

# Bonyan REIT

REAL ESTATE INVESTMENT  
TRADED FUND

Annual Report 2019



Vision

Passion

Achievement

# 2019

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# BONYAN REIT FUND OVERVIEW



The Bonyan REIT Fund (“Fund”) is a Sharia-compliant real estate investment fund that is established under Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions of the Capital Market Authority (“CMA”).

The Fund was established in mid-2018 with a size of SAR 1.63 billion and it is the second largest listed REIT on the Saudi Stock Exchange (“Tadawul”). The Fund’s real estate portfolio consists of diversified assets in various sectors and is capable of achieving periodic rental income. The Fund distributes at least 90% of net profits in cash dividends to unitholders on a semi-annual basis. At inception, 79.2% (9 properties) of Fund’s real estate assets were freehold properties and 20.8% (1 property) of real estate assets were leasehold.

The Fund owns ten real estate assets in four Saudi cities, which are Riyadh, Abha, Madinah and Jazan. It also owns a residential asset in Dubai, UAE. The assets are classified amongst three different sectors: commercial centers, residential and hospitality. During 2019, the Fund has entered into 750+ lease contracts with international and local companies across various industries.

Bonyan REIT Fund is distinguished by its geographical and sectoral diversity, which makes it an attractive REIT. Most of the Fund’s assets are located in densely populated areas, whereby there is low competition, and the majority of the assets are amongst the famous landmarks of their respective city and region. Further, all of the Fund’s commercial centers are family and entertainment destinations of their region.

The commercial centers in the Fund’s assets portfolio are the largest malls in their regions with little competition, which contributes to attracting the best tenants from both, international and local brands. In addition, the hotels in the Fund’s assets portfolio are the only hotels in their regions that give visitors easy access to the malls as they are directly attached to them. In addition, the presence of the (Marriott)

brand, which is one of the most famous brands associated with the hospitality sector, makes these hotels attractive to many visitors of these areas. Residential assets are also distinguished by their locations, in the heart of commercial capitals Riyadh and Dubai (City Walk). Following is a summary of material developments that took place during 2019:

1. The Fund secured two Sharia-compliant facilities with (i) Riyad Bank amounting to SAR 700 million with a tenor of seven (7) years, and (ii) Arab National Bank amounting to SAR 500 million with a tenor of five (5) years (extendable for two additional years);
2. The Fund is registered with the General Authority of Zakat and Tax as a zakat payer and filed its 2018 zakat declaration;

The Bonyan REIT Fund is managed by Saudi Fransi Capital (“Fund Manager”) a leading financial services provider offering investment banking, asset management, debt and equity research, institutional sales trading, and local and global securities brokerage. Saudi Fransi Capital is the investment arm of Banque Saudi Fransi, where it was trademarked with a paid up capital of 500 million Saudi Riyals and is a closed joint stock company in the Kingdom of Saudi Arabia. It is licensed by the Capital Market Authority with license 11315-37 to conduct a wide range of investment activities include dealing, arranging, managing, advising and custody of securities business.

## Fund Strategy

The Fund aims to invest in real estate assets inside and outside the Kingdom of Saudi Arabia, capable of achieving periodic leasing income and returns on invested capital in all sectors and geographical regions. The regions and cities are characterized by positive investment features, growth in business activities and positive flow of investments.

# FUND PERFORMANCE

## Key Financial Performance as at 31 December 2019



Total Revenue  
SAR **213.6** million



Total Operating Cost  
SAR **102.7** million



Total Operating Profit  
SAR **110.9** million



Net Income  
SAR **88.5** million



Total Dividends  
SAR **119.7** million



Price per unit range  
SAR **8.30** – SAR **10.30**



Net Asset Value per Unit  
SAR **8.8979**



Net Asset Value  
SAR **1,449.3** million



Annualized Dividend Yield  
**7.47%**



**66%**  
Commercial Centers  
Segment



**11%**  
Hospitality  
Segment



**23%**  
Residential  
Segment

Occupancy Rate	93%	45%	99%
Operating Profit	SAR 92.7 million	SAR 92.7 million	SAR 92.7 million
	Number of Leasable Units <b>850</b>	Total Room Capacity <b>274</b>	Total Apartments/Villas <b>178</b>

		2019	2018
Year-End NAV (SAR)		1,449,291,938	1,480,540,231
Fair Value NAV per Unit (SAR)	Year-End	10.1467	9.6686
	High	10.1467	9.6686
	Low	9.8120	9.6686
Number of units		162,881,100	162,881,100
Dividend per Unit (SAR)		0.7350	0.2449
Expense Ratio		0.67%	0.52%
Total Return per annum		12.55%	-0.87%
Cumulative Total Return		11.68%	-0.87%

\*Total return is calculated based on fair value NAV and dividend payments for each fiscal year.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

The Saudi economy rebounded in 2018 by recording real GDP growth of 2.4% and this momentum continued in 2019 as the economy grew by 0.3%. The growth was driven by higher oil prices along with several government initiatives, driven by Vision 2030, to strengthen the economy that are starting to bear fruit. The various initiatives are targeted at diversifying the economy, building new industries and sectors, providing employment, empowering women and enabling private sector growth. Further, since the beginning of 2019, the Saudi Stock Exchange has witnessed increasing foreign cash flows on account of inclusion tranches in the emerging markets indices (MSCI & FTSE).

Helped by increasing commercial activities, reviving consumer confidence and an enabling environment, the commercial real estate market witnessed similar growth as well, rental rates and price performance improved significantly during 2019. Going forward, there is strong expectation that there will be further growth in the near term, thanks largely to government policies, upcoming 2020 G20 Summit and other initiatives (such as city-wise Season festivities) that are supportive of the real estate market.

The UAE registered a similar rebound to Saudi Arabia with real GDP growth coming in at around 1.6% in 2019. For Dubai, while residential prices and rents continued to soften in 2019, however, there are expectations of stronger demand going forward because of the recent approval of a range of legislations to ease visa regulations, given that

many of the changes are linked to property ownership. Moreover, World Expo 2020 in Dubai will drive demand in the short-term.

### Fund Operations Review

Bonyan REIT Fund generated income from operations amounting to SAR 110.9 million and net profit of SAR 88.5 million for the year ended 31 December 2019. All of Fund's assets actively contributed towards the topline of the Fund, which amounted to SR 213.6 million which was offset mainly by SAR 102.7 million of operating expenses, SAR 46.5 million of depreciation expenses, zakat charge of SAR 2.4 million and reversal on investment properties amounting to SAR 26.5 million on account of improved fair valuations of Fund's real estate assets.

