

BONYAN REIT FUND

A Real Estate Investments Traded Fund

(Closed-Ended Fund)

(Managed by Saudi Fransi Capital Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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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 2020, 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 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other Standards and pronouncement issued by Saudi Organization for Certificate Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

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

Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Valuation of investment properties</p> <p>As at 31 December 2020, the carrying value of the Fund's investment properties were SR 1.62 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"> - assessed the qualification and expertise of third party valuers appointed by the Fund for the valuation of the properties; - assessed the recoverable amount based assessment prepared by the third party valuers and assessed the model, assumptions and estimates used in deriving the recoverable values; and - carried out procedures to satisfy ourselves of the accuracy of information supplied to the valuers by the Fund manager. |

Other information included in the Fund's 2020 Annual Report

The fund manager is responsible for the other information. Other information consists of the information included in the Fund's 2020 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), the Fund's Terms and Conditions 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

15 Shaban 1442H (March 28, 2021)
Riyadh, Kingdom of Saudi Arabia

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

| | <i>Note</i> | 31 December 2020 SR | 31 December 2019 SR |
|-------------------------------------------------------------------|-------------|------------------------------------|------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7 | 36,022,448 | 33,553,060 |
| Investments measured at fair value through profit or loss (FVTPL) | 8 | 73,085 | 2,856 |
| Rental income receivable, net | 9 | 69,766,251 | 52,236,575 |
| Due from related parties | 15 | 3,055,661 | - |
| Prepayment and other assets | 10 | 10,852,988 | 10,461,614 |
| Intangible assets | 11 | 562,030 | 789,658 |
| Furniture and equipment | 12 | 4,201,278 | 15,193,248 |
| Investment properties | 13 | 1,617,279,326 | 1,640,249,986 |
| TOTAL ASSETS | | 1,741,813,067 | 1,752,486,997 |
| LIABILITIES | | | |
| Bank borrowings | 14 | 190,426,655 | - |
| Due to related parties | 15 | - | 186,160,000 |
| Deferred rental income | | 74,001,479 | 75,654,942 |
| Management fee payable | 15 | 1,382,216 | 1,802,380 |
| Accrued expenses and other liabilities | 16 | 44,003,161 | 37,142,626 |
| Provision for Zakat | 19 | 2,304,597 | 2,440,119 |
| TOTAL LIABILITIES | | 312,118,108 | 303,200,067 |
| Net assets attributable to unitholders | | 1,429,694,959 | 1,449,286,930 |
| Units in issue | | 162,881,100 | 162,881,100 |
| Net asset value per unit | | 8.7775 | 8.8978 |
| Net asset Fair value per unit | 23 | 10.0157 | 10.1467 |

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 2020

| | <i>Note</i> | 31 December 2020 SR | 31 December 2019 SR |
|-------------------------------------------------|-------------|------------------------------------|------------------------------------|
| INCOME | | | |
| Income from investment properties, net | 17 | 97,975,315 | 122,488,301 |
| Other income | | 373,147 | 359,513 |
| Net gain on investment at FVTPL, net | 8 | 670,229 | 229,830 |
| TOTAL INCOME | | 99,018,691 | 123,077,644 |
| EXPENSES | | | |
| Management fees | 15 | (7,270,658) | (7,319,871) |
| Allowance for expected credit losses (ECL) | 9 | (1,849,881) | (2,852,264) |
| Finance cost | | (3,488,914) | - |
| Other expenses | 18 | (1,871,841) | (2,004,806) |
| TOTAL EXPENSES | | (14,481,294) | (12,176,941) |
| Income from operations during the year | | 84,537,397 | 110,900,703 |
| Depreciation expense on furniture and equipment | 12 | (2,612,543) | (4,078,362) |
| Amortization expense on intangibles | 11 | (227,628) | (203,633) |
| Depreciation expense on investment properties | 13 | (42,179,317) | (42,172,440) |
| Impairment reversal on investment properties | 13 | 8,197,727 | 26,451,599 |
| NET INCOME BEFORE ZAKAT FOR THE YEAR | | 47,715,636 | 90,897,867 |
| Zakat charge during the year | 19 | (2,301,760) | (2,440,119) |
| NET INCOME AFTER ZAKAT FOR THE YEAR | | 45,413,876 | 88,457,748 |
| OTHER COMPREHENSIVE INCOME | | | |
| Foreign exchange gain | | - | 6,559 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 45,413,876 | 88,464,307 |
| Earnings per unit | | | |
| Weighted average units in issue | | 162,881,100 | 162,881,100 |
| Earnings per unit | | 0.2788 | 0.5431 |

