

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

FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2022

Index	Page
Independent auditor's report	1 - 4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity attributable to the Unitholders	7
Statement of cash flows	8
Notes to the financial statements	9 - 31



Independent auditor's report to the Unitholders and Fund Manager of Bonyan REIT Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bonyan REIT Fund (the "Fund") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to the Unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund and Fund Manager in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters	Valuation of investment properties
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where Fund Manager made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.



Independent auditor's report to the Unitholders and Fund Manager of Bonyan REIT Fund (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
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Valuation of investment properties

As at 31 December 2022, the carrying value of the Fund's investment properties, net were SR 1,739 million.

The investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. The fair value of the investment properties is provided as a disclosure.

For assessing the impairment of investment properties and to provide fair values for the required disclosure, the Fund manager engages two independent external certified property valuers to perform a valuation of the Fund's investment properties on a semi-annual basis.

We considered this as a key audit matter as the external valuation used for the impairment assessment and disclosure require significant assumptions and judgments and the potential impact of impairment if any, could be material to the financial statements.

Refer to Note 4 and Note 5 to the accompanying financial statements for accounting policy of investment properties and accounting judgments and Notes 12 and 22 for related disclosure of investment properties.

We have carried out the following audit procedures:

- We obtained the valuation reports prepared by the two external valuers as at 31 December 2022 and assessed the recoverable amount of investment properties;
- We assessed the qualification and expertise of external valuers appointed by the Fund for the valuation of the investment properties;
- We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- We carried out procedures to consider the accuracy of information supplied to the external valuers by the Fund Manager;
- We involved our experts to assist us in assessing the reasonableness of the valuation methodology, assumptions and estimates used in deriving the valuation, on a sample basis;
- We reconciled the average fair value of the investment properties as appearing in Note 22 of the accompanying financial statements to the external valuers' report; and
- We assessed the adequacy of disclosures included in the financial statements.

Other information

Fund Manager is responsible for the other information. The other information comprises of the information included in the Fund's 2022 annual report but does not include financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.



Independent auditor's report to the Unitholders and Fund Manager of Bonyan REIT Fund (continued)

Other information (continued)

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the Fund Board.

Responsibilities of Fund Manager and Fund Board for the financial statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, 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.

The Fund Board is 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards on Auditing, 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.



Independent auditor's report to the Unitholders of and Fund Manager Bonyan REIT Fund (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Fund Manager'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.

We communicate with the Fund Board 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 Fund Board 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Fund Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read "Bader I. Benmohareb", written over a circular stamp or seal.

Bader I. Benmohareb
License Number 471

March 30, 20

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
STATEMENT OF FINANCIAL POSITION

		<i>As at</i> 31 December 2022 SR	<i>As at</i> 31 December 2021 SR
	<i>Notes</i>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	6	28,749,389	106,901,780
Investments measured at fair value through profit or loss (“FVTPL”)	7	75,164	73,669
Rental income receivable, net	8	115,489,023	82,531,646
Due from related party	14	-	6,229
Prepayment and other assets	9	18,355,463	12,584,776
Intangible assets, net	10	2,585,903	1,451,975
Furniture and equipment, net	11	4,209,770	2,321,088
Investment properties, net	12	1,738,793,104	1,684,907,541
TOTAL ASSETS		<u>1,908,257,816</u>	<u>1,890,778,704</u>
LIABILITIES			
Bank borrowings	13	385,954,963	381,872,420
Deferred rental income		69,826,830	73,135,881
Management fee payable	14	3,572,527	2,065,155
Accrued expenses and other liabilities	15	64,870,616	40,472,691
Provision for Zakat	18	3,092,628	2,379,580
TOTAL LIABILITIES		<u>527,317,564</u>	<u>499,925,727</u>
Equity attributable to the Unitholders		<u>1,380,940,252</u>	<u>1,390,852,977</u>
Units in issue		<u>162,881,100</u>	<u>162,881,100</u>
Equity value per unit in Saudi Riyals – Book value	22	<u>8.4782</u>	<u>8.5391</u>