Fund's price per unit witnessed a total price return of 17.6% during 2019 (calculated based on traded price) and dividend yield of 7.47% (i.e. the highest amongst all REITs in KSA). As a result of stable and organic growth of Fund's core properties, total dividends amounting to SAR 119.7 million were distributed amongst unitholders of the Fund during 2019.

### Madinah - Rashid Mega Mall and Marriott Executive Apartments

We remain extremely optimistic on the prospects of the Madinah property market both in the commercial and hospitality segments. The main driver behind this will be the Vision 2030 objective of increasing Umrah visitor capacity from 8 million in 2015 to 30 million by 2030, which have made the two holy cities of Makkah and Madinah the



focus of significant investment in the years ahead. This will come in the form of both real estate developments in the hospitality, retail and residential segments, and from the significant infrastructure upgrades due to come online in the coming years. We believe that both our assets are optimally positioned to benefit from this expected growth specifically in terms of rental/ADR growth and cap rate compression – both assets already enjoy high occupancy/utilization rates thanks to their brand value, unique positioning and quality offering.

The Rashid Mega Mall ended 2019 with near optimal occupancy. We have decided to embark on capital improvements in order to increase the gross leasable area specifically in order to cater to increased demand for space dedicated to entertainment and leisure within the mall. This should result in decent growth in operating income over the medium term.

We would like to highlight here that the average independent valuation for Rashid Mega Mall - Madina as at 31 December 2019 improved by SAR 22.4 million as compared to 31 December 2018. The main reason for this change in value was due to a combination of improvement in discount rates and exit yields as well a higher growth rate assumptions used in valuing this property by the independent valuers. We believe that this change was driven by the decreased risks and improved conditions in real estate markets across Saudi Arabia. Moreover, we expect discount rates and exit yields to improve further given the strong and unique positioning of the holy city of Madinah and its strong future prospects.

The Rashid Residences had another strong performance in 2019 (ADR was 17% above our expectations whereas occupancy was 33 pp higher than our forecasts). This resulted in an increase in

the average independent valuation as of 31 December 2019 vs. 31 December 2018 by SAR 10.5 million. We are proud of the fact that this strong performance has also been recognized by the leading hotel brand, Marriott, and this property was converted to being operated under a franchise agreement, and rebranded as Marriott Executive Apartments.

We believe that the strong performance of the Marriott Executive Apartments is not only due to the quality of the hotel and its operations but also reflects its unique proposition of being connected to Rashid Mega Mall, which is not only the leading mall in the city but one of the leading entertainment and leisure destinations as well.

### **Jazan - Rashid Mall, Marriott Courtyard & Residence Inn by Marriott**

The future prospects of Jazan are centered around the Jazan Economic City which is now being managed by the Royal Commission of Jubail & Yanbu. The city is slated to be the home of upwards of USD 26 billion of industrial projects, the cornerstone being the Jazan Refinery. In addition to this, billions of riyals are being poured into infrastructure projects to develop the city and surrounding areas, which include the development of an international airport, housing projects. Road and highway projects.

Despite very promising future of Jazan, in the last few years, the conflict in Yemen has led to unfavorable business conditions in Jazan and has increased the perceived geopolitical risks associated with the city. This has impacted the hospitality sector negatively, which is reflected in the operating performance of both the Marriott hotels as well as the average independent valuations associated with them.

The average occupancy rates in the Courtyard and Residence have been below our expectations by approximately 19% whilst ADRs have been below our 2019 forecast by approximately 15-20%. As highlighted above, this has led to a drop in the average independent valuations by about SAR 5.3 million as compared to 31 December 2018. It is management's view that over the course of the next 12-18 months, both hotels should experience a healthy recovery in occupancy and ADRs due to the acceleration of works in the industrial projects related to Jazan Economic City. We are also happy to report that both hotels have transitioned from operating agreements to franchise agreements, which has helped in significantly reducing operating expenses, hence improving the operating income from both hotels.

Despite the political risks that have impacted the hotels, Rashid Mall, on the other hand, has continued to perform above expectations with occupancy rates remaining healthy and rental rates stable. In contrast to the hotels, the average independent valuation as at 31 December 2019 of Rashid Mall has actually increased by SAR 17.5 million as compared to 31 December 2018. The mall also witnessed successful and timely opening of Empire Cinemas during December 2019. The opening ceremony took place under the patronage of Prince

Mohammed bin Abdulaziz, in the presence of high profile guests and other dignitaries. During 2020, the cinema will generate significant operating income for the mall as the lease term contains not only fixed rent but a revenue sharing component as well.

### **Abha - Rashid Mall**

The Asir region and its capital Abha have always held significant promise as a tourist destination and stand to benefit significantly from government's renewed focus on developing a promoting domestic tourism. During Q1 2019, as part of Vision 2030, the government has launched billions of Riyals worth of infrastructure projects including healthcare, transportation, housing and aviation. The most prominent of these projects include the Abha airport project, King Faisal Medical City, the SAR 6 billion Asir-Jazan Road and a SAR 4 billion project for the expansion of the Jeddah-Jazan Coastal Road.

Rashid Mall in Abha has perhaps being the strongest performing asset in the portfolio, surpassing even our most optimistic expectations. We are proud to report that despite being operational for less than three years, the mall is now almost fully occupied and rental rates have been higher than expected owing to the mall's strong brand and positioning within the city. The average independent valuation as at 31 December 2019 has increased by SAR 63.1 million as compared to 31 December 2018. Further, the mall is expected to open cinemas during 2020, the first in the city, which is expected to generate significant operating income for the mall as the lease terms not only have a fixed rent but have a revenue sharing component as well.

### **Riyadh – Al Rafiah Village, AlMaather Villas & Rashid Strip Mall**

Riyadh, being both the official and financial capital of Saudi Arabia, is perhaps the most important symbol of the massive transformation that Saudi Arabia is going through. Several huge projects are underway that promise to transform the capital over the next decade to become one of the leading capitals not only in the region but also in the world. In the near future, the city will witness the launch of Riyadh Metro that is likely to have a defining impact on the city's commercial real estate sector. In addition to this, King Abdullah Financial District is making rapid progress and is promising to be one of the key landmarks of the city as it gears up to play host to the G20 summit in 2020.