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 2020

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|--------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR | 1,449,286,930 | 1,480,540,231 |
| CHANGES FROM OPERATIONS | | |
| Net income for the year | 45,413,876 | 88,457,748 |
| Other comprehensive income | - | 6,559 |
| Total comprehensive income | 45,413,876 | 88,464,307 |
| Income distributions during the year (note 21) | (65,005,847) | (119,717,608) |
| | (65,005,847) | (119,717,608) |
| NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR | 1,429,694,959 | 1,449,286,930 |
| UNIT TRANSACTIONS | | |
| Transactions in units during the year are summarised as follows: | | |
| | <i>31 December 2020 Units</i> | <i>31 December 2019 Units</i> |
| UNITS AT THE START AND END OF THE YEAR | 162,881,100 | 162,881,100 |

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

STATEMENT OF CASH FLOWS

For year ended 31 December 2020

| | <i>Note</i> | 31 December 2020 SR | 31 December 2019 SR |
|------------------------------------------------------------|-------------|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income before zakat for the year | | 47,715,636 | 90,897,867 |
| Adjustment for: | | | |
| Depreciation expense on furniture and equipment | 12 | 2,612,543 | 4,078,362 |
| Amortization expense on intangibles | 11 | 227,628 | 203,633 |
| Depreciation expense on investment properties | 13 | 42,179,317 | 42,172,440 |
| Impairment reversal on investment properties | 13 | (8,197,727) | (26,451,599) |
| Net gain on investment at FVTPL, net | 8 | (670,229) | (229,830) |
| Allowance for expected credit losses (ECL) | 9 | 1,849,881 | 2,852,264 |
| Finance cost | | 3,488,914 | - |
| <i>Operating cash flows before working capital changes</i> | | 89,205,963 | 113,523,137 |
| Changes in operating assets | | | |
| Rental income receivable | | (19,379,557) | 5,647,647 |
| Prepayment and other assets | | (391,374) | (254,309) |
| Due from related parties | | (3,055,661) | 10,021,475 |
| Changes in operating liabilities: | | | |
| Deferred rental income | | (1,653,463) | 1,571,680 |
| Management fee payable | | (420,164) | (2,345,607) |
| Accrued expenses and other liabilities | | 6,852,889 | 11,138,142 |
| Zakat paid | 19 | (2,437,282) | - |
| Net cash generated from operating activities | | 68,721,351 | 139,302,165 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Addition of intangible assets | 11 | - | (398,055) |
| Addition of furniture and equipment | 12 | (1,828,549) | (10,314,592) |
| Addition of investment properties | 13 | (802,954) | (1,954,130) |
| Subscription of investments measured at FVTPL | 8 | (178,800,000) | (65,000,000) |
| Proceeds from redemption of investments measured at FVTPL | 8 | 179,400,000 | 65,226,974 |
| Net cash used in investing activities | | (2,031,503) | (12,439,803) |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Bank borrowings | 14 | 189,210,000 | - |
| Due to related parties | 15 | (186,160,000) | (5,942,240) |
| Finance cost paid | | (2,274,479) | - |
| Dividends paid, net off unclaimed dividend | 21 | (64,995,981) | (119,688,130) |
| Net cash used in financing activity | | (64,220,460) | (125,630,370) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | 2,469,388 | 1,231,992 |
| Cash and cash equivalents at the beginning of the year | | 33,553,060 | 32,321,068 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 7 | 36,022,448 | 33,553,060 |

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 2020

1. THE FUND AND ITS ACTIVITIES

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

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

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

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

The terms and conditions of the REIT were approved by CMA on 04 Rajab 1439H (corresponding to 21 March 2018).

During the year, the terms and conditions has been updated on 09 Dhual Qadah 1441H (corresponding to 30 June 2020) and 11 Rabi’al-Awwal 1442 (corresponding to 28 October 2020).

AlBilad Investmnet Company is the Custodian for the Fund.

2. REGULATORY AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) and the Real Estate Investment Traded Funds Instructions (REITF) (the “Regulations”) published by the Capital Market Authority (CMA), detailing the requirements for all type of real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 *Statement of Compliance*

These financial statements have been prepared in accordance with International Accounting 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 measure 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”).

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

Initial recognition

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost except for financial liabilities at fair value through profit or loss.

The undiscounted amount of these financial liabilities approximates their carrying values at the reporting date.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

The Fund assesses on a forward looking basis the Expected Credit Losses (“ECL”) associated with its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies.

The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 22.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. 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 accumulated impairment losses, if any. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over its estimated useful life. Any capital expenditure incurred post acquisition on investment properties is depreciated on straight line basis over its estimated useful life.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Intangible assets

Intangible assets include computer software and licenses. Intangibles assets are initially capitalised at cost and subsequently at cost less accumulated amortisation and accumulated impairment if any. Amortisation is computed using the straight-line method. The cost less residual value of intangible assets is amortised over its estimated useful life.

