

BONYAN REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(Managed by Saudi Fransi Capital Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019
TOGETHER WITH THE
INDEPENDENT AUDITORS' REVIEW REPORT

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

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

Introduction:

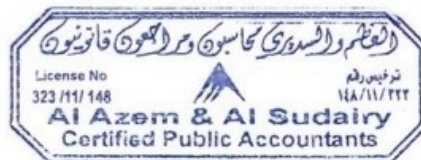
We have reviewed the accompanying interim condensed statement of financial position of **BONYAN REIT FUND** ("the fund") managed by Saudi Fransi Capital (the "Fund Manager"), which comprises the statement of financial position as at 30 June 2019 and the related interim condensed statements of comprehensive income, changes in net assets and cash flows for the six months period then ended and other explanatory notes (the "interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review:

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

Conclusion:

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



**AlAzem & AlSudairy
Certified Public Accountants**



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

05 Dhu'l-Hijjah 1440 H (August 06, 2019)
Riyadh, Saudi Arabia

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	<i>Notes</i>	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (As restated*) SR</i>
ASSETS			
Cash and cash equivalents	9	24,909,565	32,321,068
Investments measured at fair value through profit or loss (FVTPL)	10	30,000,000	-
Rental income receivable, net	11	42,999,069	60,736,486
Prepayment and other assets		12,069,457	9,261,649
Due from related parties	13	15,026	10,021,475
Intangible assets		894,969	530,181
Furniture and equipment		7,097,227	9,022,073
Investment properties	12	1,635,313,414	1,654,034,362
TOTAL ASSETS		1,753,298,727	1,775,927,294
LIABILITIES			
Due to related parties	13	188,481,675	192,102,911
Deferred rental income		80,655,732	74,083,262
Management fee payable	8, 13	3,665,275	4,147,987
Accrued expenses and other liabilities		27,487,019	25,052,903
TOTAL LIABILITIES		300,289,701	295,387,063
Net assets / (Equity) attributable to unitholders		1,453,009,026	1,480,540,231
Units in issue		162,881,100	162,881,100
Net asset value per unit		8.9207	9.0897
Net asset Fair value per unit	17	9.8120	9.6686

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For the six months period ended 30 June 2019

	<i>Notes</i>	<i>For the period ended 30 June 2019 SR</i>
INCOME		
Income from investment properties	14	59,509,491
Other income		529,244
TOTAL INCOME		<u>60,038,735</u>
EXPENSES		
Management fees	8, 13	(3,665,275)
Other expenses		(635,069)
TOTAL EXPENSES		<u>(4,300,344)</u>
Income from operations during the period		<u>55,738,391</u>
Depreciation expense on furniture and equipment		(2,284,693)
Amortization expense on intangibles		(105,107)
Depreciation expense on investment properties		(21,020,992)
Impairment loss on investment properties		-
NET INCOME FOR THE PERIOD		<u>32,327,599</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>32,327,599</u></u>
Earnings per unit		
Weighted average units in issue		<u>162,881,100</u>
Earnings per unit		<u><u>0.1985</u></u>

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2019

	<i>30 June 2019 SR</i>
NET ASSETS / (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD	1,480,540,231
CHANGES FROM OPERATIONS	
Net income for the period	32,327,599
Other comprehensive income	-
	<hr/>
Total comprehensive income	32,327,599
CHANGES FROM UNIT TRANSACTIONS	
Subscription of units – Cash	-
Subscription of units – In kind contribution	-
	<hr/>
Net change from unit transactions	-
Capital Structuring fees	-
Income distributions during the period (note 15)	(59,858,804)
	<hr/>
	(59,858,804)
	<hr/>
NET ASSETS / (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD	1,453,009,026

UNIT TRANSACTIONS

Transactions in units during the period are summarised as follows:

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For the six months period ended 30 June 2019

	<i>Notes</i>	<i>30 June 2019 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period		32,327,599
Adjustment for:		
Depreciation expense on furniture and equipment		2,284,693
Amortization expense on intangibles		105,107
Depreciation expense on investment properties		21,020,992
Impairment loss on investment properties		-
		<hr/>
<i>Operating cash flows before working capital changes</i>		55,738,391
Changes in operating assets and liabilities:		
Rental income receivable		17,737,417
Prepayment and other assets		(2,807,808)
Due from related parties		10,006,449
Investments measured at fair value through profit or loss (FVTPL)		(30,000,000)
Changes in operating liabilities:		
Deferred rental income		6,572,470
Management fee payable		(482,712)
Accrued expenses and other liabilities		2,434,116
		<hr/>
Net cash generated from operating activities		59,198,323
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets		(398,055)
Purchase of furniture and equipment		(432,665)
Purchase of investment properties		(2,299,066)
		<hr/>
Net cash used in investing activities		(3,129,786)
CASH FLOWS FROM FINANCING ACTIVITY		
Subscription of units		-
Capital structuring fees paid		-
Due to related parties		(3,621,236)
Dividends paid	15	(59,858,804)
		<hr/>
Net Cash used in financing activity		(63,480,040)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		
		(7,411,503)
Cash and cash equivalents at the beginning of the period		32,321,068
		<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		24,909,565
		<hr/> <hr/>