The real estate market in Riyadh has been soft in the last few years owing to excess supply in the main real estate sectors and slowing economic activity. The commercial sector has witnessed a rapid increase in supply, which has resulted in negative pressure on rents, especially in the north of Riyadh. The residential sector while witnessing a decline in prices and transaction volumes has actually been relatively resilient in terms of rental rates probably owing to a lack of quality inventory within the sector,

The Rashid Strip Mall, which was newly developed at the inception of the Fund, is now fully leased. It has suffered from the general pressure on rents and consequently, the total rental income has come

in significantly below what was expected at the time of acquisition. However, the total rental income has improved since 2018 and accordingly, property's valuation as at 31 December 2019 has improved by SAR 0.9 million as compared to 31 December 2018.

Al Maather Villas remains 85% occupied and renewals have taken place at approximately same rates as previously. The average independent valuation has deteriorated by approximately SAR 0.4 million since 31 December 2018 on account of softening residential market. However, being located right at the heart of the city, this property is expected to remain stable over the long term.

Al Rafiah Village remains fully occupied with a very stable single tenant at the exact same terms as compared to last year. The average independent valuation has improved by SAR 1.9 million since last year on account of lower discount rate.

### **Dubai – Citywalk residential apartments**

As highlighted above in the market overview, residential prices and rents in Dubai continued to soften in 2019, however, there are expectations of stronger demand going forward because of the recent approval of a range of legislations to ease visa regulations, given that many of the changes are linked to property ownership as well as Expo 2020.

All apartments in Citywalk are fully leased and rental income has compressed in line with prevailing market conditions. The average independent valuations have decreased by SAR 6.9 million since last year mainly because of rent compression of residential properties in the UAE market.



## Concluding Remarks

The operating performance of the portfolio was in line our expectations. Going forward, with active management of the properties, the Fund will be able to continue to deliver on its most important objective: delivering attractive and regular income to its investors. The Fund paid two dividends in 2019 – April and November. We remain optimistic on the operating performance of the portfolio in the long term mainly due to:

- 1.The expected improvements in economic conditions both across Saudi Arabia and UAE and more specifically in the specific cities / regions we are invested in as highlighted above;
- 2.The realization of significant initiatives under Vision 2030 targeted towards infrastructure, tourism, employment, financing and transportation, which are likely to provide a significant boost to the real estate market; and
- 3.Specific steps that have been taken by us that we expect to result in material improvements in performance such as the introduction of cinemas and expansion of gross leasable area in the malls and the

change from operating agreements to franchise agreements for the Marriott hotels.

In our assessment, overall risks to economic growth and to the real estate sector have started receding and activity is expected to normalize over the next few years.

## Subsequent Events

Subsequent to the year-end, outbreak of coronavirus (COVID-19) was declared a global pandemic by World Health Organization and accordingly, in line with directives issued by the Government of Saudi Arabia to safeguard its citizens and residents, and to contain the spread of the virus, Fund's malls were temporarily closed in mid-March 2020. Although, supermarkets and pharmacies within the malls remained open. The operations of the Fund are committed to be in full compliance with all existing and future directives of the relevant authorities of the Kingdom of Saudi Arabia in all efforts to contain the spread of the virus with the health and safety of employees, customers and the public being top priority. In absence of a confirmed duration of the closure, the Fund Manager cannot presently determine full financial impact of closure on the Fund.



# REAL ESTATE ASSETS



**Al Rashid Mega Mall - Al Madinah**

Al Rashid Mega Mall is located in Al Madinah Al Munawwarah on King Abdullah Road - the second ring - and it is only 10 minutes away from the Holy Prophet’s Mosque. The complex consists of four floors (first ground, ground, first, and second) and it is famous for containing the dancing fountain in the lake with the ship in the first ground floor. It also contains many world famous brands in addition to Carrefour Hypermarket, and entertainment halls (FunCity and Snow Forest), in addition to many international and local restaurants that cater to all tastes. It also contains exhibitions: 400 exhibitions including H&M, Iconic, Paris Gallery, Home Center, Home Box, and Center Point and entertainment halls. As one of the advantages of the commercial complex, it contains entertainment halls and various international brands, more than 30 international and local restaurants, a spacious dining hall and various cafes dedicated to all visitors. Today, the Fund is expanding the commercial complex, where a restaurant complex will be established, and it will contain the best chain of international restaurants. As a result, the rental yield is expected to increase, which is in the interest of the unit owners.

**Al Rashid Mall – Abha**

Al Rashid Mall - Abha is located in the city of Abha on King Fahd Road, and is 15 minutes away from Abha Airport. The complex consists of two floors (ground and first). It contains many famous brands in addition to a hypermarket, an entertainment city and more than 20 diversified restaurants. Al Rashid Mall - Abha is the largest commercial complex in the Asir region, as it is considered one of the most important entertainment destinations for many families in the region, which contains 300 exhibitions of the best international brands, and there is also a huge family entertainment hall, which is one of the largest in

the region. It is worth noting that the commercial complex was opened at the end of the year 2017 AD and it is considered as the latest mega mall, and it has no competitor in the Asir region.