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 and accumulated impairment if any. Depreciation is computed using the straight-line method. The cost less residual value of furniture and equipment is depreciated over its estimated useful life.

Estimated useful life

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.

Provision

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
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. 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 total 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 is accrued on a monthly basis and charged to statement of comprehensive income.

Borrowing

Borrowing is initially recognized at fair value. Borrowings are subsequently measured at amortized cost.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As per the Regulations, the distributed profits to unitholders must not be less than (90%) of the fund's annual net profits. Accordingly, the fund distributes dividends on semi-annual basis.

Unclaimed dividends are disclosed under other liabilities in the statement of financial position.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements in conformity with the IFRS endorsed in the Kingdom of Saudi Arabia, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting 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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Valuation of investment properties (Continued)

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

The 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 and Intangible assets

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 and/or amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

There are several standards and interpretations that are issued, but not yet effective, up to the date of 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.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprised of the following:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|--------------|-------------------------------------------|-------------------------------------------|
| Bank Balance | 35,972,448 | 33,493,060 |
| Cash in hand | 50,000 | 60,000 |
| | 36,022,448 | 33,553,060 |

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8. 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 2020 SR</i> | <i>31 December 2019 SR</i> |
|------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Financial assets measured at fair value through profit or loss (FVTPL) | | |
| Al Badr Murabaha Fund | 2,886 | 2,856 |
| Riyadh SAR Trade Fund | 70,199 | - |
| | 73,085 | 2,856 |

The following is the movement in investments during the year:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|-------------------------------------------------------------|------------------------------------|------------------------------------|
| Balance at beginning of the year | 2,856 | - |
| Additions during the year | 178,800,000 | 65,000,000 |
| Sold during the year | (179,400,000) | (65,226,974) |
| Realized gain on FVTPL investment, net | 669,584 | 229,801 |
| Unrealized gain on FVTPL investments for the year | 645 | 29 |
| Balance at the end of the year | 73,085 | 2,856 |
| Movement in unrealized gain on FVTPL investment, net | | |
| Balance at the beginning of the year | 29 | - |
| Less: balance at the end of the year | 674 | 29 |
| Unrealized gain on FVTPL investments for the year | 645 | 29 |

During the year, Bonyan REIT Fund subscribed 81,403 units (2019: Nil units) and redeemed 81,371 units (2019: Nil units) of Riyadh SAR Trade Fund.

As at 31 December 2020, Bonyan REIT Fund has an investments of 184 units (31 December 2019: 184 units) in Al BADR Murabaha Fund and 32 units (31 December 2019: Nil) in Riyadh SAR Trade Fund.

Bonyan REIT and Al BADR Murabaha Fund are managed by same Fund Manager i.e Saudi Fransi Capital.

9. RENTAL INCOME RECEIVABLE, NET

Rental income receivable comprised of the following:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|--------------------------------------------------|------------------------------------|------------------------------------|
| Rental income receivable | 75,066,534 | 55,686,977 |
| Less: Allowance for expected credit losses (ECL) | (5,300,283) | (3,450,402) |
| | 69,766,251 | 52,236,575 |

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

9. RENTAL INCOME RECEIVABLE, NET (CONTINUED)

The movement in loss allowance is as follows:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|--------------------------------|------------------------------------|------------------------------------|
| Opening balance | 3,450,402 | 598,138 |
| Charged during the year | 1,849,881 | 2,852,264 |
| Balance at the end of the year | 5,300,283 | 3,450,402 |

Below is the aging analysis of gross rental income receivables:

| | | |
|--------------------------------|------------|------------|
| 0-3 months | 43,486,756 | 30,676,147 |
| 3-12 months | 19,776,753 | 17,321,119 |
| Over 365 days | 11,803,025 | 7,689,711 |
| Balance at the end of the year | 75,066,534 | 55,686,977 |

10. PREPAYMENT AND OTHER ASSETS

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|-----------------------------------------|------------------------------------|------------------------------------|
| Prepaid insurance | 1,034,740 | 1,066,325 |
| Other prepaid expenses and other assets | 3,572,853 | 3,457,014 |
| Advance payment to suppliers | 5,144,540 | 5,105,872 |
| VAT input credit | 1,100,855 | 832,403 |
| | 10,852,988 | 10,461,614 |

11. INTANGIBLE ASSETS

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|----------------------------------------------------|------------------------------------|------------------------------------|
| Cost | | |
| Balance at the beginning of the year | 1,099,350 | 625,440 |
| Additions during the year | - | 398,055 |
| Transfer in from furniture and equipment (note 12) | - | 75,855 |
| Balance at the end of the year | 1,099,350 | 1,099,350 |
| Accumulated Amortisation | | |
| Balance at the beginning of the year | (309,692) | (95,259) |
| Charge during the year | (227,628) | (203,633) |
| Transfer in from furniture and equipment (note 12) | - | (10,800) |
| Balance at the end of the year | (537,320) | (309,692) |
| Net book value at the end of the year | 562,030 | 789,658 |

