

# Bonyan REIT

REAL ESTATE INVESTMENT  
TRADED FUND

Annual Report 2021

Vision

Passion

Achievement

# 2021

## Annual Report

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# BONYAN REIT FUND OVERVIEW



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

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

The Fund owns eleven real estate assets in four Saudi cities, which are in Riyadh, Abha, Madinah and Jazan. It also owns a residential estate asset in Dubai, UAE. The assets are classified amongst four different sectors: commercial centers, residential, hospitality and office. As of 31 December 2021, the Fund portfolio consists of 750+ active lease contracts with international and local companies across various industries.

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

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

hospitality sector, therefore makes these hotels attractive to many visitors of these areas. Residential assets are also distinguished by their locations, in the heart of commercial capitals Riyadh and Dubai (City Walk).

Moreover, Bonyan REIT Fund is continuing to widen its sector exposure. During the year, the Fund acquired an office tower located in Sahafa District in the city of Riyadh. The Fund Manager believes this adds diversification to the portfolio as this acquisition comes in at a time when office sector is poised for growth within the Kingdom of Saudi Arabia.

The Bonyan REIT Fund is managed by Saudi Fransi Capital (“Fund Manager”) a leading financial services provider offering investment banking, asset management, debt and equity research, institutional sales trading, and local and global securities brokerage. Saudi Fransi Capital is the investment arm of Banque Saudi Fransi, where it was trademarked with a paid up capital of 500 million Saudi Riyals and is a closed joint stock company in the Kingdom of Saudi Arabia. It is licensed by the Capital Market Authority with license 11153-37 to conduct a wide range of investment activities include dealing, arranging, managing, advising and custody of securities business.

## Assets in which fund is aiming to invest in

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

# FUND PERFORMANCE

Key Financial Performance as at 31 December 2021



Total Revenue  
SAR **219,650,512**



Total Operating Cost  
SAR **107,136,965**



Total Operating Profit  
SAR **112,513,547**



Net Income  
SAR **65,401,922**



Total Dividends  
SAR **104,243,904**



Price per unit range  
SAR **8.79 – SAR 10.60**



Net Asset Value per Unit  
SAR **8.5391**



Net Asset Value  
SAR **1,390,852,977**



Annualized Dividend Yield  
**6.56%**



Percentage of uncollected revenues  
from total revenues

**25.77%**



Ratio of non-cash expenditures from  
the fund's net profits

**73.60%**

Commercial Centers Segment	Hospitality Segment	Residential Segment	Office Tower
Occupancy Rate <b>89%</b>	Occupancy Rate <b>34%</b>	Occupancy Rate <b>100%</b>	Occupancy Rate <b>100%</b>
Operating Profit SAR <b>105,316,945</b>	Operating Profit SAR <b>4,017,186</b>	Operating Profit SAR <b>21,681,915</b>	Operating Profit SAR <b>2,500,000</b>
Number of Leasable Units <b>850</b>	Total Room Capacity <b>274</b>	Total Apartments/Villas <b>178</b>	Total Gross Leasable Area (GLA) <b>9,260</b>

Leased real-estate to the total owned real estate	Uneased real-estate to the total owned real estate
<b>19%</b>	<b>81%</b>

**Percentage of rent amount for each asset in the total rent of the fund's assets.**

Name of the Properties	Percentage of rent amount for each asset
Al Rashid Mega Mall - Al Madinah	20.27%
Al Rashid Mall – Abha	35.25%
Rashid Mall - Jazan	15.20%
Al-Rashed Strip Mall – Riyadh	0.53%
Courtyard by Marriott – Jazan	5.61%
Marriott Residence Inn - Jazan	5.92%
Marriott Executive Apartments - Madinah	1.98%
City Walk Residential Building – Dubai	4.72%
Al-Rafiah Villas Complex – Riyadh	9.05%
Al-Maather Villas Complex – Riyadh	0.27%
Sahafa Tower	1.19%
<b>Total rent of the fund's assets</b>	<b>SAR 210,112,394</b>

### Performance of the fund during the last (3) financial years or since the inception (SAR)

		2021	2020	2019
Year-End NAV (SAR)		1,390,852,977	1,429,694,959	1,449,291,938
Fair Value NAV per Unit (SAR)	Year-End	10.1769	10.0157	10.1467
	High	10.1769	10.1313	10.1467
	Low	9.9689	10.0157	9.8120
Number of units		162,881,100	162,881,100	162,881,100
Dividend per Unit (SAR)		0.6400	0.3988	0.7350
Expense Ratio		2.98%	3.24%	0.67%
Total Return per annum		8.00%	2.64%	12.55%
Cumulative Total Return		22.32%	14.32%	11.68%
Result of comparing the Fund's Benchmark to the fund's performance		NA	NA	NA
Percentage of borrowed Assets in the total asset Value		5.60%	--	--
Period for Fulfilment and due date		3.25 years & April 2025	4.25 years & April 2025	--

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

## PREVIOUS PERFORMANCE RECORD

### Total Annualized Return for 1 Year, 3 Years, 5 Years, and Since Inception

	1 Year	3 Year	5 Year	Since Inception
Total Return	8.00%	23.60%	NA	21.96%

### Total Annual Returns for Each of the Past 10 Years or Since Inception

	2021	2020	2019	2018	Since Inception
Total Return	8.00%	2.64%	12.55%	-0.87%	21.96%

The Fund was incorporated during the year 2018.