The accompanying notes 1 to 26 form an integral part of these financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
Income from investment properties	16	246,681,958	219,477,061
Operational Cost		(89,908,970)	(85,961,015)
		156,772,988	133,516,046
Net gain on investment at FVTPL, net	7	1,495	584
Other income		533,974	172,867
Management fee	14	(7,077,954)	(7,153,725)
Allowance for Expected Credit Losses (“ECL”)	8	(5,383,055)	(3,486,357)
Finance cost		(15,581,777)	(8,459,795)
Other expenses	17	(2,061,128)	(2,076,073)
Depreciation expense on furniture and equipment	11	(840,581)	(2,967,117)
Amortisation expense on intangibles	10	(776,816)	(188,469)
Depreciation expense on investment properties	12	(44,217,203)	(41,493,922)
Reversal / (impairment loss) on investment properties	12	19,292,450	(52,848)
NET INCOME BEFORE ZAKAT FOR THE YEAR		100,662,393	67,811,191
Zakat charge during the year	18	(3,082,711)	(2,409,269)
NET INCOME AFTER ZAKAT FOR THE YEAR		97,579,682	65,401,922
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		97,579,682	65,401,922
EARNINGS PER UNIT			
Weighted average number of units in issue		162,881,100	162,881,100
Earnings per unit (Basic and diluted)		0.5990	0.4015

The accompanying notes 1 to 26 form an integral part of these financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
	<hr/>	<hr/>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR	1,390,852,977	1,429,694,959
CHANGES FROM OPERATIONS		
Total comprehensive income for the year	97,579,682	65,401,922
Income distributions during the year (Note 20)	(107,492,407)	(104,243,904)
	<hr/>	<hr/>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR	<u>1,380,940,252</u>	<u>1,390,852,977</u>
UNIT TRANSACTIONS		
Transactions in units during the year are summarised as follows:		
	<i>For the year ended 31 December 2022 Units</i>	<i>For the year ended 31 December 2021 Units</i>
	<hr/>	<hr/>
UNITS AT THE START AND END OF THE YEAR	<u>162,881,100</u>	<u>162,881,100</u>

The accompanying notes 1 to 26 form an integral part of these financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
STATEMENT OF CASH FLOWS

	<i>Notes</i>	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income before Zakat for the year		100,662,393	67,811,191
<i>Adjustment for:</i>			
Depreciation expense on furniture and equipment	11	840,581	2,967,117
Amortisation expense on intangibles	10	776,816	188,469
Depreciation expense on investment properties	12	44,217,203	41,493,922
Impairment reversal on investment properties	12	(19,292,450)	52,848
Net gain on investment at FVTPL, net	7	(1,495)	(584)
Allowance for expected credit losses	8	5,383,055	3,486,357
Finance cost		15,581,777	8,459,795
Loss on disposal of intangible assets		-	1,761
Operating cash flows before working capital changes		148,167,880	124,460,876
Changes in operating assets			
Rental income receivable		(38,340,432)	(16,251,752)
Prepayment and other assets		(5,770,685)	(1,731,787)
Due from related parties		6,229	3,049,432
Changes in operating liabilities			
Deferred rental income		(3,309,051)	(865,598)
Management fee payable		1,507,372	682,939
Accrued expenses and other liabilities		24,397,925	(3,530,470)
Zakat paid	18	(2,369,663)	(2,334,286)
NET CASH GENERATED FROM OPERATING ACTIVITIES		124,289,575	103,479,354
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of intangible assets	10	(1,910,744)	(1,080,176)
Acquisition of furniture and equipment	11	(2,790,888)	(1,086,927)
Acquisition of investment properties	12	(82,938,496)	(109,174,985)
Proceeds from sale of investment properties	12	4,189,803	-
NET CASH USED IN INVESTING ACTIVITIES		(83,450,325)	(111,342,088)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from bank borrowings	13	6,100,000	193,500,000
Bank borrowings repaid	13	-	(3,050,000)
Finance cost paid	13	(17,599,234)	(7,464,030)
Dividends paid, net off unclaimed dividend	20	(107,492,407)	(104,243,904)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(118,991,641)	78,742,066
NET CHANGE IN CASH AND CASH EQUIVALENTS		(78,152,391)	70,879,332
Cash and cash equivalents at the beginning of the year		106,901,780	36,022,448
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	6	28,749,389	106,901,780

The accompanying notes 1 to 26 form an integral part of these financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 Authorised Person licensed by the CMA under license no. 11153-37 dated 30 January 2011.

