

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020
TOGETHER WITH THE INDEPENDENT AUDITORS' REVIEW REPORT



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

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

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

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of **BONYAN REIT FUND** ("the fund") managed by Saudi Fransi Capital (the "Fund Manager"), which comprises the interim condensed statement of financial position as at 30 June 2020 and the related interim condensed statements of comprehensive income, changes in net assets and cash flows for the six months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review:

Except as explained in the following paragraphs, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.



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



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

29 Dhu'l Hijjah 1441 H (August 19, 2020)
Riyadh, Saudi Arabia

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

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BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	<i>Notes</i>	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
ASSETS			
Cash and cash equivalents	9	27,224,113	33,553,060
Investments measured at fair value through profit or loss (FVTPL)	10	20,589,686	2,856
Rental income receivable, net	11	54,325,162	52,236,575
Prepayment and other assets		11,031,527	9,515,958
Intangible assets	12	676,466	789,658
Furniture and equipment	13	14,409,124	15,193,248
Investment properties	14	1,621,311,009	1,640,249,986
TOTAL ASSETS		1,749,567,087	1,751,541,341
LIABILITIES			
Bank borrowings	15	149,847,610	-
Due to related parties	16	37,360,000	186,160,671
Deferred rental income		76,092,792	75,654,942
Management fee payable	8, 16	3,622,998	1,802,380
Accrued expenses and other liabilities		42,313,925	36,196,299
Provision for Zakat		3,660,180	2,440,119
TOTAL LIABILITIES		312,897,505	302,254,411
Net assets attributable to unitholders		1,436,669,582	1,449,286,930
Units in issue		162,881,100	162,881,100
Net asset value per unit		8.8204	8.8978
Net asset Fair value per unit	20	10.1313	10.1467

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six months period ended 30 June 2020

	<i>Notes</i>	<i>For the period ended 30 June 2020 SR</i>	<i>For the period ended 30 June 2019 SR</i>
INCOME			
Income from investment properties	17	35,841,867	59,509,491
Other income		139,469	529,244
Realised and unrealised gain on investment at FVTPL		586,829	-
TOTAL INCOME		36,568,165	60,038,735
EXPENSES			
Management fees	8, 16	(3,622,998)	(3,665,275)
Allowance for Expected Credit Losses (ECL)		(689,312)	-
Finance cost		(1,047,610)	-
Other expenses		(864,469)	(635,069)
TOTAL EXPENSES		(6,224,389)	(4,300,344)
Income from operations during the period		30,343,776	55,738,391
Amortization expense on intangibles	12	(113,192)	(105,107)
Depreciation expense on furniture and equipment	13	(2,077,049)	(2,284,693)
Depreciation expense on investment properties	14	(20,932,874)	(21,020,992)
Reversal of impairment loss on investment properties	14	1,383,851	-
NET INCOME BEFORE ZAKAT FOR THE PERIOD		8,604,512	32,327,599
Zakat charge during the period		(1,220,061)	-
NET INCOME AFTER ZAKAT FOR THE PERIOD		7,384,451	32,327,599
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,384,451	32,327,599
Earnings per unit			
Weighted average units in issue		162,881,100	162,881,100
Earnings per unit		0.0453	0.1985

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

	<i>For the period ended 30 June 2020 SR</i>	<i>For the period ended 30 June 2019 SR</i>
	<u> </u>	<u> </u>
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	1,449,286,930	1,480,540,231
CHANGES FROM OPERATIONS		
Net income for the period	7,384,451	32,327,599
Other comprehensive income	-	-
	<u> </u>	<u> </u>
Total comprehensive income	7,384,451	32,327,599
CHANGES FROM UNIT TRANSACTIONS		
Subscription of units – Cash	-	-
Subscription of units – In kind contribution	-	-
	<u> </u>	<u> </u>
Net change from unit transactions	-	-
Capital Structuring fees	-	-
Income distributions during the period (note 18)	(20,001,799)	(59,858,804)
	<u> </u>	<u> </u>
	(20,001,799)	(59,858,804)
	<u> </u>	<u> </u>
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	1,436,669,582	1,453,009,026
	<u> </u>	<u> </u>

UNIT TRANSACTIONS

Transactions in units during the period are summarised as follows:

	<i>30 June 2020 Units</i>	<i>30 June 2019 Units</i>
	<u> </u>	<u> </u>
UNITS AT THE BEGINNING OF THE PERIOD	162,881,100	162,881,100
Subscription of units – Cash	-	-
Subscription of units – In kind contribution	-	-
	<u> </u>	<u> </u>
Net change in units	-	-
	<u> </u>	<u> </u>
UNITS AT THE END OF THE PERIOD	162,881,100	162,881,100
	<u> </u>	<u> </u>

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

For the six months period ended 30 June 2020

	<i>Notes</i>	30 June 2020 SR	30 June 2019 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		7,384,451	32,327,599
Adjustment for:			
Amortization expense on intangibles	12	113,192	105,107
Depreciation expense on furniture and equipment	13	2,077,049	2,284,693
Depreciation expense on investment properties	14	20,932,874	21,020,992
Reversal of impairment on investment properties	14	(1,383,851)	-
Realised gain on investments measured at FVTPL		(512,703)	-
Unrealised gain on investments measured at FVTPL	10	(74,127)	-
Allowance for Expected Credit Losses (ECL)		689,312	-
Provision for Zakat		1,220,061	-
Finance cost		1,047,610	-
<i>Operating cash flows before working capital changes</i>		31,493,868	55,738,391
Changes in operating assets and liabilities:			
Rental income receivable		(2,777,899)	17,737,417
Prepayment and other assets		(1,515,569)	(2,807,808)
Due from related parties		-	10,006,449
Changes in operating liabilities:			
Deferred rental income		437,850	6,572,470
Management fee payable		1,820,618	(482,712)
Accrued expenses and other liabilities		6,117,626	2,434,116
Net cash generated from operating activities		35,576,494	89,198,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		-	(398,055)
Purchase of furniture and equipment		(1,292,925)	(432,665)
Purchase of investment properties		(610,046)	(2,299,066)
Purchase of investments measured at FVTPL	10	(178,800,000)	(30,000,000)
Proceeds from investments measured at FVTPL		158,800,000	-
Net cash used in investing activities		(21,902,971)	(33,129,786)
CASH FLOWS FROM FINANCING ACTIVITY			
Subscription of units		-	-
Capital structuring fees paid		-	-
Bank borrowings		148,800,000	-
Due to related parties		(148,800,671)	(3,621,236)
Dividends paid	18	(20,001,799)	(59,858,804)
Net cash used in financing activity		(20,002,470)	(63,480,040)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(6,328,947)	(7,411,503)
Cash and cash equivalents at the beginning of the period		33,553,060	32,321,068
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	27,224,113	24,909,565

The accompanying notes 1 to 24 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND (MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

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 that 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 had been updated on 10 Rabi ul Awwal 1441H (corresponding to 07 November 2019)

The terms and conditions has further been updated on 09 Dhual Qadah 1441H (corresponding to 30 June 2020).

In accordance with the approved terms and conditions of the REIT, investment properties amounting to SAR 1,628,811,000 were 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 Investmnet 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 condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

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

An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

3.2 *Basis of measurement*

The condensed interim financial statements have been prepared on a historical cost basis, using the accruals basis of accounting.

3.3 *Functional and presentation currency*

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
For the six months period ended 30 June 2020

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

Standards and amendments to existing standards effective 1 January 2020

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

New standards, amendments and interpretations effective after 1 January 2020 and have not been early adopted

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

Annual Improvements to IFRSs 2018-2020 Cycle

- IFRS 3, Business Combinations and IFRS 11, Joint Arrangements clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.
- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
- IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
- IAS 23, *Borrowing Costs*, clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 1 January 2020 that have a material impact on the Fund.

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting and risk management policies used in the preparation of these condensed interim financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2019.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's condensed interim 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:

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

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

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 condensed interim 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.

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.

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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

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 condensed interim financial statements. In the opinion of the Board, these standards will have no significant impact on the condensed interim financial statements of the Fund. The Fund intends to adopt these standards, if applicable.

8. MANAGEMENT FEE AND CUSTODY FEES

Management fee, other expenses

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.