### Description of the fund's benchmark and the service provider's website

N/A



## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

Globally, the fallout from the pandemic has affected all countries and economies and has forced societies to adapt to new ways of navigating everyday life. Fortunately, a global economic meltdown was averted thanks to the swift policy responses and strong support of governments worldwide that helped the global economy to regain its lost ground as economic growth rebounded to 5.9% in 2021 from a negative growth rate of 3.1% in 2020, as reported by International Monetary Fund (IMF).

Likewise, 2021 began on a positive note for the Kingdom of Saudi Arabia as its economy expanded through the income from high oil prices, in addition to the ease of COVID19 restrictions primarily driven by countrywide vaccination rollout and entertainment festivals such as Riyadh Season and Formula E which added to the Kingdom's non-oil revenue. Furthermore, the tourism sector endured a wider engagement in the concept of staycation among those in Saudi whereby families would rent resorts in their hometowns as opposed to traveling. Destinations such as AlUla, Abha and Umluj continued to record international and domestic visitors. Thus, rebounding the Saudi economy strongly by recording GDP growth of 3.2%, highest rate in six years. In terms of the real estate sector, it continues to prove its resilience as it is a critical component of the Saudi economy. On an overall basis, the prices of real estate increased since prior year with demand rising for real estate segments such as the office spaces, on account of certain government decisions for instance the requirement for certain companies to move their regional headquarters to Saudi Arabia, the establishment of new businesses in search of office spaces and the return of employees to the office post pandemic. The fund manager holds a positive outlook for the commercial and retail segments as well with many global restaurants, cafes and stores

opening branches throughout the Kingdom's tier 1 and tier 2 cities. As for the residential segment, many government initiatives such as the Wafi program allowed for higher housing acquisitions during the year 2021.

Shedding a light on United Arab Emirates, its economic activities continued to experience an upward trend during second half of 2021. To demonstrate, UAE GDP growth reached 2.1% during 2021. The government had various initiatives which led to improvement of local economy. Events such as Expo 2020 in Dubai, which is world's biggest cultural gathering attracted a large number of visitors to the UAE.

As for the Emirati real estate sector, it has been a busy sector since the beginning of 2021, with high transactions and rapid sales of property which illustrates the high market demand.

Moreover, other initiatives such as the new 2040 Urban Master Plan instilled a higher confidence in local real estate market. With the strong economic bounce back, the fund manager believes the overall UAE property market has remained strong and continues to witness a hike in overall real estate prices.

### Regulatory Changes

During November 2021, CMA issued a circular/resolution regarding acceptance of subscriptions from non-Saudis in real estate funds that invests part or all of its assets in real estate within the boundaries of Holy Cities of Makkah and Madinah. Accordingly, Bonyan Fund REIT Terms and Conditions were updated to reflect the change above.

### Fund Operations Review

Bonyan REIT Fund generated income from operations amounting to SAR 133.7 million and pre-zakat profit of SAR 67.8 million for the year





ended 31 December 2021. All of Fund's assets actively contributed towards the topline of the Fund which amounted to SR 219.5 million, it was offset by SAR 85.9 million of operating expenses, SAR 44.6 million of depreciation & amortization expenses, SAR 7.2 million of management fees, SAR 8.4 million of finance cost, provision for doubtful debts of SAR 3.5 million, zakat charge of SAR 2.4 million, other expenses along with impairment charge of SAR 2.1 million.

As a result of stable and organic growth of the Fund's core properties experienced, it allowed to distribute total dividends amounting to SAR 104.2 million were amongst unitholders during 2021. This reflects an increase of 60.4% compared to 2020.

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

The Holy Cities of Makkah and Medina are an integral component of Saudi economy as they attract a large number of tourists from both, domestic and international destinations. As the pandemic began, both cities were under stress due to the tourism sector's downturn. However, the Fund manager has a bright out look on the City with the Kingdom's successful vaccination roll outs and ease of COVID-19 related travel restrictions. In specific to the Holy City of Madinah, it witnessed a slight recovery due to multiple factors such as higher number of pilgrims compared to 2020, improved business and consumer confidence primarily driven by KSA government led support initiatives. All these factors led to gradual recovery in Rashid Mega Mall Madinah footfall and improved occupancy for Marriott Executive Apartments, albeit still below pre-pandemic levels.

In the long-term, we remain extremely optimistic on the prospects of the Madinah property market both in the commercial and hospitality segments. The main driver behind this will be the Vision 2030 objective of increasing Umrah visitor capacity from 8 million in 2015 to 30 million by 2030, which have made the two holy cities of Makkah and Madinah the focus of significant investment in the years ahead. This will come in the form of both real estate developments in the hospitality, retail and residential segments, and from the significant infrastructure upgrades due to come online in the coming years. We believe that both our assets are optimally positioned to benefit from

this expected growth specifically in terms of rental/ADR growth and cap rate compression.