The REIT is listed on the Saudi Exchange (“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 162,881,100 units. The REIT has a term of 99 years, which is extendable at the discretion of the Fund Manager following the approval of the Capital Market Authority (“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 have been updated on 27 Rajab 1443H (corresponding to 28 February 2022).

AlBilad Investment Company is the Custodian of the Fund.

2. REGULATORY AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) (the “Regulations”) issued by the Board of the Capital Market Authority Dated 19/6/1427 Corresponding to 15/7/2006 Amended by the Board of the Capital Market Authority Dated 12/7/1442H Corresponding to 24/2/2021G effective from 19/9/1442H (corresponding 1/5/2021) the New Regulations (“Amended Regulations”) published by the Capital Market Authority on 19/7/1442H (corresponding to 1/3/2021) detailing 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”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

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

An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

3.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, using the accruals basis of accounting, except for investments at FVTPL which which are measured at fair value.

3.3 Functional and presentation currency

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

4. 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 2021 except otherwise stated.

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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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. In case of financial assets and financial liabilities at FVTPL, the transactions cost are expensed in statement of comprehensive income.

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 assets 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 the financial liabilities appearing in statement of financial position approximates their carrying values at the reporting date due to short duration except for borrowings from bank, which have been measured at amortised cost.

Currently cash and cash equivalent, other assets, management fee payable, accrued expenses and other liabilities, bank borrowings are carried at amortised cost.

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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised 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 categorisation (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 21.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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 recognised 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 recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognised initially at fair value and subsequently measured at amortised cost.

Provision

Provisions are recognised when the Fund has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Revenue recognition

Rental income

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (CONTINUED)

Revenue from hotel services

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognised 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 recognises 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 recognised 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 fee and other expenses

Management fee 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 custody fees are calculated on the net asset value of the Fund and are 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.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of income as other income or finance costs.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity value per unit

The Equity value per unit disclosed in the financial statements is calculated by dividing the equity of the REIT by the number of units in issue at the year-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.

New standards, amendments and interpretations issued and effective from 1 January 2022

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2022. The Fund Manager has assessed that the amendments have no significant impact on the Fund's interim condensed financial statements.

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

New standards, amendments and interpretations issued but not yet effective

The listing of standards and interpretations issued which the Fund reasonably expects to be applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	Disclosure of Accounting Policies	1 January 2023
Amendment to IAS 1	Definition of Accounting Estimate	1 January 2023
IFRS 17, 'Insurance contracts'	New Insurance standard	1 January 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 Fund Manager has used estimates, assumptions or exercised judgments 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Valuation of investment properties

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

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 the valuation methods applicable to each type of investment property in the light of the international valuation standards and the requirements of IFRS 13.

Residual and useful lives of investment properties, furniture and equipment and intangible assets

The Fund Manager 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. Fund Manager will review the residual value and useful lives annually and future depreciation and/or amortisation charge is adjusted where the Fund Manager believes the useful lives differ from previous estimates.

Expected credit loss

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

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

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprised of the following:

		<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Bank balance	Note 14	28,707,889	106,866,235
Cash in hand		41,500	35,545
		28,749,389	106,901,780

The Fund Manager has conducted a review as required under IFRS 9 and based on such an assessment, the effect of expected credit loss allowance against the carrying value of cash and cash equivalents is insignificant as the balances are held with investment grade credit rated financial institutions and therefore has not been recognised in these financial statements.

7. 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</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Financial assets measured at fair value through profit or loss (FVTPL)		
Al Badr Murabaha Fund	2,972	2,907
Riyadh SAR Trade Fund	72,192	70,762
	75,164	73,669

The following is the movement in investments during the year:

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Carrying amount:		
Balance at beginning of the year	73,669	73,085
Unrealised gain on FVTPL investments for the year	1,495	584
Balance at the end of the year	75,164	73,669

As at 31 December 2022, the Fund has an investments of 184 units (2021: 184 units) in Al Badr Murabaha Fund and 32 units (2021: 32 units) in Riyadh SAR Trade Fund.