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.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprised of the following:

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Bank Balance	<u>27,189,113</u>	33,493,060
Cash in hand	<u>35,000</u>	60,000
	<u><u>27,224,113</u></u>	<u><u>33,553,060</u></u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

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

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

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Financial assets measured at fair value through profit or loss (FVTPL)		
Al Badr Murabaha Fund	2,876	2,856
Al Riyadh SAR Trade Fund	20,586,810	-
	<u>20,589,686</u>	<u>2,856</u>

The following is the movement in investments during the period:

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
<i>Carrying amount:</i>		
At beginning of the period/year	2,827	-
Additions during the period/year	178,800,000	65,000,000
Sold during the period/year	(158,287,297)	(64,997,173)
At end of the period/year	<u>20,515,530</u>	<u>2,827</u>
<i>Changes in fair value:</i>		
At beginning of the period/year	29	-
Additions during the period/year	74,127	29
Sold during the period/year	-	-
At end of the period/year	<u>74,156</u>	<u>29</u>
Investments at end of the period/year	<u>20,589,686</u>	<u>2,856</u>

As at 30 June 2020, Bonyan REIT Fund has an investments of 184 units (31 December 2019: 184 units) in Al BADR Murabaha Fund and 9,339 units (31 December 2019: Nil) in Al Riyadh SAR Trade Fund. Bonyan REIT and Al BADR Murabaha Fund are managed by same Fund Manager i.e Saudi Fransi Capital.

11. RENTAL INCOME RECEIVABLE, NET

Rental income receivable comprised of the following:

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Rental income receivable	58,190,382	55,412,483
Less: Loss allowance	(3,865,220)	(3,175,908)
	<u>54,325,162</u>	<u>52,236,575</u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

11. RENTAL INCOME RECEIVABLE, NET (CONTINUED)

The movement in loss allowance is as follows:

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Opening balance	3,175,908	331,103
Charged during the period / year	689,312	2,844,805
Balance at the end of the period / year	<u>3,865,220</u>	<u>3,175,908</u>

Below is the aging analysis of gross rental income receivables:

0-30 days	3,891,392	10,803,959
1-4 months	16,908,975	22,959,550
5-12 months	28,639,673	14,148,620
Over 365 days	8,750,342	7,500,354
Balance at the end of the period / year	<u>58,190,382</u>	<u>55,412,483</u>

12. INTANGIBLE ASSETS

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Cost		
Balance at the beginning of the period / year	1,099,350	625,440
Additions during the period / year	-	398,055
Transfer in from furniture and equipment (note 13)	-	75,855
Balance at the end of the period / year	<u>1,099,350</u>	<u>1,099,350</u>
Accumulated Amortisation		
Balance at the beginning of the period / year	(309,692)	(95,259)
Charge during the period / year	(113,192)	(203,633)
Transfer in during the period / year (note 13)	-	(10,800)
Balance at the end of the period / year	<u>(422,884)</u>	<u>(309,692)</u>
Net book value at the end of the period / year	<u>676,466</u>	<u>789,658</u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2020

13. FURNITURE AND EQUIPMENT

	<i>30 June 2020 (Un-Audited)</i>		
	<i>Furniture and equipment SR</i>	<i>Capital work in progress SR</i>	<i>Total SR</i>
Cost			
Balance at the beginning of the period	11,517,717	9,664,094	21,181,811
Additions during the period	687,418	605,507	1,292,925
Balance at the end of the period	<u>12,205,135</u>	<u>10,269,601</u>	<u>22,474,736</u>
Accumulated Depreciation			
Balance at the beginning of the period	(5,988,563)	-	(5,988,563)
Charge for the period	(2,077,049)	-	(2,077,049)
Balance at the end of the period	<u>(8,065,612)</u>	<u>-</u>	<u>(8,065,612)</u>
Net book value at the end of the period	<u>4,139,523</u>	<u>10,269,601</u>	<u>14,409,124</u>
	<i>31 December 2019 (Audited)</i>		
	<i>Furniture and equipment SR</i>	<i>Capital work in progress SR</i>	<i>Total SR</i>
Cost			
Balance at the beginning of the year	11,018,118	-	11,018,118
Additions during the year	650,498	9,664,094	10,314,592
Fixed assets sold / written off	(75,044)	-	(75,044)
Transfer in from furniture and equipment (note 12)	(75,855)	-	(75,855)
Balance at the end of the year	<u>11,517,717</u>	<u>9,664,094</u>	<u>21,181,811</u>
Accumulated Depreciation			
Balance at the beginning of the year	(1,996,045)	-	(1,996,045)
Charge for the year	(4,078,362)	-	(4,078,362)
Reversal of accumulated depreciation	75,044	-	75,044
Transfer in from furniture and equipment (note 12)	10,800	-	10,800
Balance at the end of the year	<u>(5,988,563)</u>	<u>-</u>	<u>(5,988,563)</u>
Net book value at the end of the year	<u>5,529,154</u>	<u>9,664,094</u>	<u>15,193,248</u>