The fair valuation of Rashid Mega Mall Madina as at 31 December 2021 decreased by SAR 21.3 million as compared to 31 December 2020. The main reason for this change in value was due to change in mall's average rental yield and low occupancy as compared to prior year. Going forward, we expect the rent roll and occupancy to improve further given strong and unique positioning of the holy city of Madinah and its strong future prospects.

The Marriott Executive Apartments had a financially adequate year. As international and local travel resumed in 2021, the hotel's performance improved slightly in part due to strong brand recognition, key location and also because of unique proposition of being connected to Rashid Mega Mall. The fair valuation of this property as at 31 December 2021 decreased slightly compared to 31 December 2020.

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

The future prospects of Jazan are centered around the Jazan Economic City which is now being managed by the Royal Commission of Jubail & Yanbu. The city is slated to be the home of upwards of USD 26 billion of industrial projects, the cornerstone being the Jazan Refinery. The construction of refinery is now complete and it is slated to start operations starting with crude runs of 200,000 b/d before ramping up to 400,000 b/d. This will enable to city to attract large number of private and public investors in sectors such as housing, commercial, healthcare and infrastructure projects to develop the city and surrounding areas.

The average occupancy rates in the Courtyard and Residence improved slightly year-over-year. The fair value of both properties has largely remained unaffected since prior year. It is management's view that over the course of the next 12-18 months, both hotels should experience improved financial performance due to the acceleration of works in the industrial projects related to Jazan Economic City. Despite the political risks and challenges presented by COVID-19, Rashid Mall weathered the storm fairly well by maintaining both, occupancy and rental rates. The average independent valuation as at 31 December 2021 of Rashid Mall increased by SAR 3.1 million as compared to 31 December 2020.

#### **Abha - Rashid Mall**

The Asir region and its capital Abha have always held significant promise as a tourist destination, the city is well known for its mild weather and great height above sea level, it is also called "the bride of the mountain". In 2020's "Tanafas" campaign to promote domestic travel Abha recorded 700,000 visitors and maintained those attractive levels in 2021. The city stands to benefit significantly from government's renewed focus on developing a promoting domestic tourism. Starting 2019, as part of Vision 2030, the government has launched billions of Riyals worth of infrastructure projects including healthcare, transportation, housing and aviation. The most prominent of these projects include the Abha airport project, King Faisal Medical City, the SAR 6 billion Asir-Jazan Road and a SAR 4 billion project for the expansion of the Jeddah-Jazan Coastal Road.

Rashid Mall in Abha has perhaps being the strongest performing asset in the portfolio, surpassing even our most optimistic expectations. We are proud to report that despite being operational for less than five years, the mall has reached optimal occupancy and rental rates have been higher than expected owing to the mall's strong brand and positioning within the city. The average independent valuation as at 31 December 2021 has increased by SAR 44.2 million as compared to 31 December 2020. Further, mall's cinemas which opened during late 2020 continue to generate significant operating income for the mall as the lease terms not only have a fixed rent but have a revenue sharing component as well.

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

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

In particular, 2021 has been a very strong year for residential market in Riyadh and Kingdom of Saudi Arabia at large. In terms of both, average house prices and transaction volumes have witnessed significant growth because of government promoted home ownership schemes. Similarly, the commercial sector has experienced a strong rebound due to several governmental led initiatives such as Riyadh Season, Formula E and most importantly, change in consumer preferences for things such as staycation.

The Rashid Strip Mall, which was newly developed at the inception of the Fund, was fully leased throughout 2021. Further, property's valuation as at 31 December 2021 was largely unaffected as compared to 31 December 2020.

Al Maather Villas remains 100% occupied and renewals have taken place at approximately same rates as previous year. The average independent valuation has remained almost unchanged – fair value improved by SAR 0.3 million as compared to prior year.

Al Rafiah Village remains fully occupied with a very stable single tenant at the exact same terms as compared to last year. The average independent valuation reduced by SAR 3.4 million since last year on account.

#### **Al-Sahafa Tower- Riyadh**

Demand for offices in Saudi Arabia has been recovering in the recent year, with most businesses returning back to offices as well as the growth in number of startups that are looking for a space to establish themselves. During April 2021, the Fund acquired a newly built office tower in the city of Riyadh. The entire property is leased to a KSA government entity on a triple-net basis. Property fair value remained unchanged during the year.

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

Residential prices and rents in Dubai have started to rebound in later

part of 2021. Further, there are expectations of stronger demand going forward because of the recent approval of a range of legislations to ease visa regulations, given that many of the changes are linked to property ownership as well as World Expo 2020 which started in 2021 and continues to do so until March 2022.

Throughout 2021, Citywalk apartments' occupancy was ~99% and rental rates moved in line with prevailing market rates. The average independent valuations increased by SAR 3.8 million since last year mainly because of overall improvement in residential properties in the UAE market.