The Fund and Al Badr Murabaha Fund are managed by the same Fund Manager, i.e. Saudi Fransi Capital Company.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

8. RENTAL INCOME RECEIVABLE, NET

Rental income receivable comprised of the following:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Rental income receivable	129,658,718	91,318,286
Less: Allowance for expected credit losses	(14,169,695)	(8,786,640)
	115,489,023	82,531,646

The movement in allowance for expected credit losses is as follows:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Opening balance	8,786,640	5,300,283
ECL charge for the year	5,383,055	3,486,357
Balance at the end of the year	14,169,695	8,786,640

Below is the aging analysis of gross rental income receivables:

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
0-3 months	34,571,482	31,338,904
3-12 months	15,260,053	48,269,088
Over 365 days	79,827,183	11,710,294
Balance at the end of the year	129,658,718	91,318,286

9. PREPAYMENT AND OTHER ASSETS

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Other prepaid expenses and other assets	8,775,048	4,952,025
Advance payment to suppliers	6,389,752	5,071,820
VAT input credit	3,190,663	2,512,698
Prepaid insurance	-	48,233
	18,355,463	12,584,776

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

10. INTANGIBLE ASSETS

	<i>31 December</i> <i>2022</i> <i>SR</i>	<i>31 December</i> <i>2021</i> <i>SR</i>
Cost		
Balance at the beginning of the year	2,139,026	1,099,350
Additions during the year	1,910,744	1,080,176
Disposals during the year	-	(40,500)
Balance at the end of the year	<u>4,049,770</u>	<u>2,139,026</u>
Accumulated amortisation		
Balance at the beginning of the year	(687,051)	(537,320)
Charge during the year	(776,816)	(188,469)
Reversal of accumulated amortisation due to disposals	-	38,738
Balance at the end of the year	<u>(1,463,867)</u>	<u>(687,051)</u>
Net book value at the end of the year	<u>2,585,903</u>	<u>1,451,975</u>

11. FURNITURE AND EQUIPMENT

	<i>31 December 2022</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	13,227,307	61,625	13,288,932
Additions during the year	2,790,888	-	2,790,888
Write off	(953,148)	-	(953,148)
Transfer from capital work in progress	-	(61,625)	(61,625)
Balance at the end of the year	<u>15,065,047</u>	<u>-</u>	<u>15,065,047</u>
Accumulated depreciation			
Balance at the beginning of the year	(10,967,844)	-	(10,967,844)
Charge for the year	(840,581)	-	(840,581)
Reversal of accumulated depreciation due to fixed asset write off	953,148	-	953,148
Balance at the end of the year	<u>(10,855,277)</u>	<u>-</u>	<u>(10,855,277)</u>
Net book value at the end of the year	<u>4,209,770</u>	<u>-</u>	<u>4,209,770</u>
	<i>31 December 2021</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	12,140,380	61,625	12,202,005
Additions during the year	1,086,927	-	1,086,927
Balance at the end of the year	<u>13,227,307</u>	<u>61,625</u>	<u>13,288,932</u>
Accumulated depreciation			
Balance at the beginning of the year	(8,000,727)	-	(8,000,727)
Charge for the year	(2,967,117)	-	(2,967,117)
Balance at the end of the year	<u>(10,967,844)</u>	<u>-</u>	<u>(10,967,844)</u>
Net book value at the end of the year	<u>2,259,463</u>	<u>61,625</u>	<u>2,321,088</u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

12. INVESTMENT PROPERTIES

	<i>31 December 2022</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost			
Balance at the beginning of the year	279,322,980	1,628,172,494	1,907,495,474
Additions during the year	29,965,840	52,972,656	82,938,496
Disposal during the year	-	(4,189,803)	(4,189,803)
Transfer from capital work in progress	-	61,625	61,625
Balance at the end of the year	<u>309,288,820</u>	<u>1,677,016,972</u>	<u>1,986,305,792</u>
Accumulated depreciation			
Balance at the beginning of the year	-	(146,803,931)	(146,803,931)
Charge for the year	-	(44,217,203)	(44,217,203)
Balance at the end of the year	<u>-</u>	<u>(191,021,134)</u>	<u>(191,021,134)</u>
Accumulated impairment			
Balance at the beginning of the year	-	(75,784,004)	(75,784,004)
(Impairment) / Reversal of impairment during the year	-	19,292,450	19,292,450
	<u>-</u>	<u>(56,491,554)</u>	<u>(56,491,554)</u>
Net book value at the end of the year	<u><u>309,288,820</u></u>	<u><u>1,429,504,284</u></u>	<u><u>1,738,793,104</u></u>