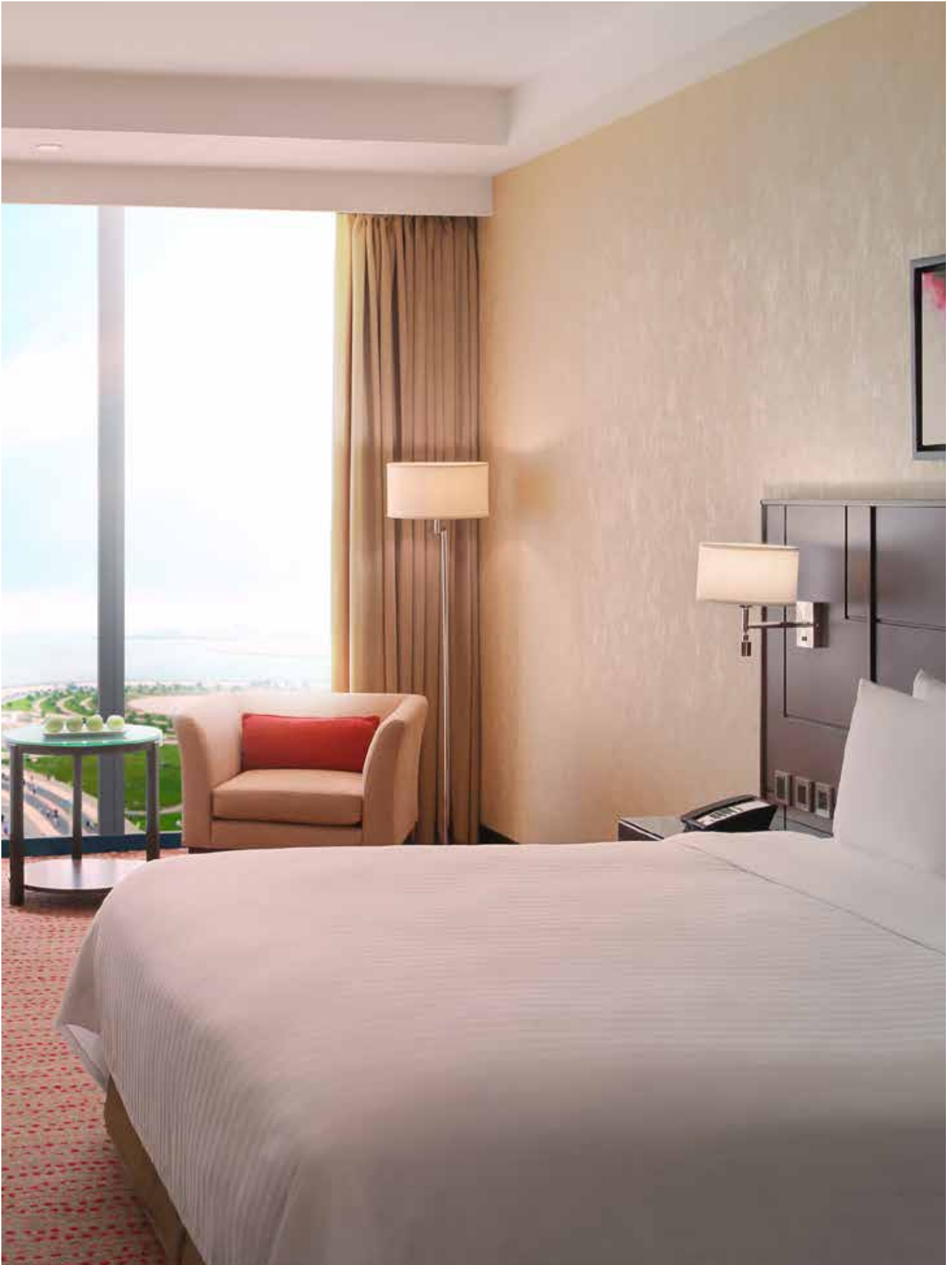
**Al Rashid Mall – Jazan**

Al Rashid Mall is located in Jazan City on King Fahd Road, next to the Marriott Hotel and Residence Inn Marriott Apartments, close to Jazan Airport with an estimated 15 minutes’ drive. The complex consists of three floors (ground, first, and second). It contains many world famous fashion brands, perfumes, etc. in addition to the supermarket (Panda), the entertainment city and more than 30 international and local restaurants. It also contains more than 250 exhibitions, supermarket (Panda), comprehensive exhibitions (H&M, R & B, Terranova) and an entertainment city. The mall is characterized by its direct contact with Marriott hotels, and this feature is not found in any other mall in the region. Also, the mall features entertainment halls and various international brands and more than 20 international and local restaurants, a spacious dining hall and various cafes dedicated to all visitors.

**Al-Rashed Strip Mall – Riyadh**

Al-Rashed Building is located in the north of Riyadh, on Othman Bin Affan Road, in Al-Narjis neighborhood, opposite to the Institute of Public Administration housing and near King Fahd Center for Child Cancer Control. The building consists of seven large exhibitions, and there is an ATM in the parking lot. It is worth noting that there were no tenants at the time the Fund was established due to the fact that the commercial complex is new, but the complex was completely leased during 2019.







#### **Courtyard by Marriott - Jazan (four stars)**

The Courtyard Marriott is a four-star hotel located in the city center, a few minutes from the airport and close to the commercial complexes and Jazan Corniche. Courtyard by Marriott is associated with Al Rashid Mall building for easy shopping, amusement parks and various restaurants. It has 129 rooms equipped with the finest furniture and designed to the highest levels, a health club with an indoor pool, a fitness center and many services to keep pace with developments. Also, there are meeting rooms for more than 170 people. The hotel meets the requirements of businessmen, whether designing rooms that contain an office, or various meeting rooms, and the city center is close to all service facilities. The hotel is connected to Al Rashid Mall building with a private entrance for easy shopping, entertainment and restaurants.

#### **Marriott Residence Inn - Jazan (four stars)**

Marriott Residence Inn is a 4-star aparthotel located in the center of Jazan City, a few minutes away from King Abdullah Airport and close to the commercial complexes and Jazan Corniche. It is distinguished by its association with Al-Rashed Mall building for easy shopping, amusement parks and various restaurants. It contains 79 suites equipped with the finest furniture and designed to the highest levels. They include a health club with an indoor pool, a fitness center and many services to keep pace with developments.

#### **Marriott Executive Apartments - Madinah (five stars)**

Marriott Executive Apartments (former name Al Rashid Residences) are five-star hotel apartments located in Madinah. The location and design of the apartments meets the requirements of both, visitors and pilgrims, and they can live in these apartments for long or short

periods. Marriott Executive Apartments are considered to be one of the finest and newest apartments in Madinah, and they contain 66 apartments of various sizes and the finest facilities. It is characterized by its location near the Prophet's Mosque and Prince Muhammad bin Abdulaziz Airport, on King Abdullah Road, alongside Al Rashid Mega Mall, and it is connected to an entrance to the mall that contains fashion brands, international perfumes and various restaurants.





### City Walk Residential Building – Dubai

It is an integrated building in the heart of the City Walk area, which has 69 luxury residential units. The City Walk area is a modern destination that includes a variety of stores, restaurants, and high-end hotels, in addition to exterior spaces with great designs. City Walk also includes a range of great entertainment attractions, in addition to a cinema and events that continue throughout the year. The City Walk area features European-style pedestrianized streets.



### Al-Rafiah Villas Complex – Riyadh

Al-Rafiah residential complex located in Riyadh is fully rented by King Fahd Medical City, and it is characterized by its quiet location away from the noise, surrounded by a number of beautiful palm plantations. It contains 102 varied one-to-four bedroom villas to suit all tastes.

The complex also features the interior design of the villas in an integrated analog, and the diversity of service facilities at the highest levels such as the entertainment club that includes the pool, fitness center, restaurant and children's playgrounds. In addition, as the complex is located in the center of Riyadh, it is easily accessible to markets, schools and hospitals.