#### **Concluding Remarks**

The overall operating performance of the Fund was in line with our expectations mainly on account of COVID-19 restriction ease, entering into new real estate segment through office space exposure, the inclusive economic recovery and Fund's commercials assets at large. Going forward, as the economy returns to operate at optimal capacity, the Fund will be able to continue delivering its most important objective: delivering attractive and regular income to its investors. We remain optimistic on the operating performance of the portfolio in the long term mainly due to:

1. Expected improvements in economic conditions in Saudi Arabia and the United Arab Emirates, as well as in the specific cities and regions where we have investments, as noted above;
2. The implementation of major measures under Vision 2030 aimed at infrastructure, tourism, employment, financing, and transportation, which are expected to enhance the real estate market significantly; and
3. Specific steps that have been taken that are expected to result in material improvements in performance such as the return of employees to offices, the country promoting tourism in Saudi as well as opening the of holy cities to accept large number of visitors.

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

# REAL ESTATE ASSETS



### Al Rashid Mega Mall - Al Madinah

Al Rashid Mega Mall is located in Al Madinah Al Munawwarah on King Abdullah Road - the second ring - and it is only 10 minutes away from the Holy Prophet's Mosque. The complex consists of four floors (first ground, ground, first, and second) and it is famous for containing the dancing fountain in the lake with the ship in the first ground floor. It also contains many world famous brands in addition to Carrefour Hypermarket, and entertainment halls (FunCity and Snow Forest), in addition to many international and local restaurants that cater to all tastes. It also contains multiple exhibitions including H&M, Sephora, Paris Gallery, Home Center, Home Box, and Center Point and entertainment halls. As one of the advantages of the commercial complex, it contains entertainment halls and various international brands, more than 30 international and local restaurants, a spacious dining hall and various cafes dedicated to all visitors.

### Al Rashid Mall – Abha

Al Rashid Mall - Abha is located in the city of Abha on King Fahd Road, and is 15 minutes away from Abha Airport. The complex consists of two floors (ground and first). It contains various well known brands in addition to a hypermarket, an entertainment city and more than 20 diversified restaurants. Al Rashid Mall - Abha is the largest commercial complex in the Asir region, as it is considered one of the most important entertainment destinations for many families in the region, which contains multiple exhibitions of the best international brands, and there is also a huge family entertainment hall, which is one of the largest in the region. During 2021 Abha has continued to record a number of tourists who enjoy its colder weather in KSA's hot summers. It is worth noting that the commercial complex was opened at the end of the year 2017 AD and it is considered as the latest mega mall, and it has no competitor in the Asir region.