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12. FURNITURE AND EQUIPMENT

| | <i>31 December 2020</i> | | |
|-------------------------------------------------------------------|-------------------------------------------|--------------------------------------------|---------------------|
| | <i>Furniture and equipment SR</i> | <i>Capital work in progress SR</i> | <i>Total SR</i> |
| Cost | | | |
| Balance at the beginning of the year | 11,517,717 | 9,664,094 | 21,181,811 |
| Additions during the year | 1,223,042 | 605,507 | 1,828,549 |
| Fixed assets write off | (600,379) | - | (600,379) |
| Transfer out to Building ** (Note 13) | - | (10,207,976) | (10,207,976) |
| Balance at the end of the year | 12,140,380 | 61,625 | 12,202,005 |
| Accumulated Depreciation | | | |
| Balance at the beginning of the year | (5,988,563) | - | (5,988,563) |
| Charge for the year | (2,612,543) | - | (2,612,543) |
| Reversal of accumulated depreciation due to fixed asset write off | 600,379 | - | 600,379 |
| Balance at the end of the year | (8,000,727) | - | (8,000,727) |
| Net book value at the end of the year | 4,139,653 | 61,625 | 4,201,278 |

**The amount of SR 10.2 million relates to construction of Cinema located in Abha Mall. The Cinema becomes operational during December 2020, accordingly, the amount has been capitalized and transferred to Investment property.

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13. INVESTMENT PROPERTIES

| | <i>31 December 2020</i> | | |
|----------------------------------------------------|-------------------------|------------------------|---------------------|
| | <i>Land SR</i> | <i>Building SR</i> | <i>Total SR</i> |
| Cost | | | |
| Balance at the beginning of the year | 243,843,205 | 1,543,466,354 | 1,787,309,559 |
| Additions during the year | - | 802,954 | 802,954 |
| Transfer in from furniture and equipment (Note 12) | - | 10,207,976 | 10,207,976 |
| Balance at the end of the year | 243,843,205 | 1,554,477,284 | 1,798,320,489 |
| Accumulated Depreciation and Impairment | | | |
| Balance at the beginning of the year | - | (147,059,573) | (147,059,573) |
| Charge for the year | - | (42,179,317) | (42,179,317) |
| Reversal of impairment loss | - | 8,197,727 | 8,197,727 |
| Balance at the end of the year | - | (181,041,163) | (181,041,163) |
| Net book value at the end of the year | 243,843,205 | 1,373,436,121 | 1,617,279,326 |

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

The investment properties represent following ten properties; namely:

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

Moreover, the Fund was liable to pay SR 148.8 million as a lease liability as per the lease agreement, which has been paid during the year through a financing facility from ANB bank (See note 14).

- 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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13. INVESTMENT PROPERTIES (CONTINUED)

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

The Fund was liable to pay SR 8.9 million as a deferred purchase consideration, which has been paid during the year through a financing facility from ANB bank (See note 14).

- 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 Fund was liable to pay SR 28.4 million as a deferred purchase consideration, which has been paid during the year through a financing facility from ANB bank (See note 14).

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

The investment properties are held in the name of “Bonyan Real Estate Fund One Person LLC Company” (“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.

14. BANK BORROWING

The borrowings from bank represents Islamic financing obtained from a local bank (ANB). The Fund obtained financing at Saudi Interbank Offer Rate (SIBOR) plus spread. The profit mark-up / bank commission is payable on semi-annual basis and the principal is due for payment as one bullet payment during April 2025.

During the year, the Fund made payments to M/s Abdul Rahman Saad Al Rashid & Sons Company (“ARTAR”) amounting to SR 186.1 million, a related party, by utilizing the Bank facility. The payment relates to deferred purchase consideration for Al Rashid Strip Mall – Riyadh and Marriot Executive Apartments – Madinah and lease liability for Al Rashid Mall–Abha as per T&C of the Fund.

Moreover, the fund utilized the borrowing amounting to SR 3.05 million for the settlement of VAT assessment raised by GAZT (See note 15).