### Al-Ma'athar Villas Complex – Riyadh

It is a residential complex (compound) in Riyadh in the Al-Ma'athar neighborhood, near King Faisal Specialist Hospital, which consists of 7 residential villas in addition to some services such as a shared indoor pool.





## RISK ASSESSMENT REPORT

As part of effective risk management policy, the Fund Manager has adopted a four-point framework to ensure risks are appropriately identified and mitigated. The components of framework are as follows: Annual review of Risk Register and Control Matrix, Third Party Risk Management Strategy (“TPRM”), Continuous monitoring and reporting of any non-compliance with the regulations, and Annual monitoring of outstanding external audit recommendations. To address each of these areas, the Fund Manager has adopted policies and/or designated specific departments/staff at SFC to effectively mitigate those risks.

### **The risk of not having an investment profitability guarantee in the Fund**

Not ensuring that the Fund will be able to achieve investment returns or that the returns will be proportional to the Fund’s investments. It is possible that the value of the units may decrease or the Fund may lose some or all of its capital. It is not possible to provide a guarantee that the expected or targeted returns of the Fund will be achieved. To reduce these risks, real estate assets are evaluated twice a year by independent valuers, and changes in market conditions are taken into account and actions are taken to protect the value of real estate and investment profitability.

### **Risks of not fulfilling the relevant regulations**

The Fund may become ineligible to be a real estate investment Fund in accordance with Real Estate Investment Funds Regulations and the Real Estate Investment Traded Funds Instructions as issued by the CMA. This can have negative effects on the liquidity of trading in the Fund’s units, which may negatively affect the value of its investments. It should be noted that there is no guarantee that the Fund will remain in circulation in the financial market due to the failure to meet the regulatory requirements. To reduce these risks, the Fund Manager follows all the rules and regulations with independent supervision by

the Compliance and Compliance Department on all the activities of the Fund.

### **The risks of changing interest rates and general economic conditions**

Changes in economic conditions, including interest rates and inflation, will negatively affect the business and opportunities of the Fund. To reduce these risks, the value and amount of financing is studied, which greatly reduces the risk of interest rates. As of the reporting date, the Fund is not exposed to interest rate risk on account of no utilization of loan facilities.

### **The nature of the investment risk**

There will be no guarantee that the Fund will be able to achieve returns on its investments in a timely manner. There may be no possibility to sell or dispose of its assets, and if it is decided to dispose of it by selling, there may be no possibility to sell it at a price that the Fund Manager believes represents the fair value to it or to be sold within the time frame required by the Fund. To reduce these risks, none of the assets owned by the Fund will be sold until after the appropriate procedures are followed to sell them, according to the market conditions at the time.

### **Real estate investment risks**

The Fund will be affected by the general real estate sector conditions in the Kingdom of Saudi Arabia, which in turn are affected by many factors, including but not limited to, macroeconomic growth, political stability, change in interest rates, supply and demand, financing availability, real estate trends, liquidity, the legal and regulatory environment, and other conditions that may affect the real estate market prices, which in turn is reflected in the value of the Fund’s



units. To reduce these risks, the Fund Manager follows economic news, regulatory trends and laws that would help the Fund Manager to be proactive in taking the necessary steps to mitigate or reduce the impact of the event as much as possible.

### **Risks of a decrease in the value of the property**

The value of real estate is subject to fluctuations and changes. The change in the indicators of the Saudi economy may lead to a decrease in the market value of the Fund's investments, which in turn may lead to a decrease in the Fund's returns or the liquidation of the Fund. In addition, investments in commercial and residential real estate are exposed to risks that affect the commercial and residential real estate sector in general, including seasonal changes, real estate buyers desire and changes in economic conditions. To reduce these risks, Fund's assets are evaluated twice a year by independent valuers, and the Fund Manager may use internal valuations for various purposes, including knowing market conditions well to avoid loss.

### **Risks of tenants being unable to meet their lease obligations**

The real estate assets are leased by several tenants. Consequently, the Fund is vulnerable in the event that one of the tenants fails to fulfill its obligations. If one of the tenants fails to pay the payments due on a real estate or real estate assets, this may limit the ability of the Fund Manager to re-rent or rent the property on satisfactory terms. Accordingly, these risks are minimized by ensuring that there are lease contracts that preserve the rights of unit owners with the existence of property management contracts with a company specialized in property management, which in turn monitors and collects the rental payments in full.

### **The risks of not occupying the real estate for long periods**

When any of the real estate units becomes vacant for long periods as a result of the expiry of the lease contract without renewing it, the inability of the tenant to legally complete the lease, the tenant has declared bankruptcy, cancellation or non-renewal of the contract or other reasons, the Fund may suffer from a decrease in returns, and hence lower periodic dividends for investors. To reduce these risks, high occupancy rates must be maintained, the Fund's properties managed appropriately, the property manager should be followed in the lease operations and find a replacement.

### **Risks of operating companies or companies specialized in property management**

The Fund will use a company or companies specialized in operating and managing real estate assets. Accordingly, any failure, failure, or defect in the level of service provided by the operator or the contractors for any reason will have a direct and negative impact on the performance of the Fund and its financial position, and thus on the unit price. To reduce these risks, a specialized, experienced and experienced property manager was selected to enable him to manage

the assets appropriately, which would benefit the unit owners.

### **Real estate development risks**

In the event that the Fund Manager decides to enter into the real estate development field, he will face many risks, including delay, high cost, failure to obtain appropriate rental contracts, or a force majeure outside the control of the Fund manager, knowing that the Fund does not intend to enter into any real estate development project. At the present time, however, in case of entering into development projects in the future, the Fund will develop a clear and logical plan that includes the necessary studies to avoid risks.

### **Risks of the possibility of not being able to renew the lease or re-lease the leased area at the end of the contract period**

The Fund depends on its profit on the rental amounts paid by the tenants and accordingly, the financial position of the Fund and the results of operations and cash flow as well as the ability of the Fund to distribute profits may be affected negatively in the event that the Fund is not able to immediately re-rent properties or renew the lease contracts. To reduce these risks, the lease contracts concluded with a prior notice period are included, enabling the Fund to search for an alternative tenant, and the Fund seeks to renew the lease contracts in line with the prevailing market conditions.