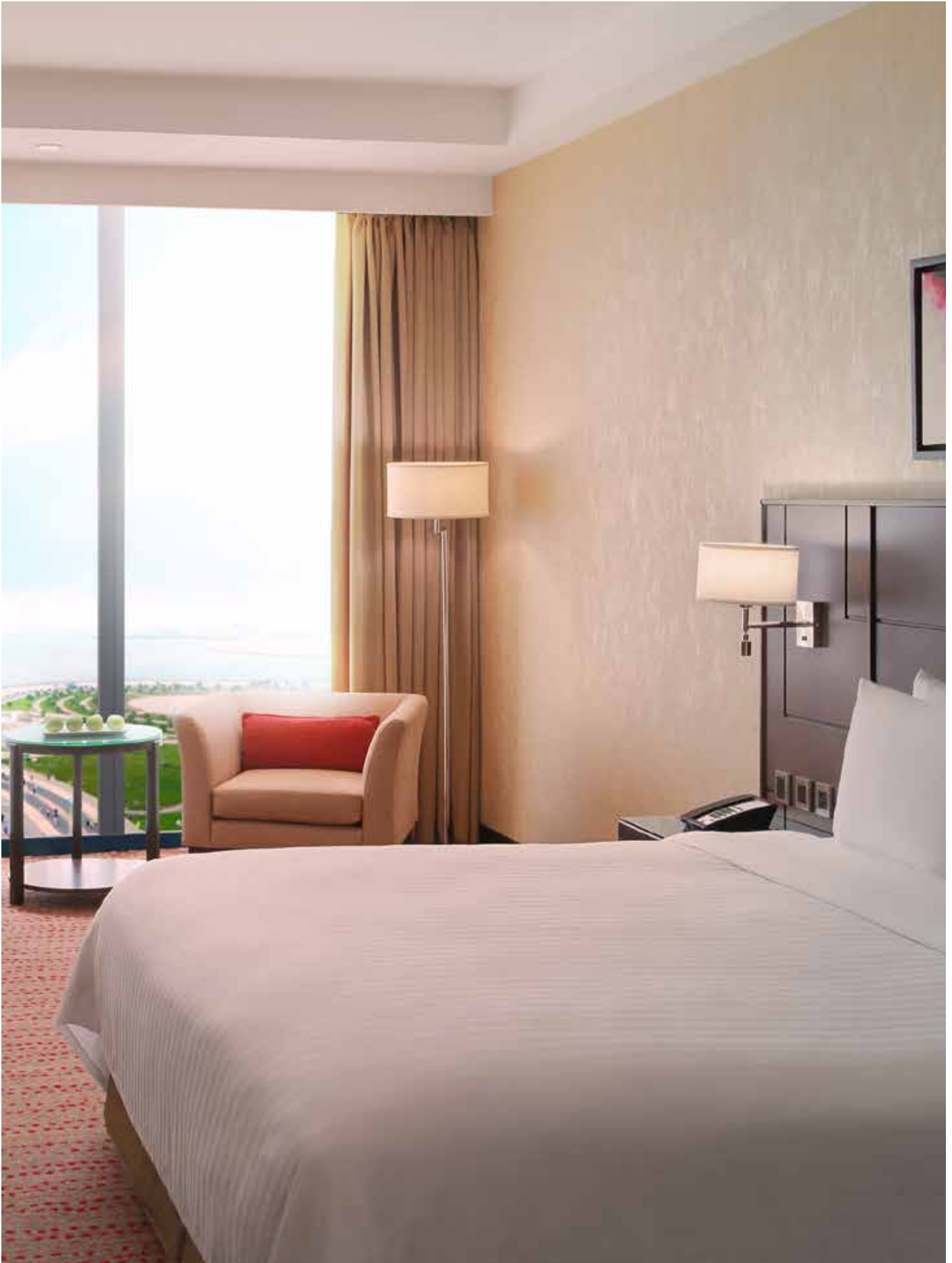
### Al Rashid Mall – Jazan

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

### Al-Rashed Strip Mall – Riyadh

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







### Courtyard by Marriott – Jazan

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

### Marriott Residence Inn – Jazan

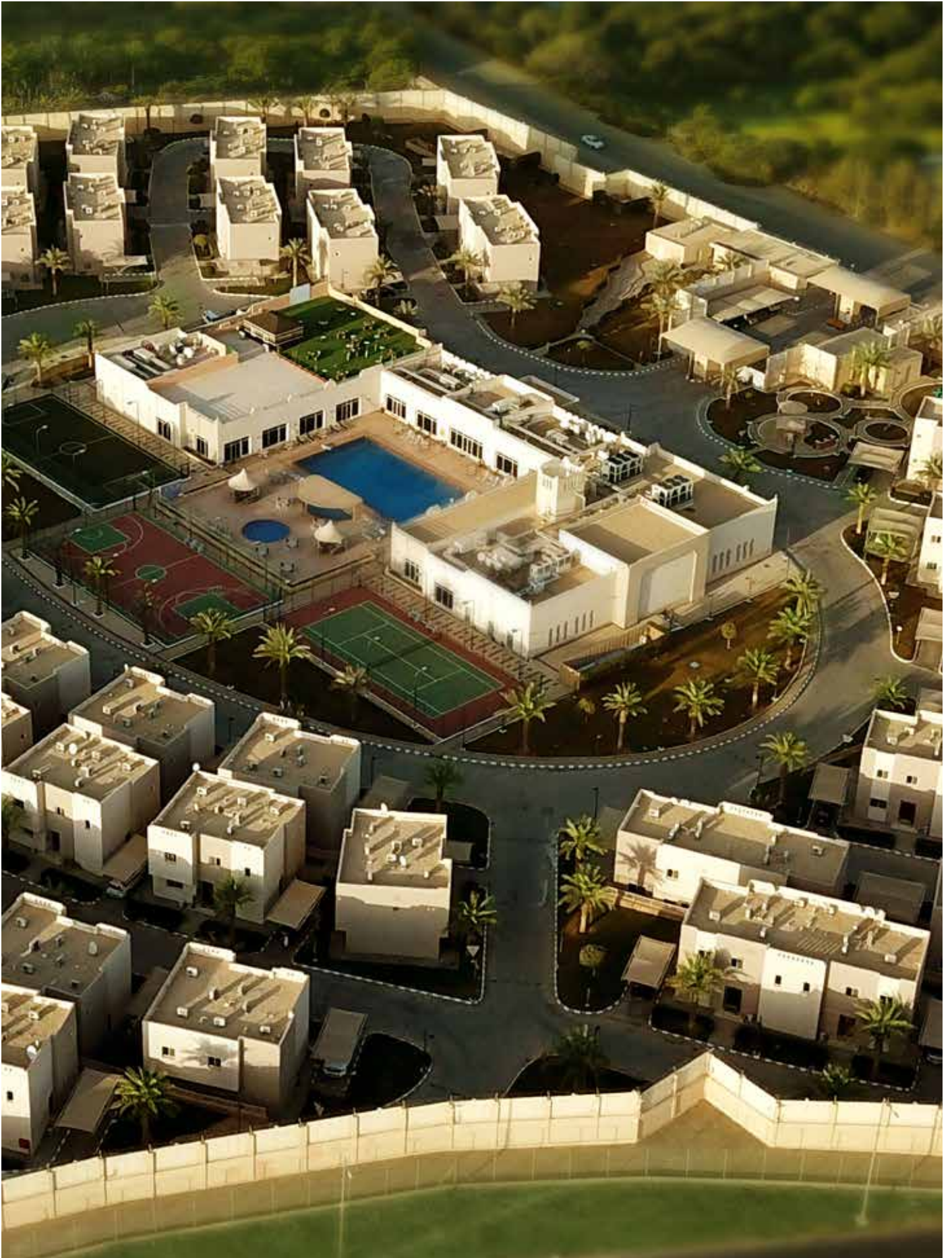
Marriott Residence Inn is a four-star aparthotel located in the center of Jazan City, a few minutes away from King Abdullah Airport and close to the commercial complexes and Jazan Corniche. It is distinguished by its association with Al-Rashed Mall building for easy shopping, amusement parks and various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

### Marriott Executive Apartments – Madinah

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

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





### City Walk Residential Building – Dubai

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



### Al-Rafiah Villas Complex – Riyadh

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

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



### Al-Maather Villas Complex – Riyadh

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

### Al-Sahafa Tower- Riyadh

The property is located in the city of Riyadh in Sahafa districted on a total land size spanning 3,330 square meters, leased to a KSA government entity on a triple-net basis.