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties include Saudi Fransi Capital (“the Fund Manager”), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), 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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

| <i>Related Party</i> | <i>Nature of transaction</i> | <i>Amount of transactions</i> | | <i>Balances</i> | |
|------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------|---------------------------|---------------------------------|-------------------------|
| | | <i>For the year ended</i> | <i>For the year ended</i> | <i>Receivables / (Payables)</i> | |
| | | <i>31 December 2020</i> | <i>31 December 2019</i> | <i>31 December 2020</i> | <i>31 December 2019</i> |
| | | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Saudi Fransi Capital (Fund manager) | Asset management fees (Refer note “b” below) | (7,270,658) | (7,319,871) | (1,382,216) | (1,802,380) |
| | Reimbursement of expense paid by Fund Manager on behalf of the Fund | - | - | - | (284,702) |
| | Receivable of finance cost | 2,220 | - | 2,220 | - |
| Banque Saudi Fransi | Cash and cash equivalents | - | - | 29,339,893 | 25,695,721 |
| | Dividend distribution charges | (39,026) | (26,221) | (25,074) | (12,574) |
| Board of directors | Board fees to independent board members | (120,000) | (105,000) | - | (30,000) |
| Al BADR Murabaha Fund (Managed by Fund Manager) | Investments (Refer note “a” below) | - | - | 2,886 | 2,856 |
| | Unrealised gain on investments measured at FVTPL | 30 | 29 | - | - |
| Saudi Bonyan Company | Property Management Fees | 7,477,044 | 9,370,871 | (1,346,049) | (2,443,144) |
| | Property Operating Expenses | 31,453,335 | 42,307,779 | (13,409,351) | (7,065,081) |
| | Advances to supplier | - | - | 5,071,820 | 5,071,820 |
| | Cash collected against old rental receivables | 2,308,343 | 6,188,502 | - | - |
| | Cash paid against old rental received | - | (12,131,413) | - | - |
| | Others | (671) | - | - | (671) |
| Abdul Rahman Saad Al Rashid & Sons Company (“ARTAR”) | (Payment) / initial acquisition of Investment Properties | (186,160,000) | - | - | (186,160,000) |
| | Addition to Investment Properties | 802,954 | 1,954,130 | - | (44,986) |
| | Capital work in progress | 605,507 | 9,664,094 | - | (9,664,094) |
| | Payment against balance for the addition to investment properties / Capital work in progress | - | - | - | - |
| | Receivable against VAT assessment (Refer note “c” below) | - | - | 3,053,441 | - |

- (a) As at 31 December 2020, Bonyan REIT Fund has an investments of 184 units (31 December 2019: 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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- (b) As per the terms and conditions of the Fund, the Fund is liable to pay the Fund Manager a management fee being 0.5% plus applicable taxes of the net asset value of the Fund. The fee is payable on a quarterly basis.
- (c) During the year, the Fund was subject to a VAT audit by GAZT for the period / year 2018 and 2019. GAZT claimed SR 3,053,441 which is the output VAT that pertains to the revenues of the Fund for the period from July to October 2018 (transition period). ARTAR, being the seller of the real estate assets, already discharged the VAT liability on the said amount of revenues to GAZT on behalf of the Fund during this transition period. However, GAZT opined that the VAT should have been paid by the entity responsible.

The Fund Manager sought an independent advice (cost to be borne by the fund manager) with regard to the recoverability of the amount paid to GAZT. Based on the advice received, SR 3,053,441 was paid by the Fund in December 2020 and a receivable by the Fund from ARTAR has been booked which is expected to recover the amount from GAZT.

16. ACCRUED EXPENSES AND OTHER LIABILITIES

| | <i>31 December</i> <i>2020</i> <i>SR</i> | <i>31 December</i> <i>2019</i> <i>SR</i> |
|----------------------------------------------|------------------------------------------------|------------------------------------------------|
| Trade and other payable | 2,443,813 | 10,984,625 |
| Property management fee | 1,346,059 | 2,443,144 |
| Property operating expenses | 13,409,351 | 7,065,081 |
| Accrued expenses | 12,526,392 | 5,823,910 |
| Furniture, fixture and equipment maintenance | 6,573,042 | 4,243,514 |
| Advance from customers | 5,067,463 | 4,696,661 |
| VAT output | 2,040,418 | 945,656 |
| Custody fees | 200,548 | 205,781 |
| Listing fees | - | 136,507 |
| Audit fees | 84,000 | 80,000 |
| Board and committee fees | - | 30,000 |
| Property valuation fee | 80,000 | 180,000 |
| Other payable | 232,075 | 307,747 |
| | 44,003,161 | 37,142,626 |

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. INCOME FROM INVESTMENT PROPERTIES, NET

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|---------------------------------------------------------------|------------------------------------|------------------------------------|
| Income from investment properties | | |
| Lease rental income on investment properties excluding hotels | 133,403,368 | 170,247,970 |
| Revenue from hotel services | 30,290,713 | 33,397,468 |
| Other income – Ancillary services | 7,792,105 | 9,345,363 |
| | 171,486,186 | 212,990,801 |
| Operational costs for investment properties | (73,510,871) | (90,502,500) |
| Net income from investment properties | 97,975,315 | 122,488,301 |

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

Other income (Ancillary services) comprises of service charges and recovery of utility charges from the tenants of commercial properties (Malls).

