS (CONTINUED)

Following is the reconciliation for impact of restatements on the line items of the statement of profit or loss and other comprehensive income for the period from 3 July 2018 to 31 December 2018. In addition, none of the restatements had any impact on the net income for the period then ended and neither net asset value as at 31 December 2018.

	For the period ended 31 December 2018		
	(Previously disclosed) SR	*Adjustments SR*	*(As restated) SR*
INCOME			
Income from investment properties, net	52,639,326	-	52,639,326
Other income	330,510	-	330,510
TOTAL INCOME	52,969,836	-	52,969,836
EXPENSES			
Management fees	(3,950,464)	-	(3,950,464)
Provision for doubtful debts	-	(331,103)	(331,103)
Pre operating expenses	(137,290)	137,290	-
Other expenses	(892,184)	193,813	(698,371)
TOTAL EXPENSES	(4,979,938)	-	(4,979,938)
Income from operations during the period	47,989,898	-	47,989,898
Depreciation expense on furniture and equipment	-	(1,996,045)	(1,996,045)
Amortization expense on intangibles	-	(95,259)	(95,259)
Depreciation expense on investment properties	(23,049,554)	2,091,304	(20,958,250)
Impairment on investment properties	(110,380,482)	-	(110,380,482)
NET LOSS FOR THE PERIOD	(85,440,138)	-	(85,440,138)

25. COMPARATIVE FIGURES

Certain previous year comparative figures have been regrouped / reclassified to conform to the presentation adopted in these financial statements.

26. SIGNIFICANT EVENTS AFTER REPORTING DATE

There are no significant adjusting events subsequent to the reporting date. However, with the outbreak of Covid-19 and the various precautionary measures adopted by the Government, the Fund Manager is of the view that the overall operations of the fund have been affected. Moreover, there is an indication of impairment of non-financial assets. However, the Fund Manager cannot reliably measure the financial impact as of the date of the approval of these financial statements.

27. SEGMENT REPORTING

Consistent with the Fund's internal reporting process, the Fund Manager reviews the business segments in respect of the Fund's activities. Business segments of the Fund are spread over the Middle East region i.e. Kingdom of Saudi Arabia and United Arab Emirates. However, Fund Manager does not perceive business segments as material. Hence, not disclosed separately.

28. LAST VALUATION DAY

The last valuation day of the period was 31 December 2019 (2018: 31 December 2018).

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 26 March 2020 (corresponding to 02 Shaban 1441H).