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14. INVESTMENT PROPERTIES

	<i>30 June 2020 (Un-Audited)</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost			
Balance at the beginning of the period	243,843,205	1,543,466,354	1,787,309,559
Additions during the period	-	610,046	610,046
Balance at the end of the period	243,843,205	1,544,076,400	1,787,919,605
Accumulated Depreciation and Impairment			
Balance at the beginning of the period	-	(147,059,573)	(147,059,573)
Charge for the period	-	(20,932,874)	(20,932,874)
Reversal of impairment loss	-	1,383,851	1,383,851
Balance at the end of the period	-	(166,608,596)	(166,608,596)
Net book value at the end of the period	243,843,205	1,377,467,804	1,621,311,009
	<i>31 December 2019 (Audited)</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
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 period	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)
Net book value at the end of the year	243,843,205	1,396,406,781	1,640,249,986

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 has been paid during the period through a financing facility from ANB bank (refer Note 15).

- 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.

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14. INVESTMENT PROPERTIES (CONTINUED)

- 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. BANK BORROWING

The borrowings from bank represents Islamic mode of financing obtained from a local bank (ANB) utilized against payment of deferred purchase consideration for Al Rashid Mall – Abha as per T&C of the Fund. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Fund obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the Bank’s commission. The profit mark-up / bank commission is payable on semi-annual basis and the principal is due for payment as a One bullet payment after 7 years.

The said payment of SAR 148.8 million was made to M/s Abdul Rahman Saad Al Rashid & Sons Company, a related party.

16. 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), 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.

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16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Balances</i>	
		<i>For the period ended</i>	<i>For the period ended</i>	<i>Receivables / (Payables)</i>	
		<i>30 June 2020</i>	<i>30 June 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Saudi Fransi Capital (Fund manager)	Asset management fees	(3,622,998)	(3,665,275)	(3,622,998)	(1,802,380)
	Reimbursement of expense paid by Fund Manager on behalf of the Fund	(284,702)	(15,026)	-	(284,702)
Board of directors	Board fees to independent board members	120,000	75,000	-	(30,000)
Al BADR Murabaha Fund (Managed by Fund Investments Manager)		-	30,000,000	2,876	2,856
	Unrealised gain on investments measured at FVTPL	19	-	-	-
Saudi Bonyan Company	Property Management Fees	(2,676,904)	(4,686,402)	(2,774,655)	(2,443,144)
	Property Operating Expenses	(11,479,066)	(21,682,055)	(16,882,237)	(7,065,081)
	Purchase of intangibles	-	398,055	-	-
	Purchase of furniture and equipment	-	432,665	-	-
	Purchase of investment properties	-	2,299,066	-	-
	Advances to supplier	-	-	5,071,820	5,071,820
	Cash collected against old rental receivables	-	6,188,502	-	-
	Cash paid against old rental received	-	(9,809,738)	-	-
	Others	(671)	-	-	(671)
Abdul Rahman Saad Al Rashid & Sons Company	(Payment) / initial acquisition of Investment Properties	(148,800,000)	-	(37,360,000)	(186,160,000)
	Addition to Investment Properties	610,046	-	-	(44,986)
	Capital work in progress	605,507	-	-	(9,664,094)
	Payment against balance for the addition to investment properties / Capital work in progress	(10,986,893)	(615,129)	-	-

The Fund maintained cash in current accounts maintained with Banque Saudi Fransi amounting to SR 19,728,679 (31 December 2019: SR 21,652,162).

As at 30 June 2020, Bonyan REIT Fund has an investments of 184 units (31 December 2019: 184 units) in Al BADR Muarabaha Fund. Bonyan REIT and Al BADR Murabaha Fund are managed by same Fund Manager i.e. Saudi Fransi Capital.