	<i>31 December 2021</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost			
Balance at the beginning of the year	243,843,205	1,554,477,284	1,798,320,489
Additions during the year	35,479,775	73,695,210	109,174,985
Balance at the end of the year	<u>279,322,980</u>	<u>1,628,172,494</u>	<u>1,907,495,474</u>
Accumulated depreciation			
Balance at the beginning of the year	-	(105,310,007)	(105,310,007)
Charge for the year	-	(41,493,922)	(41,493,922)
Balance at the end of the year	<u>-</u>	<u>(146,803,929)</u>	<u>(146,803,929)</u>
Accumulated impairment			
Balance at the beginning of the year	-	(75,731,156)	(75,731,156)
Charge for the year (Impairment) /	-	-	-
Reversal of impairment during the year	-	(52,848)	(52,848)
Balance at the end of the year	<u>-</u>	<u>(75,784,004)</u>	<u>(75,784,004)</u>
Net book value at the end of the year	<u><u>279,322,980</u></u>	<u><u>1,405,584,561</u></u>	<u><u>1,684,907,541</u></u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

12. INVESTMENT PROPERTIES (CONTINUED)

The investment properties represent following twelve (2021: eleven) 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. The right of use under the usufruct agreement meets the definition of investment property and therefore the right of use is classified as investment property.
- The Al Rashid Mall - Jazan, a freehold property acquired by the Fund, investment is located in Jazan and is classified as in the Commercial sector.
- The Al Rashid Strip Mall investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Commercial sector.
- The Courtyard Marriott Hotel investment, a freehold property acquired by the Fund, is located in Jazan and is classified as in the Four Star Hotel sector.
- The Residence Inn by Marriott investment, a freehold property acquired by the Fund, is located in Jazan and is classified as in the Four Star Apartment Hotel sector.
- Marriott Executive Apartments investment, a freehold property acquired by the Fund, is located in Madinah and is classified as in the Five Star Apartment Hotel sector.
- The Citywalk Residential Building investment, a freehold property acquired by the Fund, is located in Dubai and is classified as in the Residential sector.
- The Al Rafiah Village investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Residential sector.
- The Al Maather Villas Complex investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Residential sector.
- The Sahafa Office Tower, a freehold property acquired by the Fund in April 2021 and is located in Sahafa District on al-Olaya Street in Riyadh and is classified in the Office sector.
- The Ghadeer Office Tower, a freehold property acquired by the Fund in January 2022 is located in Al-Ghadeer District on Al Sail Al Kabeer Road in Riyadh as is classified as in the Office sector.

The investment properties are held in the name of “Bonyan Real Estate Fund 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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

13. BANK BORROWINGS

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Borrowings		
Balance at the beginning of the year	379,660,000	189,210,000
Addition during the year	6,100,000	193,500,000
Paid during the year	-	(3,050,000)
	385,760,000	379,660,000
Accrued finance cost		
Balance at the beginning of the year	2,212,420	1,216,655
Charge for the year	15,581,777	8,459,795
Paid during the year	(17,599,234)	(7,464,030)
	194,963	2,212,420
Receivable from related party		
Balance at the beginning of the year	-	2,220
Charged for the year	-	38,003
Received during the year	-	(40,223)
	-	-
	194,963	2,212,420
Net book value	385,954,963	381,872,420

The borrowings from bank represents Islamic financing obtained from a local bank (ANB). The Fund obtained financing at Saudi Interbank Offer Rate (SIBOR) plus agreed 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.

The title deed of following properties has been mortgaged and is being held as a collateral against the bank borrowing:

- Al Rashid Mall - Jazan,
- The Courtyard Marriott Hotel - Jazan,
- The Residence Inn by Marriott - Jazan,
- Al Rashid Mega Mall - Madinah
- Marriott Executive Apartments - Madinah and
- Al Rafiah Village - Riyadh

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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 a shareholder of the Fund Manager), Saudi Bonyan Company (being the property manager of the investment properties), the Fund Board Directors and affiliates of the Fund Manager. The Fund is managed by the Fund Manager and the Unitholders 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.