### **Risks of concluding long-term leases**

The Fund will enter into long leases with some tenants. These contracts may include increases in the rental value or may not include it. It is expected that the returns of the Fund will decrease when there is an increase in operating costs, inflation rates, change in currency exchange rates, or an increase in real estate prices with the stability of the rental payments. To reduce these risks, these contracts must be based on commercial foundations and future aspirations to avoid losses.



## Fund Governance

In line with CMA rules and regulation, Bonyan REIT Fund Board of Directors supervise and monitor the progress of Fund's performance in line with Fund's terms and conditions. During 2019, the Fund's Board of Directors held four (4) meetings. During these meetings, Fund's performance along with any regulatory and compliance related matters were duly discussed.

Meeting	Date
Fund Board Meeting (01)	06/02/2019
Fund Board Meeting (02)	03/04/2019
Fund Board Meeting (03)	09/05/2019
Fund Board Meeting (04)	24/11/2019

1. Approval of 2018 Financial Statements
2. Approval of 2019 Financial Budget
3. Approval on transition to Marriott Franchise Agreement for all three hotels
4. Appointment of external auditors and resulting change in the terms and conditions (T&C)
5. Approval on filing of Fund's zakat declaration with GAZT and the resulting change in T&C
6. Approval on Capex for Al-Rashid Mall Madinah for general renovations and expansion
7. Approval on Cinema capex for Al-Rashid Mall Abha and Al-Rashid Mega Mall Jazan
8. Approval of 30 June 2019 interim financial statements
9. Approval on Fund's acquisition strategy
10. Approval on dividend payments (two approvals in total)
11. Extension of marketing plan for Citywalk Dubai residential asset for 12 months (until Q4 2020)

### Services, commissions, fees and expenses charged to the Fund throughout the year

There were no instances during which the Fund Manager waived or reduced any fees. The Fund Manager did not receive any soft commissions during the year.



Management fee  
SAR **7,319,871**



Audit fee  
SAR **110,000**



Regulatory fee  
SAR **7,500**



Custody fee  
SAR **430,833**



Fee of the Fund's  
board members  
SAR **105,000**



Annual fee (Tadawul)  
SAR **606,027**



Listing fees  
SAR **300,000**



Valuation Fee  
SAR **361,000**



Zakat expense  
SAR **2,440,119**



Other expenses  
SAR **84,446**



Expense Ratio  
**0.67%**

## Fund Manager



Saudi Fransi Capital  
8092 King Fahd Road – Riyadh – Kingdom of Saudi Arabia  
Mailing Address: P.O. Box 23454 – Riyadh 11426 – Kingdom of Saudi Arabia  
Telephone: +966 11 282 6666 – Fax: +966 11 282 6667

## Custodian



Albilad Investment Company  
8162 King Fahd Road – Riyadh – Kingdom of Saudi Arabia  
Mailing Address: P.O. Box 140 – Riyadh 11411 – Kingdom of Saudi Arabia  
Telephone: 920003636 – Fax: +966 11 290 6299

## Financial Auditor

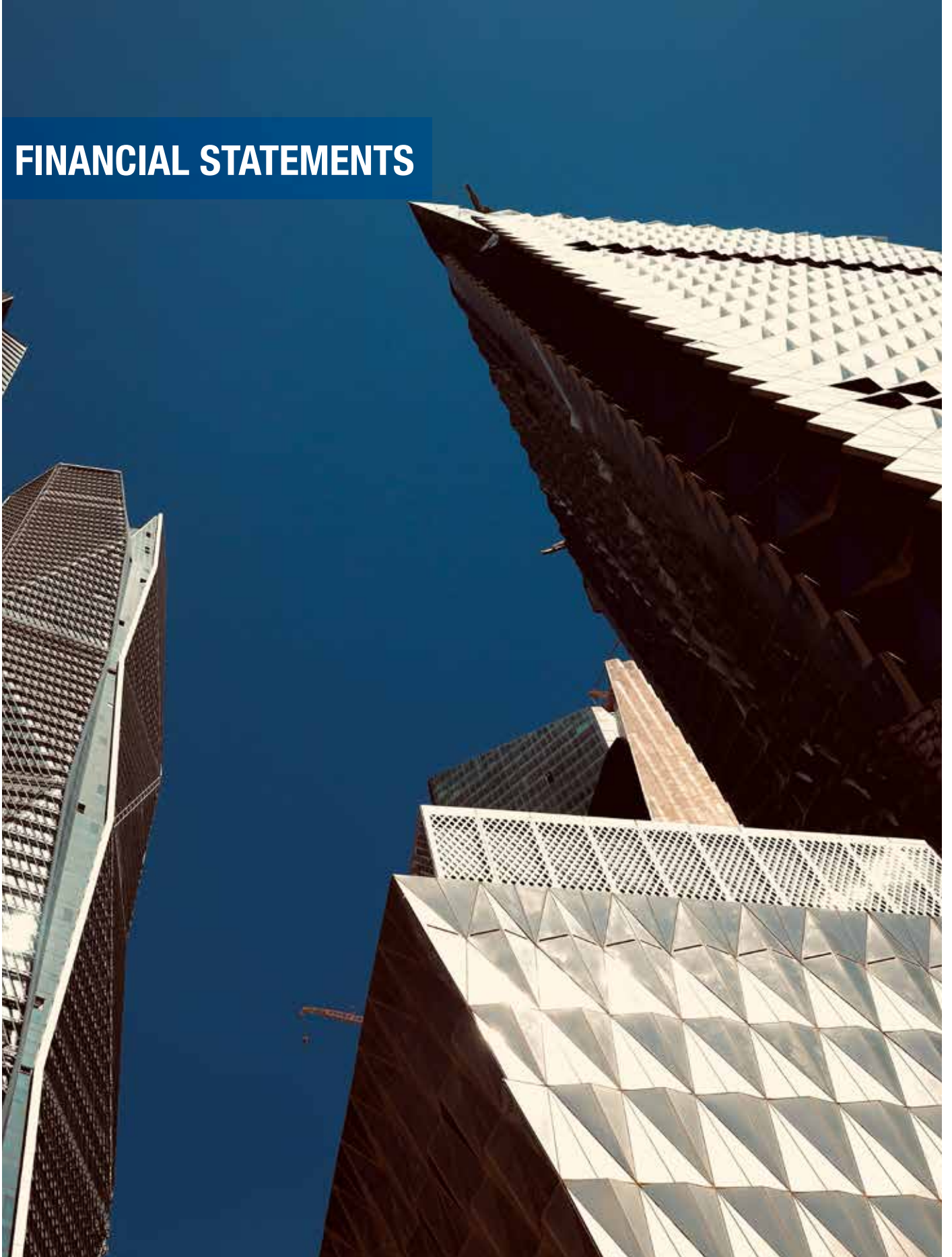


Al-Azem, Al-Sudairy, Al-Shaikh & Partners (a member of Crowe Horwath International)  
3174 Prince Muhammad Bin Abdulaziz Road – Riyadh – Kingdom of Saudi Arabia  
Mailing Address: P.O. Box 11 – Riyadh 10504 – Kingdom of Saudi Arabia  
Telephone: 920004741 – Fax: +966 11 217 5000