### [Any Fundamental or non-Fundamental changes that occurred during the period and which affected the performance of the fund](#)

During April 2021, the Fund acquired a newly constructed office tower leased to a KSA Government Entity for a period of three years. The financial impact of this transaction is expected to be positive on the Fund's results.







## RISK ASSESSMENT REPORT

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

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

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

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

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

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

Economic changes such as interest and inflation rates, competition, and tax regulations, would have a negative influence on the Fund’s current business and potential. To reduce these risks, the value and amount of financing is studied, which greatly reduces the risk of interest rates. As of the reporting date, the Fund is not exposed to interest rate risk on account of no utilization of loan facilities.

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

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

### **Real estate investment risks**

The Fund will be affected by the general real estate sector conditions in the Kingdom of Saudi Arabia, which in turn are affected by many factors, including but not limited to, macroeconomic growth, political stability, change in interest rates, supply and demand, financing availability, real estate trends, liquidity, the legal and regulatory environment, and other conditions that may affect the real estate market prices, which in turn is reflected in the value of the Fund’s units. To reduce these risks, the Fund Manager follows economic news, regulatory trends and laws that would help the Fund Manager to be proactive in taking the necessary steps to mitigate or reduce the impact of the event as much as possible.

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

The value of real estate is subject to fluctuations and changes. The change in the indicators of the Saudi economy may lead to a decrease in the market value of the Fund’s investments, which in turn may lead to a decrease in the Fund’s returns or the liquidation of the Fund. In addition, investments in commercial and residential real estate are

exposed to risks that affect the commercial and residential real estate sector in general, including seasonal changes, real estate buyers desire and changes in economic conditions. To reduce these risks, Fund's assets are evaluated twice a year by independent valuers, and the Fund Manager may use internal valuations for various purposes, including knowing market conditions well to avoid loss.

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

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

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

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

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

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

#### **Real estate development risks**

1. Delay in completing works in a timely manner.
2. Exceeding the specified costs
3. The inability to achieve lease contracts at the expected levels
4. Force majeure resulting from factors outside the control of the fund related in particular to the contracting sector

Note that the fund does not intend to engage in any real estate development project at the present time, but in the event of entering into development projects in the future, the fund will develop a clear and logical plan that includes the necessary studies to avoid any problems.

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

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

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

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

#### **Political risks in relation to assets located in the south of the Kingdom**

The Kingdom of Saudi Arabia is subject to political conditions, particularly in the southern region, where these conditions have a significant impact on the assets and returns of the fund. If these conditions persist or increase, this will certainly affect the value of the real estate assets and the value of the units in the fund.

#### **Risk of pandemics and/or similar situations resulting in lockdowns that might affect tenants' operations and their ability to honor lease payments**

The Fund owns 11 properties that are leased to tenants operating in various industries and/or individuals. There is a risk that a pandemic or similar situation might result in situation whereby tenants' use of property might be limited. In such a situation, tenants business's financial performance might suffer and accordingly, they might not honor their rental payments on time. The Fund Manager mitigates this risk by ensuring Fund's interests are protected by way of guarantees or other relevant means in lease contracts. Further, the Fund Manager aims to preserve Fund's strategic contractual relationships by engaging with all tenants in a timely fashion.



## Fund Governance

In line with CMA rules and regulation, Bonyan REIT Fund Board of Directors supervise and monitor the progress of Fund's performance in line with Fund's terms and conditions. During the year, the Fund's Board of Directors held five (5) meetings. During these meetings, Fund's performance along with any regulatory and compliance related matters were duly discussed.

Meeting	Date
Fund Board Meeting	3 February 2021
Fund Board Meeting	29 April 2021
Fund Board Meeting	12 August 2021
Fund Board Meeting	31 October 2021
Fund Board Meeting	20 December 2021

## Summary of Major Decisions

1. Approval of 2020 Financial Statements
2. Approval on remuneration of the Fund's Board members
3. Approval on new office tower acquisition and to update T&Cs for same.
4. Approval on change in Fund T&Cs for following (a) Increase in Audit fees, (b) To update members of the Shariah Committee of the fund, (c) Appointment of new board member Mr. Hesham AlZaid, and (d) To allow non-Saudi investors to invest in Bonyan REIT
5. Approval on appointment of Saudi Bonyan Co. as property manager for new office tower acquisition
6. Approval on appointment of a consultant to provide an Improvement Plan Study for Fund's three malls
7. Approval on 30 June 2021 Interim Financial Statements
8. Approval on dividend payments (two in total)
9. Approval on 2022 Financial Budget