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

**BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**

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

For the six months period ended 30 June 2019

1. THE FUND AND ITS ACTIVITIES

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

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

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

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

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

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

2. REGULATORY AUTHORITY

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

3. BASIS OF PREPARATION

3.1 Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

As specified in note 1 that the Fund commenced its operations on 3 July 2018. Accordingly, comparative information has not been presented for condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flow.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

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

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

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

IFRS 16 - "Leases"

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

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

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

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

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

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

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

BONYAN REIT FUND

(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2019

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

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

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

Right of Use Asset / Lease Liabilities

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

Right of Use Assets

Company apply cost model, and measure right of use asset at cost;

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- c) Adjusted for any re-measurement of the lease liability for lease modifications.

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's condensed interim financial statements in conformity with the IFRS endorsed in the Kingdom of Saudi Arabia, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Going concern

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the condensed interim financial statements continue to be prepared on the going concern basis.

Impairment of non-financial assets

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

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

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

Valuation of investment properties

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance each asset's performance of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Residual and useful lives of investment properties, furniture and equipment

The REIT's management determines the estimated residual value and useful lives of its investment properties, furniture and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Expected credit loss

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

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

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

7. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

There are several standards and interpretations that are issued, but not yet effective, up to the date of the Fund's condensed interim financial statements. In the opinion of the Board, these standards will have no significant impact on the condensed interim financial statements of the Fund. The Fund intends to adopt these standards, if applicable.

8. MANAGEMENT FEE, OTHER EXPENSES, CUSTODY FEES AND CAPITAL STRUCTURING FEE

Management fee, other expenses

As per the terms and conditions of the Fund, the Fund is liable to pay the Fund Manager a management fee being 0.5% of the net asset value of the Fund. The fee is calculated daily from the total asset value of the Fund after deduction of expenses and is payable on an annual basis. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges.

Custody Fees

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

Capital structuring fee

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

**BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**

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

For the six months period ended 30 June 2019

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprised of the following:

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Restated) SR</i>
Bank Balance	24,879,565	32,291,568
Cash in hand	30,000	29,500
	<u>24,909,565</u>	<u>32,321,068</u>

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

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

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Restated) SR</i>
Financial assets measured at fair value through profit or loss (FVTPL)		
Al Badr Murabaha Fund	<u>30,000,000</u>	<u>-</u>

The following is the movement in investments during the period :

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Audited) SR</i>
Carrying amount:		
At beginning of the period	-	-
Additions during the period	30,000,000	-
Sold during the period	-	-
At end of the period	<u>30,000,000</u>	<u>-</u>
Changes in fair value:		
Changes in fair value during the period	-	-
Net investments at end of the period	<u>30,000,000</u>	<u>-</u>

Bonyan REIT has subscribed 1,951,664 units of Al BADR Murabaha Fund at SAR 15.372 per units on 30 June 2019 with fair value of SAR 30 million.

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 CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**

For the six months period ended 30 June 2019

11. RENTAL INCOME RECEIVABLE, NET

Rental income receivable comprised of the following:

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Restated) SR</i>
Rental income receivable	43,330,172	61,067,589
Less: Loss allowance	(331,103)	(331,103)
	<u>42,999,069</u>	<u>60,736,486</u>

The movement in loss allowance is as follows:

Opening balance	331,103	-
Charged during the period	-	331,103
	<u>331,103</u>	<u>331,103</u>

BONYAN REIT FUND

(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2019

12. INVESTMENT PROPERTIES

The investment properties represent following ten properties; namely:

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

BONYAN REIT FUND
(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)

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

For the six months period ended 30 June 2019

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related parties include Saudi Fransi Capital (“the Fund Manager”), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), Albilad Investment Company (“the Custodian”), Saudi Bonyan Company (being the property manager of the investment properties), the Funds’ Board of Directors (BOD), affiliates of the Fund Manager, the Funds managed by the Fund Manager and the Unit holders of the Fund including Abdul Rahman Saad Al Rashid & Sons Company (being a substantial unitholder).

In the ordinary course of its activities, the Fund transacts business with related parties. The related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are approved by the Fund Board.