Fund reports are available upon request and free of charge. These reports are also available on the Fund Manager's website for free at [www.sfc.sa](http://www.sfc.sa) and on the Saudi Stock Exchange website (Tadawul)

Saudi Fransi Capital (Closed Joint Stock Company owned by Banque Saudi Fransi) – Commercial Registration 1010231217 – Authorized and Regulated by the Capital Market authority (CMA) under license 11153-37

# FINANCIAL STATEMENTS





Al Azem, Al Sudairy, Al Shaikh & Partners  
 CPAs & Consultants  
 Member Crowe Global  
 C.R. License No. 323/11/148  
 P.O. Box 10504 Riyadh 11443  
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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:

Audit, Tax & consultants

Salman B. AlSudairy  
 License No. 283

Muad A. Al Shaikh  
 License No. 558

Abdulrah M. AlAzem  
 License No. 335

**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
<p><b>Valuation of investment properties</b></p> <p>As at 31 December 2019, the carrying value of the Fund's investment properties were SAR 1.64 billion.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures in respect of valuation of investment properties comprised of the following.</p> <ul style="list-style-type: none"> <li>- Assessed the qualification and expertise of third party valuers appointed by the Fund for the valuation of the properties</li> <li>- 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</li> <li>- Carried out procedures to satisfy ourselves of the accuracy of information supplied to the valuers by the Fund manager</li> </ul>

**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 communicate 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.



**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.



**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

BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018 (As restated*)
	Notes	SR	SR
<b>ASSETS</b>			
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
<b>TOTAL ASSETS</b>		<b>1,751,541,341</b>	<b>1,775,927,294</b>
<b>LIABILITIES</b>			
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	-
<b>TOTAL LIABILITIES</b>		<b>302,254,411</b>	<b>295,387,063</b>
<b>Net assets attributable to unitholders</b>		<b>1,449,286,930</b>	<b>1,480,540,231</b>
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.

BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		<i>For the year ended 31 December 2019</i>	<i>For the period from 03 July 2018 to 31 December 2018 (As restated*)</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
<b>INCOME</b>			
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	-
<b>TOTAL INCOME</b>		<b>123,070,185</b>	<b>52,969,836</b>
<b>EXPENSES</b>			
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)
<b>TOTAL EXPENSES</b>		<b>(12,169,482)</b>	<b>(4,979,938)</b>
<b>Income from operations during the year / period</b>		<b>110,900,703</b>	<b>47,989,898</b>
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)
<b>NET INCOME / (LOSS) BEFORE ZAKAT FOR THE YEAR / PERIOD</b>		<b>90,897,867</b>	<b>(85,440,138)</b>
Zakat charge during the year / period	19	(2,440,119)	-
<b>NET INCOME / (LOSS) AFTER ZAKAT FOR THE YEAR / PERIOD</b>		<b>88,457,748</b>	<b>(85,440,138)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Foreign exchange gain		6,559	-
<b>TOTAL COMPREHENSIVE / loss INCOME FOR THE YEAR / PERIOD</b>		<b>88,464,307</b>	<b>(85,440,138)</b>
<b>Earnings / (loss) per unit</b>			
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.

BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2019

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR / PERIOD</b>	<b>1,480,540,231</b>	-
<b>CHANGES FROM OPERATIONS</b>		
Net income / (loss) for the year / period	<b>88,457,748</b>	(85,440,138)
Other comprehensive income	<b>6,559</b>	-
Total comprehensive income	<b>88,464,307</b>	(85,440,138)
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
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)	<b>(119,717,608)</b>	(30,905,869)
	<b>(119,717,608)</b>	(62,830,631)
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR / PERIOD</b>	<b>1,449,286,930</b>	1,480,540,231
<b>UNIT TRANSACTIONS</b>		
Transactions in units during the year / period are summarised as follows:		
	<i>31 December 2019 Units</i>	<i>31 December 2018 Units</i>
<b>UNITS AT THE BEGINNING OF THE YEAR / PERIOD</b>	<b>162,881,100</b>	-
Subscription of units – Cash	-	65,152,440
Subscription of units – In kind contribution	-	97,728,660
Net change in units	-	162,881,100
<b>UNITS AT THE END OF THE YEAR / PERIOD</b>	<b>162,881,100</b>	162,881,100

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

BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
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	-
<i>Operating cash flows before working capital changes</i>		113,745,479	47,980,898
<b>Changes in operating assets:</b>			
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)
<b>Changes in operating liabilities:</b>			
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
<b>Net cash generated from operating activities</b>		139,531,966	71,254,440
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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	-
<b>Net cash used in investing activities</b>		(12,669,604)	(819,730,052)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
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 of unclaimed dividend)		(119,688,130)	(39,905,869)
<b>Net Cash used in financing activities</b>		(125,630,370)	780,796,680
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		1,231,992	32,321,068
Cash and cash equivalents at the beginning of the year / period		32,321,068	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD</b>		33,553,060	32,321,068

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

## BONYAN REIT FUND (MANAGED BY SAUDI FRANSI CAPITAL)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

#### 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").

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

BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**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.

BONYAN REIT FUND  
 (MANAGED BY SAUDI FRANSI CAPITAL COMPANY)  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended 31 December 2019

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## 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').



BONYAN REIT FUND  
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)  


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NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 December 2019

**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.

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**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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**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.

BONYAN REIT FUND  
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NOTES TO THE FINANCIAL STATEMENTS

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**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 are 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.

**BONYAN REIT FUND  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

**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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalent comprised of the following:

	<i>31 December 2019 SR</i>	<i>31 December 2018 (Restated) SR</i>
Bank Balance	<b>33,493,060</b>	32,291,568
Cash in hand	<b>60,000</b>	29,500
	<b><u>33,553,060</u></b>	<u>32,321,068</u>

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. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

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

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

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

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

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.