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

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|----------------------------------------------|------------------------------------|------------------------------------|
| Not later than one year | 52,239,756 | 93,853,555 |
| Later than one year and less than five years | 77,906,180 | 124,328,393 |
| Later than five years | 119,031,807 | 93,976,847 |
| | 249,177,743 | 312,158,795 |

18. OTHER EXPENSES

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|--------------------------------------|------------------------------------|------------------------------------|
| Registration fee | 400,000 | 400,000 |
| Custody fess | 400,000 | 400,000 |
| Property Valuation fees | 234,000 | 361,000 |
| Listing fees | 300,000 | 300,000 |
| Audit fees | 110,000 | 110,000 |
| Board & Committee fee | 120,000 | 105,000 |
| Bank and dividend processing charges | 61,995 | 26,446 |
| Publishing fee | - | 5,000 |
| Regulatory fee | 7,500 | 7,500 |
| Others | 238,346 | 289,860 |
| | 1,871,841 | 2,004,806 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

19. ZAKAT

a) Basis for Zakat:

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

b) Zakat charge for the year:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|-----------------------------------------------|------------------------------------|------------------------------------|
| Zakat Base / Adjusted Net Income | 90,964,908 | 97,604,751 |
| <i>Zakat charge during the year</i> | | |
| Zakat charge for the current year | 2,304,597 | 2,440,119 |
| Reversal of over provision for the prior year | (2,837) | - |
| | 2,301,760 | 2,440,119 |

c) Movement of provision for zakat:

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|-----------------------------------------------|------------------------------------|------------------------------------|
| Balance at the opening of the year | 2,440,119 | - |
| Provision for the year | 2,304,597 | 2,440,119 |
| Reversal of over provision for the prior year | (2,837) | - |
| Payments during the year | (2,437,282) | - |
| Balance at the end of the year | 2,304,597 | 2,440,119 |

d) Status of annual return and assessments:

The Fund would file the annual return for the year ended 31 December 2020 within the stipulated timelines as specified under the Zakat regulations issued by General Authority of Zakat and Tax ("GAZT").

20. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management

The Fund's Investment Manager is primarily responsible for identifying and controlling risks.

Risk measurement and reporting system

Monitoring and controlling risks is primarily set up to be performed based on limits as specified in the Regulations. In addition, the Compliance Department of the Fund Manager monitors the exposures against the limits as specified in the Regulations.

Risk mitigation

The Fund's investment guidelines as specified in Terms and Conditions and fact sheet set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

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 Asset Management Department of the Fund Manager monitors the impact of the factors stated above on the REIT.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

20. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet the contractual obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|-------------------------------|------------------------------------|------------------------------------|
| Bank balances | 36,022,448 | 33,553,060 |
| Rental income receivable, net | 69,766,251 | 52,236,575 |
| Due from related party | 3,055,661 | - |
| | 108,844,360 | 85,789,635 |

In order to mitigate the credit risk, the fund enters into financial instrument contracts with reputable counterparties. A significant cash balance is placed with Banque Saudi Fransi and the remaining is placed with reputable financial institution.

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 use of available cash balance, liquidation of the investment portfolio or by taking short to medium term loans from the Fund Manager and /or Banks. The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

| | <i>31 December 2020</i> | | |
|------------------------------------------------------------------|--------------------------------------|--------------------------------------|----------------------|
| | <i>Less than one year SR</i> | <i>More than one year SR</i> | <i>Total SR</i> |
| Cash and cash equivalents | 36,022,448 | - | 36,022,448 |
| Rental income receivable, net | 69,766,251 | - | 69,766,251 |
| Investment measured at fair value through profit or loss (FVTPL) | 73,085 | - | 73,085 |
| Investment properties | - | 1,617,279,326 | 1,617,279,326 |
| Furniture and equipment | - | 4,201,278 | 4,201,278 |
| Intangible assets | - | 562,030 | 562,030 |
| Due from related party | 3,055,661 | - | 3,055,661 |
| Total Assets | 108,917,445 | 1,622,042,634 | 1,730,960,079 |
| Management fee payable | 1,382,216 | - | 1,382,216 |
| Accrued expenses and other liabilities | 44,003,161 | - | 44,003,161 |
| Provision for Zakat | 2,304,597 | - | 2,304,597 |
| Bank borrowing | 1,216,655 | 189,210,000 | 190,426,655 |
| Total Liabilities | 48,906,629 | 189,210,000 | 238,116,629 |
| Surplus / (Deficit) | 60,010,816 | 1,432,832,634 | 1,492,843,450 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