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

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>	<i>Balances</i>	
		<i>For the period ended</i>	<i>30 June</i>	<i>31 December</i>
		<i>30 June 2019</i>	<i>2019</i>	<i>2018</i>
		<i>SR</i>	<i>(Un-audited)</i>	<i>(Restated)</i>
			<i>SR</i>	<i>SR</i>
Fund manager	Asset management fees	(3,665,275)	(3,665,276)	(4,147,987)
	Expense paid by Fund on behalf of the Fund Manager	(15,026)	15,026	-
Al Bilad Investment Company	Custody fee	(198,264)	(483,622)	(285,358)
Board of directors	Board fees to independent board members	75,000	-	(30,000)
Al BADR Murabaha Fund (Managed by Fund Manager)	Investments	30,000,000	30,000,000	-
Saudi Bonyan Company	Property Management Fees	(4,686,402)	(2,475,256)	(4,734,597)
	Property Operating Expenses	(21,682,055)	(8,385,807)	(6,140,936)
	Purchase of intangibles	398,055	-	-
	Purchase of furniture and equipment	432,665	-	-
	Purchase of investment properties	2,299,066	(1,367,548)	-
	Due from Property manager for rent collection	-	-	10,021,475
	Cash collected against old rental receivables	6,188,502	(2,321,675)	(5,942,911)
	Cash paid against old rental received	(9,809,738)	-	-
Abdul Rahman Saad Al Rashid & Sons Company*	Acquisition of Investment Properties (Payment) / addition to Investment Properties *	(615,129)	(186,160,000)	(186,160,000)
			(2,066,350)	(2,681,479)

The Fund maintained cash with Saudi Fransi Capital at SR 15,211,740 (31 December 2018 (Restated): SR 14,469,345). This cash is deposited in a current account maintained with Banque Saudi Fransi under the name of the Fund manager (Saudi Fransi Capital).

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

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14. INCOME FROM INVESTMENT PROPERTIES

	<i>For the period ended 30 June 2019 SR</i>
Disaggregation of Income from investment properties	
Lease rental income on investment properties	48,288,672
Revenue from hotel services	11,220,819
	<u>59,509,491</u>

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

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

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Audited) SR</i>
Not later than one year	84,690,487	90,171,360
Later than one year and less than five years	129,451,519	147,460,481
Later than five years	98,613,913	96,325,083
	<u>312,755,919</u>	<u>333,956,924</u>

15. DIVIDEND / DISTRIBUTION

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

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

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

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

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

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

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16. FAIR VALUE OF FINANCIAL INSTRUMENTS (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>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
30 June 2019 (Un-audited)					
Financial assets measured at FVTPL	30,000,000	30,000,000	-	-	30,000,000
	<u>30,000,000</u>	<u>30,000,000</u>	<u>-</u>	<u>-</u>	<u>30,000,000</u>
31 December 2018 (Audited)					
Financial assets measured at FVTPL	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

During the six month period ended 30 June 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

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

Valuation techniques

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

Investment properties

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 6).

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17. EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent valuers. As set out in the terms and conditions of the Fund, the net asset values declared are based on the market value obtained. However, in accordance with International Accounting Standards 40 ("IAS 40") the Fund opted to use the cost method wherein investment properties are carried at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

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

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

	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
<i>30 June 2019 (Un-audited)</i>			
Investment properties	1,819,872,380	1,930,356,896	1,875,114,638
	<u>1,819,872,380</u>	<u>1,930,356,896</u>	<u>1,875,114,638</u>
<i>31 December 2018 (Audited)</i>			
Investment properties	1,806,704,880	1,879,193,698	1,842,949,289
	<u>1,806,704,880</u>	<u>1,879,193,698</u>	<u>1,842,949,289</u>

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

	<i>30 June 2019 (Un-audited) SR</i>	<i>31 December 2018 (Restated) SR</i>
Estimated fair value of investment properties	1,875,114,638	1,842,949,289
Book value of investment properties	(1,635,313,414)	(1,654,034,362)
Less: present value of purchase option on Rashid Mall Abha	(94,623,149)	(94,623,149)
Estimated fair value in excess of book value	<u>145,178,075</u>	<u>94,291,778</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>0.8913</u>	<u>0.5789</u>

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

Net asset value

	30 June 2019 (Un-audited) SR	31 December 2018 (Audited) SR
Net asset value as per the financial statements	1,453,009,026	1,480,540,231
Estimated fair value in excess of book value of investment properties	145,178,075	94,291,778
Net asset value based on fair valuation of investment properties	<u>1,598,187,101</u>	<u>1,574,832,009</u>
<i>Net asset value per unit</i>		
Net asset value per unit as per the financial statements	8.9207	9.0897
Estimated fair value in excess of book value of investment properties	0.8913	0.5789
Net asset value per unit based on fair valuation of investment properties	<u>9.8120</u>	<u>9.6686</u>

18. RESTATEMENTS

For the period ended 30 June 2019, the Fund Manager has re-classified certain trial balance line items under different financial statement line items (as compared to 31 December 2018). This was done in order to achieve fair presentation and appropriate classification for each type of asset, liability, and revenue and expense item.

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

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

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19. LAST VALUATION DAY

The last valuation day of the period was 30 June 2019 (31 December 2018: 31 December 2018).

20. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on 06 August 2019 (corresponding to 05 Dhul Hijjah 1440H).