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17. INCOME FROM INVESTMENT PROPERTIES

	<i>For the period ended 30 June 2020 SR</i>	<i>For the period ended 30 June 2019 SR</i>
Disaggregation of Income from investment properties		
Lease rental income on investment properties	53,811,055	91,879,419
Revenue from hotel services	14,540,280	11,220,819
	68,351,335	103,100,238
Operational costs for investment properties	(32,509,468)	(43,590,747)
	35,841,867	59,509,491

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:

	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Not later than one year	65,569,304	93,853,555
Later than one year and less than five years	149,512,040	124,328,393
Later than five years	116,094,612	93,976,847
	331,175,956	312,158,795

18. DIVIDEND / DISTRIBUTION

In accordance with the approved terms and conditions of the Fund, on 14 May 2020, the Fund's board of directors approved to distribute dividends with regards to the period from 01 November 2019 till 30 April 2020 amounting to SAR 0.1228 per unit amounted to SAR 20,001,799 to its unit holders.

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.

19. 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. 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.

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19. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Carrying value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 June 2020 (Un-audited)					
Financial assets measured at FVTPL	20,589,686	20,589,686	-	-	20,589,686
	20,589,686	20,589,686	-	-	20,589,686
31 December 2019 (Audited)					
Financial assets measured at FVTPL	2,856	2,856	-	-	2,856
	2,856	2,856	-	-	2,856

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

During the six month period ended 30 June 2020, 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.

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.

20. 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 condensed interim financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

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

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 valuers:

	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
30 June 2020 (Un-audited)			
Investment properties	1,859,848,300	2,016,388,000	1,938,118,150
	1,859,848,300	2,016,388,000	1,938,118,150
	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
31 December 2019 (Audited)			
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

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

	30 June 2020 (Un-audited) SR	31 December 2019 (Audited) SR
Estimated fair value of investment properties	1,938,118,150	1,941,626,650
Book value of investment properties	(1,621,311,009)	(1,640,249,986)
Less: present value of purchase option on Rashid Mall Abha	(103,283,883)	(97,955,099)
Estimated fair value in excess of book value	213,523,258	203,421,565
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	1.3109	1.2489

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

<i>Net asset value</i>	<i>30 June 2020 (Un-audited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Net asset value as per the financial statements	1,436,669,582	1,449,286,930
Estimated fair value in excess of book value of investment properties	213,523,258	203,421,565
Net asset value based on fair valuation of investment properties	1,650,192,840	1,652,708,495
<i>Net asset value per unit</i>		
Net asset value per unit as per the financial statements	8.8204	8.8978
Estimated fair value in excess of book value of investment properties	1.3109	1.2489
Net asset value per unit based on fair valuation of investment properties	10.1313	10.1467

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21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	30 June 2020 (Un-Audited)		
	Less than one year	More than one year	Total
Cash and cash equivalents	27,224,113	-	27,224,113
Investments measured at fair value through profit or loss (FVTPL)	20,589,686	-	20,589,686
Rental income receivable	54,325,162	-	54,325,162
Prepayment and other assets	11,031,527	-	11,031,527
Intangible assets	-	676,466	676,466
Furniture and equipment	-	14,409,124	14,409,124
Investment properties	-	1,621,311,009	1,621,311,009
Total Assets	113,170,488	1,636,396,599	1,749,567,087
Bank borrowings	1,047,610	148,800,000	149,847,610
Due to related parties	37,360,000	-	37,360,000
Deferred rental income	76,092,792	-	76,092,792
Management fee payable	3,622,998	-	3,622,998
Accrued expenses and other liabilities	42,313,925	-	42,313,925
Provision for Zakat	3,660,180	-	3,660,180
Total Liabilities	164,097,505	148,800,000	312,897,505

	31 December 2019 (Audited)		
	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

22. SIGNIFICANT EVENTS AFTER REPORTING DATE

There are no significant events subsequent to the date of the statement of financial position, which requires adjustments and / or disclosures in the condensed interim financial statements.

23. LAST VALUATION DAY

The last valuation day of the period was 30 June 2020 (31 December 2019: 31 December 2019).

24. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 29 Dhull Hijjah 1441H (corresponding to 19 August 2020).