| | <i>Less than one year SR</i> | <i>31 December 2019 More than one year SR</i> | <i>Total SR</i> |
|------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------|----------------------|
| Cash and cash equivalents | 33,553,060 | - | 33,553,060 |
| Rental income receivable, net | 52,236,575 | - | 52,236,575 |
| Investment measured at fair value through profit or loss (FVTPL) | 2,856 | - | 2,856 |
| Investment properties | - | 1,640,249,986 | 1,640,249,986 |
| Furniture and equipment | - | 15,193,248 | 15,193,248 |
| Intangible assets | - | 789,658 | 789,658 |
| Total Assets | 85,792,491 | 1,656,232,892 | 1,742,025,383 |
| Management fee payable | 1,802,380 | - | 1,802,380 |
| Accrued expenses and other liabilities | 37,142,626 | - | 37,142,626 |
| Provision for Zakat | 2,440,119 | - | 2,440,119 |
| Due to related parties | 186,160,000 | - | 186,160,000 |
| Total Liabilities | 227,545,125 | - | 227,545,125 |
| Surplus / (deficit) | (141,752,634) | 1,656,232,892 | 1,514,480,258 |

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 in UAE Dirham, which is mainly related to Investment property located in the United Arab Emirates. UAE Dirham has a stable exchange rate to Saudi Riyal. The Fund is not consequently exposed to any material currency risk.

Investment property price risk

Investment property price risk is the risk that the tenant may become insolvent causing a significant loss of rental income and reduction in the value of the associated property. The Fund Manager manages this risk through review of financial status of all tenants and decides on the appropriate level of security required via promissory notes and/or guarantee.

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For the year ended 31 December 2020

21. DIVIDEND / DISTRIBUTION

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

Moreover, the Fund's board of directors approved to distribute dividends on 1 November 2020, with regards to period from 01 May 2020 till 30 November 2020 amounting to SR 0.2763 per unit amounted to SR 45 million.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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

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

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

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

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

The Fund's financial assets consist of bank balances, investments measured at FVTPL, due from related party and rental income receivable, net. The Fund's financial liabilities consist of deferred rental income, management fees payable, bank borrowings and, accrued expenses and other liabilities.

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

| | <i>Carrying value</i> | <i>Fair value</i> | | | |
|------------------------------------|---------------------------|-------------------|----------------|----------------|---------------|
| | | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| 31 December 2020 | | | | | |
| Financial assets measured at FVTPL | 73,085 | 73,085 | - | - | 73,085 |
| | 73,085 | 73,085 | - | - | |
| 31 December 2019 | | | | | |
| Financial assets measured at FVTPL | 2,856 | 2,856 | - | - | 2,856 |
| | 2,856 | 2,856 | - | - | 2,856 |

The fair value of all other financial assets and liabilities approximately equal their carrying value due to short term nature of the said financial asset and liability.

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

The Fund will monitor the fair value on a regular basis.

BONYAN REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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> |
|-------------------------|----------------------------|-----------------------------|----------------------|
| 31 December 2020 | | | |
| Investment properties | 1,789,369,340 | 2,058,108,000 | 1,923,738,670 |
| | 1,789,369,340 | 2,058,108,000 | 1,923,738,670 |
| | | | |
| | <i>First Appraiser</i> | <i>Second Appraiser</i> | <i>Average</i> |
| 31 December 2019 | | | |
| Investment properties | 1,885,433,300 | 1,997,820,000 | 1,941,626,650 |
| | 1,885,433,300 | 1,997,820,000 | 1,941,626,650 |

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

| | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|----------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Estimated fair value of investment properties | 1,923,738,670 | 1,941,626,650 |
| Book value of investment properties | (1,617,279,326) | (1,640,249,986) |
| Less: present value of purchase option on Rashid Mall Abha | (104,780,809) | (97,955,099) |
| Estimated fair value in excess of book value | 201,678,535 | 203,421,565 |
| Units in issue (numbers) | 162,881,100 | 162,881,100 |
| Value per unit relating to excess of estimated fair value over book value of investment properties | 1.2382 | 1.2489 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

| <i>Net asset value</i> | <i>31 December 2020 SR</i> | <i>31 December 2019 SR</i> |
|---------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Net asset value as per the financial statements | 1,429,694,959 | 1,449,286,930 |
| Estimated fair value in excess of book value of investment properties | 201,678,535 | 203,421,565 |
| Net asset value based on fair valuation of investment properties | 1,631,373,494 | 1,652,708,495 |
| <i>Net asset value per unit</i> | | |
| Net asset value per unit as per the financial statements | 8.7775 | 8.8978 |
| Estimated fair value in excess of book value of investment properties | 1.2382 | 1.2489 |
| Net asset value per unit based on fair valuation of investment properties | 10.0157 | 10.1467 |

24. SEGMENT REPORTING

The Fund's primary business is conducted in Saudi Arabia and the United Arab Emirates. The Funds reportable segment under IFRS 8 are as follows

Commercial Centers: This includes unit of investment properties such as malls.