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

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



Management fee  
SAR **7,153,725**



Audit fee  
SAR **140,000**



Regulatory fee (CMA)  
SAR **7,500**



Custody fee  
SAR **400,000**



Fund board fee  
SAR **200,000**



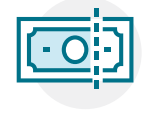
Registration fee (Tadawul)  
SAR **400,000**



Listing fees  
SAR **300,000**



Valuation Fee  
SAR **300,000**



Zakat expense  
SAR **2,409,269**



Other expenses  
SAR **394,573**



Total Expense Ratio\*  
**2.98%**

\*Expense ratio do not include the finance cost but includes depreciation on investment properties and property and equipment and amortization on intangible assets.

## Fund Manager



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

## Custodian



Albilad Investment Company  
8162 King Fahd Road – Riyadh – Kingdom of Saudi Arabia  
Mailing Address: P.O. Box 036 – Riyadh 11411 – Kingdom of Saudi Arabia  
Telephone: 920003636 – Fax: +966 11 290 6299

## Financial Auditor

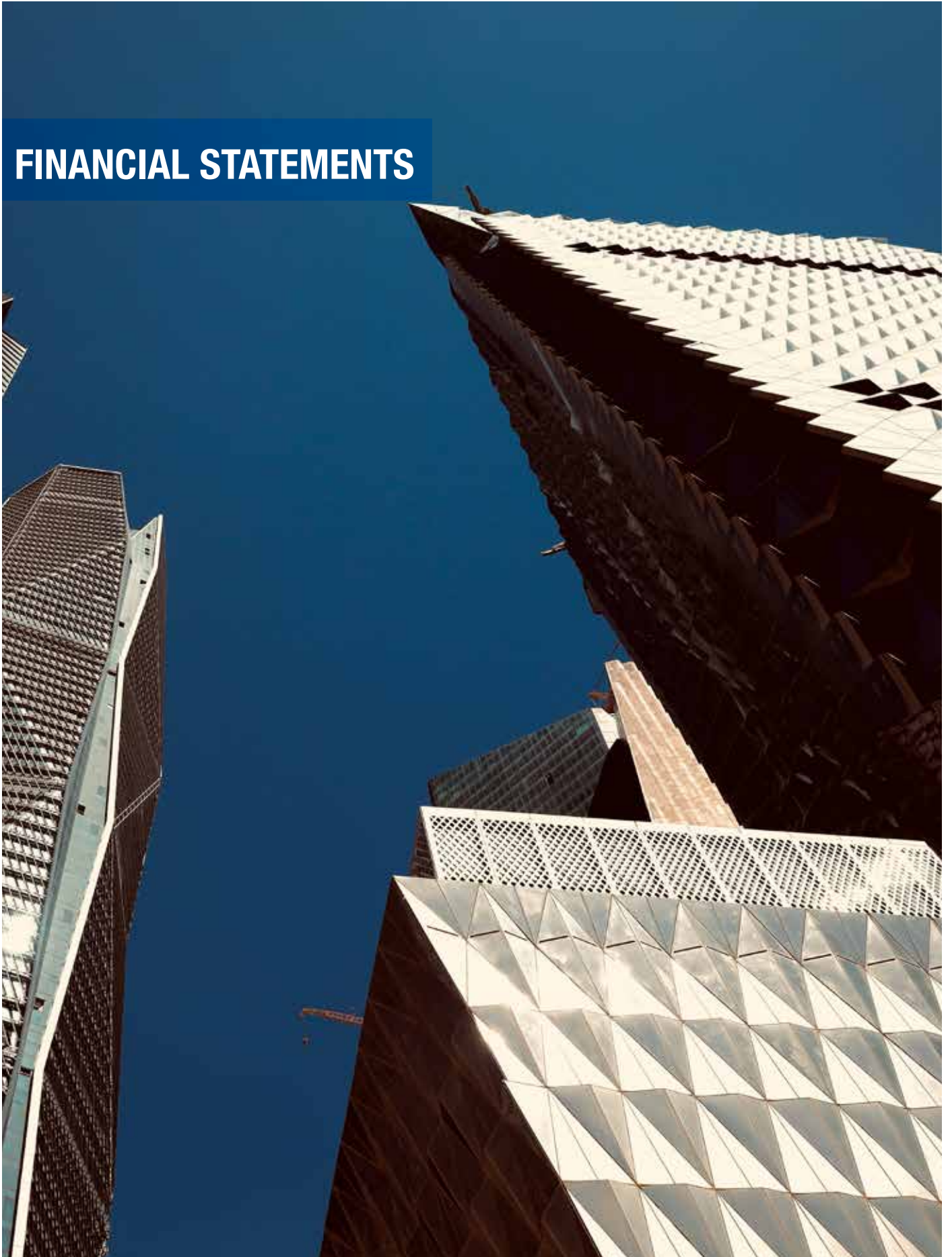


Al Azem, Al Sudairy, Al Shaikh & Partners  
Certified Public Accountants - a member of Crowe Global  
Prince Muhammad bin Abdulaziz Road - Riyadh  
P.O Box 11, Riyadh 10504  
Phone number: +966112175000 - Fax: +966112175000  
Website: [www.crowe.com/sa](http://www.crowe.com/sa)