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**10. RENTAL INCOME RECEIVABLE, NET**

Rental income receivable comprised of the following:

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

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	<u>3,175,908</u>	<u>331,103</u>

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	<u>55,412,483</u>	<u>61,067,589</u>

**11. PREPAYMENT AND OTHER ASSETS**

	<i>31 December 2019 SR</i>	<i>31 December 2018 (Restated) SR</i>
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
	<u>9,515,958</u>	<u>9,261,649</u>



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NOTES TO THE FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS

	<i>31 December 2019 SR</i>	<i>31 December 2018 (Restated) SR</i>
<b>Cost</b>		
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	<u>1,099,350</u>	<u>625,440</u>
<b>Accumulated Amortisation</b>		
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	<u>(309,692)</u>	<u>(95,259)</u>
<b>Book Value at the end of the year / period</b>	<u>789,658</u>	<u>530,181</u>

13. FURNITURE AND EQUIPMENT

	<i>31 December 2019 SR</i>		<i>31 December 2018 (Restated)</i>	
	<i>Furniture and equipment</i>	<i>Capital work in progress</i>	<i>Total</i>	<i>Total</i>
<b>Cost</b>				
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	<u>11,517,717</u>	<u>9,664,094</u>	<u>21,181,811</u>	<u>11,018,118</u>
<b>Accumulated Depreciation and Impairment</b>				
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	<u>(5,988,563)</u>	<u>-</u>	<u>(5,988,563)</u>	<u>(1,996,045)</u>
<b>Book Value at the end of the year</b>	<u>5,529,154</u>	<u>9,664,094</u>	<u>15,193,248</u>	<u>9,022,073</u>

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14. INVESTMENT PROPERTIES

31 December 2019 SR

	<i>Land</i>	<i>Building</i>	<i>Total</i>
<b><u>Cost</u></b>			
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
<b><u>Accumulated Depreciation and Impairment</u></b>			
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)
<b>Book Value at the end of the year</b>	<b>243,843,205</b>	<b>1,396,406,781</b>	<b>1,640,249,986</b>

31 December 2018 (Restated) SR

	<i>Land</i>	<i>Building</i>	<i>Total</i>
<b><u>Cost</u></b>			
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
<b><u>Accumulated Depreciation and Impairment</u></b>			
Balance at the beginning of the period	-	-	-
Change 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)
<b>Book Value at the end of the period</b>	<b>243,843,205</b>	<b>1,410,191,157</b>	<b>1,654,034,362</b>

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**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 Mather 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.

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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	
		For the year ended 31 December 2019 SR	For the period from 03 July 2018 to 31 December 2018 SR	Receivables / (Payables) 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)	-

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15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related Party	Nature of transaction	Amount of transactions	Amount of transactions	Balances	
		For the year ended 31 December 2019 SR	For the period from 03 July 2018 to 31 December 2018 SR	Receivables / (Payables) 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 one-time 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
	<b>36,196,299</b>	<b>25,052,903</b>

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For the year ended 31 December 2019

**17. INCOME FROM INVESTMENT PROPERTIES**

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

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>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
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
	<u>312,158,795</u>	<u>333,956,924</u>

**18. OTHER EXPENSES**

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
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	-
	<u>2,004,806</u>	<u>698,371</u>

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**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:**

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
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%	-
	<u>2,440,119</u>	<u>-</u>

**c) Movement of provision for zakat:**

	<i>31 December 2019 SR</i>	<i>31 December 2018 SR</i>
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	<u>2,440,119</u>	<u>-</u>

**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")

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**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.

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

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:



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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
<b>Total Assets</b>	<b>85,789,635</b>	<b>1,656,232,892</b>	<b>1,742,022,527</b>
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
<b>Total Liabilities</b>	<b>226,599,469</b>	<b>-</b>	<b>226,599,469</b>
<b>Surplus / (Deficit)</b>	<b>(140,809,834)</b>	<b>1,656,232,892</b>	<b>1,515,423,058</b>
	31 December 2018 (Restated)		
	Less than one year	More than one year	Total
<u>Assets:</u>			
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
<b>Total Assets</b>	<b>103,079,029</b>	<b>1,663,586,616</b>	<b>1,766,665,645</b>
<u>Liabilities:</u>			
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
<b>Total Liabilities</b>	<b>29,200,890</b>	<b>192,102,911</b>	<b>221,303,801</b>
<b>Surplus / (Deficit)</b>	<b>73,878,139</b>	<b>1,471,483,705</b>	<b>1,545,361,844</b>

**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.

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**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 their carrying amount is a reasonable approximation of fair value.

	<i>Carrying value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>31 December 2019</b>					
Financial assets measured at FVTPL	2,856	2,856	-	-	2,856
	<u>2,856</u>	<u>2,856</u>	<u>-</u>	<u>-</u>	<u>2,856</u>
<b>31 December 2018</b>					
Financial assets measured at FVTPL	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**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 valuers:

	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
<i>31 December 2019</i>			
Investment properties	<b>1,885,433,300</b>	<b>1,997,820,000</b>	<b>1,941,626,650</b>
	<b>1,885,433,300</b>	<b>1,997,820,000</b>	<b>1,941,626,650</b>
<i>31 December 2018 (Audited)</i>			
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:

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

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

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

	<i>31 December 2018</i>		
	<i>(Previously disclosed)</i>		<i>(As restated)</i>
	SR	<i>Adjustments SR</i>	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	<b>1,775,821,688</b>	<b>105,606</b>	<b>1,775,927,294</b>
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	<b>295,281,457</b>	<b>105,606</b>	<b>295,387,063</b>
Net assets attributable to unitholders	<b>1,480,540,231</b>	<b>-</b>	<b>1,480,540,231</b>

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**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.

	<i>For the period ended 31 December 2018</i>		
	<i>(Previously disclosed)</i>		<i>(As restated)</i>
	SR	Adjustments SR	SR
<b>INCOME</b>			
Income from investment properties, net	52,639,326	-	52,639,326
Other income	330,510	-	330,510
<b>TOTAL INCOME</b>	<b>52,969,836</b>	<b>-</b>	<b>52,969,836</b>
<b>EXPENSES</b>			
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)
<b>TOTAL EXPENSES</b>	<b>(4,979,938)</b>	<b>-</b>	<b>(4,979,938)</b>
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)
<b>NET LOSS FOR THE PERIOD</b>	<b>(85,440,138)</b>	<b>-</b>	<b>(85,440,138)</b>

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**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).