Residential: This includes units of private houses such as individual apartments

Hospitality: This includes hospitality service providing entity, which is related to Marriot properties.

The Fund's total assets, Investment properties and liabilities as at 31 December 2020 and 2019, its total operating income and expense, and the results for the years then ended, by operating segment, are as follows

| | <i>31 December 2020</i> | | | | |
|----------------------------------|-------------------------------|--------------------|--------------------|---------------------|----------------------|
| | <i>Commercial Centers</i> | <i>Residential</i> | <i>Hospitality</i> | <i>Others</i> | <i>Total</i> |
| Total assets | 1,088,806,220 | 423,976,276 | 202,742,956 | 26,287,615 | 1,741,813,067 |
| Investment properties | 1,024,591,737 | 418,020,386 | 174,667,203 | - | 1,617,279,326 |
| Total liabilities | 90,599,340 | 16,312,653 | 10,026,553 | 195,179,562 | 312,118,108 |
| Total operating income | 68,261,595 | 23,699,498 | 6,387,369 | 670,229 | 99,018,691 |
| Total expense | 1,745,493 | - | 104,388 | 12,631,413 | 14,481,294 |
| Net income / (loss) for the year | 39,775,036 | 13,772,711 | 6,386,290 | (14,520,161) | 45,413,876 |
| | <i>31 December 2019</i> | | | | |
| | <i>Commercial Centers</i> | <i>Residential</i> | <i>Hospitality</i> | <i>Others</i> | <i>Total</i> |
| Total assets | 1,115,876,214 | 432,382,642 | 194,277,506 | 9,950,635 | 1,752,486,997 |
| Investment properties | 1,039,550,259 | 428,045,402 | 172,654,325 | - | 1,640,249,986 |
| Total liabilities | 88,522,905 | 11,278,099 | 13,869,290 | 189,529,773 | 303,200,067 |
| Total income | 87,610,204 | 32,340,224 | 2,897,386 | 229,830 | 123,077,644 |
| Total expense | 2,844,805 | - | 7,459 | 9,324,677 | 12,176,941 |
| Net income / (loss) for the year | 97,235,631 | 1,781,467 | 1,040,604 | (11,599,954) | 88,457,748 |

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

25. COMPARATIVES FIGURES

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

Following are the reclassification at the face of the statement of financial position and statement of comprehensive income:

| | 31 December 2019 | | |
|------------------------------------------|-------------------------------------|--------------------------------|-------------------------|
| | (Previously disclosed) | (Reclassification adjustments) | (Reclassified balances) |
| | SR | SR | SR |
| STATEMENT OF FINANCIAL POSITION | | | |
| ASSETS | | | |
| Prepayment and other assets | 9,515,958 | 945,656 | 10,461,614 |
| | 9,515,958 | 945,656 | 10,461,614 |
| LAIBILITIES | | | |
| Accrued expenses and other liabilities | 36,196,299 | 946,327 | 37,142,626 |
| Due to related parties | 186,160,671 | (671) | 186,160,000 |
| | 222,356,970 | 945,656 | 223,302,626 |
| STATEMENT OF COMPREHENSIVE INCOME | | | |
| | For the year ended 31 December 2019 | | |
| | (Previously disclosed) | (Reclassification adjustments) | (Reclassified amounts) |
| | SR | SR | SR |
| Income from investment properties, net | 122,480,842 | 7,459 | 122,488,301 |
| Provision for doubtful debts | (2,844,805) | (7,459) | (2,852,264) |
| | 119,636,037 | - | 119,636,037 |

26. IMPACT OF COVID 19

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

Due to lockdown and curfew situation, the Fund’s operations were impacted significantly during the year. In order to curb the situation and to ensure the long-term viability of the Fund, the Fund Manager extended support to the tenants by offering discounts, which is also evident from significant reduction in revenues as compared to prior year.

In response to the spread of the Covid-19 virus, the Fund Manager has proactively assessed its impacts on the operations of the Fund and has taken series of proactive and preventative measures to ensure the health and safety of its employees and to reduce the operational cost of the Fund in order to safeguard the interest of the unitholders.

The Fund Manager continues to monitor the evolving situation carefully and will take required actions. Further, the Fund will continue to follow the Government policies and advice and, in parallel, will do utmost to continue Fund’s operations in the best and safest way possible.

27. SIGNIFICANT EVENTS AFTER REPORTING DATE

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

28. LAST VALUATION DAY

The last valuation day of the year was 31 December 2020 (31 December 2019: 31 December 2019).

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 15 Shaban 1442H (corresponding to March 28, 2021).