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

14. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Balances</i>	
				<i>Receivables/(Payables)</i>	
		<i>For the year ended</i>	<i>For the year ended</i>	<i>31 December</i>	<i>31 December</i>
		<i>31 December</i>	<i>31 December</i>	<i>2022</i>	<i>2021</i>
		<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Saudi Fransi Capital (Fund manager)	Asset management fee (Refer note "b" below)	(7,077,954)	(7,153,725)	(3,572,527)	(2,065,155)
	Receivable of finance cost	-	-	-	-
	Reimbursement of finance cost	-	-	-	-
Banque Saudi Fransi	Cash and cash equivalents	-	-	13,398,735	96,432,680
	Dividend distribution charges	-	(34,235)	-	(25,074)
Board of Directors	Board fees to independent board members	(200,000)	(200,000)	(180,000)	-
Al Badr Murabaha Fund (Managed by Fund Manager)	Investments (Refer note "b" below)	-	-	2,972	2,907
	Unrealised gain on investments measured at FVTPL	65	21	-	-
Saudi Bonyan Company	Property management fee	(10,733,687)	(9,699,894)	(3,671,356)	(2,001,488)
	Property operating expenses	(89,891,948)	(52,243,400)	(10,422,422)	(10,033,206)
	Advances to supplier	-	-	-	5,071,820
	Cash collected against old rental receivables	-	205,406	-	-
	Cash paid against old rental received	-	(2,308,343)	-	-
	Others	-	-	-	6,229
Abdul Rahman Saad Al Rashid & Sons Company ("ARTAR")	Payment against balance for the addition to investment properties/Capital work in progress	(61,625)	-	-	-

- (a) 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.
- (b) As at 31 December 2022, the Fund has an investment of 184 (2021: 184 units) in Al Badr Murabaha Fund. The Fund and Al Badr Murabaha Fund are managed by same Fund Manager, i.e., Saudi Fransi Capital Company.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Trade and other payables	23,126,391	3,165,112
Furniture, fixture and equipment maintenance	11,667,900	8,398,947
Property operating expenses (Note 14)	10,422,422	10,033,206
Advance from customers	6,018,343	5,325,260
Accrued expenses and other liabilities	5,772,558	8,026,143
Property management fee (Note 14)	3,671,356	2,001,488
VAT output	3,509,281	2,870,056
Property valuation fee	221,283	174,283
Board and committee fees	180,000	-
Custody fees	115,227	100,227
Audit fees	100,000	70,000
Other payables	65,855	307,969
	64,870,616	40,472,691

16. INCOME FROM INVESTMENT PROPERTIES

	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
Income from investment properties		
Lease rental income on investment properties excluding hotels	201,750,436	181,727,723
Revenue from hotel services	33,339,216	28,384,671
Other income – ancillary services	11,592,306	9,364,667
Income from investment properties	246,681,958	219,477,061

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>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
Not later than one year	139,111,472	103,505,340
Later than one year and less than five years	341,903,391	164,451,370
Later than five years	218,414,131	146,195,690
	699,428,994	414,152,400

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

17. OTHER EXPENSES

	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
Registration fee	400,000	400,000
Custody fess	400,000	400,000
Listing fees	300,000	300,000
Others	268,318	273,325
Property valuation fees	234,000	234,000
Board and committee fee (Note 14)	200,000	200,000
Audit fees	140,000	140,000
Bank and dividend processing charges	96,310	111,248
Publishing fee	15,000	10,000
Regulatory fee	7,500	7,500
	2,061,128	2,076,073

18. 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>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
<i>Zakat charge during the year</i>		
Zakat charge for the current year	3,082,711	2,379,580
Zakat due to under / (over) provision for the prior year	-	29,689
	3,082,711	2,409,269

c) Movement of provision for Zakat:

	<i>For the year ended 31 December 2022 SR</i>	<i>For the year ended 31 December 2021 SR</i>
Balance at the opening of the year	2,379,580	2,304,597
Provision for the year	3,082,711	2,379,580
Zakat due to under / (over) provision for the prior year	-	29,689
Payments during the year	(2,369,663)	(2,334,286)
Balance at the end of the year	3,092,628	2,379,580

d) Status of annual return and assessments:

The Fund would file the annual return for the year ended 31 December 2022 within the stipulated timelines as specified under the Zakat regulations issued by Zakat, Tax and Customs Authority ("ZATCA").

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

19. 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.

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 2022 SR</i>	<i>31 December 2021 SR</i>
	<hr/>	<hr/>
Cash and cash equivalent	28,749,389	106,901,780
Rental income receivable, net	115,489,023	82,531,646
Due from related party	-	6,229
	<hr/> 144,238,412 <hr/>	<hr/> 189,439,655 <hr/>

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.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The table below summarises the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

	<i>31 December 2022</i>		
	<i>Less than one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
Cash and cash equivalents	28,749,389	-	28,749,389
Rental income receivable, net	115,489,023	-	115,489,023
Investment measured at fair value through profit or loss (FVTPL)	75,164	-	75,164
Investment properties	-	1,738,793,104	1,738,793,104
Furniture and equipment	-	4,209,770	4,209,770
Intangible assets	-	2,585,903	2,585,903
Prepayment and other assets	9,580,415	8,775,048	18,355,463
Total assets	153,893,991	1,754,363,825	1,908,257,816
Management fee payable	3,572,527	-	3,572,527
Accrued expenses and other liabilities	64,870,616	-	64,870,616
Provision for Zakat	3,092,628	-	3,092,628
Bank borrowing	6,294,963	379,660,000	385,954,963
Total liabilities	77,830,734	379,660,000	457,490,734
Surplus	66,482,842	1,382,735,305	1,449,218,147
	<i>31 December 2021</i>		
	<i>Less than one year SR</i>	<i>More than one year SR</i>	<i>Total SR</i>
Cash and cash equivalents	106,901,780	-	106,901,780
Rental income receivable, net	82,531,646	-	82,531,646
Investment measured at fair value through profit or loss (FVTPL)	73,669	-	73,669
Investment properties	-	1,684,907,541	1,684,907,541
Furniture and equipment	-	2,321,088	2,321,088
Intangible assets	-	1,451,975	1,451,975
Due from related party	-	6,229	6,229
Prepayment and other assets	7,632,751	4,952,025	12,584,776
Total assets	197,139,846	1,693,638,858	1,890,778,704
Management fee payable	2,065,155	-	2,065,155
Accrued expenses and other liabilities	40,472,691	-	40,472,691
Provision for Zakat	2,379,580	-	2,379,580
Bank borrowing	88,891,170	292,981,250	381,872,420
Total liabilities	133,808,596	292,981,250	426,789,846
Surplus	55,698,499	1,395,705,583	1,451,404,082

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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.

20. DIVIDEND/DISTRIBUTION

In accordance with the approved terms and conditions of the Fund, on 31 May 2022, the Fund's Board of Directors approved to distribute dividends with regards to period from 01 November 2021 till 30 April 2022 amounting to SR 0.33 per unit which amounted to SR 53.75 million (2021: 0.32 per unit amounting to SR 52.12 million).

Moreover, the Fund's Board of Directors approved to distribute dividends on 8 December 2022, with regards to period from 1 May 2022 till 31 October 2022 amounting to SR 0.33 per unit amounted to SR 53.75 million.

21. FAIR VALUE MEASUREMENT

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 cash and cash equivalents, investments measured at FVTPL, due from related parties and rental income receivable, net. The Fund's financial liabilities consist of deferred rental income, management fee payable, bank borrowings and accrued expenses and other liabilities.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

21. FAIR VALUE MEASUREMENT (CONTINUED)

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>Total</i>
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
31 December 2022					
Financial assets measured at FVTPL	75,164	-	75,164	-	75,164
Investment properties, net	1,738,793,104	-	-	2,163,638,442	3,902,431,546
	<u>1,738,868,268</u>	<u>-</u>	<u>75,164</u>	<u>2,163,638,442</u>	<u>3,902,581,874</u>
31 December 2021					
Financial assets measured at FVTPL	73,669	-	73,669	-	73,669
Investment properties, net	1,684,907,541	-	-	1,955,371,000	3,640,278,541
	<u>1,684,981,210</u>	<u>-</u>	<u>73,669</u>	<u>1,955,371,000</u>	<u>3,640,425,879</u>

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 2022, 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.

22. 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 Standard 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 investment properties by the two valuers:

	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
31 December 2022			
Investment properties	1,968,080,322	2,359,196,562	2,163,638,442
	<u>1,968,080,322</u>	<u>2,359,196,562</u>	<u>2,163,638,442</u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

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

	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
<i>31 December 2021</i>			
Investment properties	1,793,009,600	2,117,732,400	1,955,371,000
	<u>1,793,009,600</u>	<u>2,117,732,400</u>	<u>1,955,371,000</u>

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

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Estimated fair value of investment properties	<u>2,163,638,442</u>	1,955,371,000
Book value of investment properties	<u>(1,738,793,104)</u>	<u>(1,684,907,541)</u>
Estimated fair value in excess of book value	<u>424,845,338</u>	<u>270,463,459</u>
Units in issue (numbers)	<u>162,881,100</u>	<u>162,881,100</u>
Value per unit relating to excess of estimated fair value over book value of investment properties	<u>2.6083</u>	<u>1.6604</u>
<i>Equity value</i>	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Equity value as per the financial statements	<u>1,380,940,252</u>	1,390,852,977
Estimated fair value in excess of book value of investment properties	<u>424,845,338</u>	<u>270,463,459</u>
Equity value based on fair valuation of investment properties	<u>1,805,785,590</u>	<u>1,661,316,436</u>
<i>Equity value per unit</i>		
Equity value per unit as per the financial statements	<u>8.4782</u>	8.5391
Estimated fair value in excess of book value of investment properties	<u>2.6083</u>	<u>1.6604</u>
Equity value per unit based on fair valuation of investment properties	<u>11.0865</u>	<u>10.1995</u>

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

23. SEGMENT REPORTING

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

Commercial centres: 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.

Office : This includes rental of office space, which is related to Al Ghadeer & Al Sahafa office buildings.

The Fund's total assets, investment properties and liabilities as at 31 December 2022 and 2021, its total operating income and expense, and the results for the years then ended, by operating segment, are as follows:

	<i>31 December 2022</i>					<i>Total</i>
	<i>Commercial Centres</i>	<i>Residential</i>	<i>Hospitality</i>	<i>Office</i>	<i>Others</i>	
Total assets	1,020,646,368	394,063,541	242,485,884	194,808,265	56,253,758	1,908,257,816
Investment properties	960,753,918	415,164,456	180,100,458	182,774,272	-	1,738,793,104
Total liabilities	144,078,383	15,410,014	22,501,511	5,113,262	340,214,394	527,317,564
Total operating income	171,711,057	30,381,871	33,339,216	11,592,306	192,977	247,217,427
Total expense	79,279,956	9,660,074	30,574,194	4,082,033	26,041,489	149,637,745
Net income/(loss) for the year	94,064,360	20,920,806	3,394,886	7,594,368	(25,312,027)	97,579,682

	<i>31 December 2021</i>					<i>Total</i>
	<i>Commercial Centres</i>	<i>Residential</i>	<i>Hospitality</i>	<i>Office</i>	<i>Others</i>	
Total assets	1,040,701,201	419,833,454	222,469,820	-	207,774,229	1,890,778,704
Investment properties	978,152,090	418,826,616	182,061,919	-	105,866,916	1,684,907,541
Total liabilities	85,031,642	12,112,098	11,366,170	-	391,415,817	499,925,727
Total operating income	173,034,692	6,600,197	35,623,170	-	4,392,453	219,650,512
Total expense	24,158,890	72,395	3,128,965	-	126,888,340	154,248,590
Net income/(loss) for the year	148,875,802	6,527,802	32,494,205	-	122,495,887	65,401,922

24. SIGNIFICANT EVENTS AFTER REPORTING DATE

No significant events occurred subsequent to the financial year end.

25. LAST VALUATION DAY

The last valuation day for the purpose of preparation of financial statements for the year was 31 December 2022 (2021: 31 December 2021).

26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Fund Board on 8 Ramadan 1444H (corresponding to 30 March 2023).