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

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

# FINANCIAL STATEMENTS



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

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

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

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## INDEPENDENT AUDITOR'S REPORT

**TO: THE UNIT HOLDERS OF  
BONYAN REIT FUND  
(Managed by Saudi Fransi Capital Company)**

### **Opinion**

We have audited the financial statements of **BONYAN REIT FUND** (the "Fund") managed by Saudi Fransi Capital (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

**Key Audit Matters (Continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b>Valuation of investment properties</b></p> <p>As at 31 December 2021, the carrying value of the Fund's investment properties were SR 1.68 billion.</p> <p>The investment properties are stated at cost less impairment in value, if any (Refer to note 4 and 5 for relevant accounting policies). The fair value of the investment properties is also disclosed along with its impact on Net Asset Value per unit is disclosed in note 23.</p> <p>The Fund manager uses two independent valuers licensed by the Saudi Authority for Accredited Valuers (Taqeem) to evaluate the value of the property at the reporting date.</p> <p>We consider it as a key audit matter since the valuation requires significant judgment with respect to the valuation method adopted including the appropriateness of the various assumptions and projections used in the valuation.</p> <p>All assumptions and projections by their nature require significant judgment and there is a risk that changes to these assumptions may have a significant impact on the valuation of these investment properties.</p> <p>This could result in a material misstatement of the financial statements either through a lack of recognition of impairment of the investment properties or through inaccurate disclosures of the fair value of the investment properties.</p>	<p>Our audit procedures in respect of the valuation of investment properties comprised of the following:</p> <ul style="list-style-type: none"> <li>- assessed the qualification and expertise of third party valuers appointed by the Fund for the valuation of the properties;</li> <li>- assessed the recoverable amount based assessment prepared by the third party valuers and assessed the model, assumptions and estimates used in deriving the recoverable values; and</li> <li>- carried out procedures to satisfy ourselves of the accuracy of information supplied to the valuers by the Fund manager.</li> <li>- we have reconciled the average fair value of the investment properties as presented in the accompanying financial statements to the external valuers' report.</li> <li>- we involved our specialist and assessed the reasonableness of the valuation methodology approach and assumptions of the independent valuers.</li> <li>- we have reviewed the adequacy of the investment property disclosures included in the accompanying financial statements.</li> </ul>

**Other information**

The fund manager is responsible for the other information. Other information consists of the information included in the Fund's 2021 annual report, other than the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

**Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements:**  
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other Standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants – ("SOCPA"), the Fund's Terms and Conditions and for such internal control as Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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



**Salman B. Al Sudairy**  
**License No. 283**

28 Shaban 1443H (March 31, 2022)  
Riyadh, Kingdom of Saudi Arabia

**BONYAN REIT FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2021

	<i>Note</i>	<b>31 December 2021 SR</b>	<b>31 December 2020 SR</b>
<b>ASSETS</b>			
Cash and cash equivalents	7	<b>106,901,780</b>	36,022,448
Investments measured at fair value through profit or loss (FVTPL)	8	<b>73,669</b>	73,085
Rental income receivable, net	9	<b>82,531,646</b>	69,766,251
Due from related parties	15	<b>6,229</b>	3,055,661
Prepayment and other assets	10	<b>12,584,776</b>	10,852,988
Intangible assets, net	11	<b>1,451,975</b>	562,030
Furniture and equipment, net	12	<b>2,321,088</b>	4,201,278
Investment properties, net	13	<b>1,684,907,541</b>	1,617,279,326
<b>TOTAL ASSETS</b>		<b>1,890,778,704</b>	1,741,813,067
<b>LIABILITIES</b>			
Bank borrowings	14	<b>381,872,420</b>	190,426,655
Deferred rental income		<b>73,135,881</b>	74,001,479
Management fee payable	15	<b>2,065,155</b>	1,382,216
Accrued expenses and other liabilities	16	<b>40,472,691</b>	44,003,161
Provision for Zakat	19	<b>2,379,580</b>	2,304,597
<b>TOTAL LIABILITIES</b>		<b>499,925,727</b>	312,118,108
<b>Net assets attributable to unitholders</b>		<b>1,390,852,977</b>	1,429,694,959
Units in issue		<b>162,881,100</b>	162,881,100
Net asset value per unit		<b>8.5391</b>	8.7775
Net asset fair value per unit	23	<b>10.1769</b>	10.0157

The accompanying notes 1 to 27 form an integral part of these financial statements.

**BONYAN REIT FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2021

	<i>Note</i>	<b>31 December 2021 SR</b>	<b>31 December 2020 SR</b>
<b><u>INCOME</u></b>			
Income from investment properties, net	17	<b>133,516,046</b>	97,975,315
Net gain on investment at FVTPL, net	8	<b>584</b>	670,229
Other income		<b>172,867</b>	373,147
<b>TOTAL INCOME</b>		<b>133,689,497</b>	99,018,691
<b><u>EXPENSES</u></b>			
Management fee	15	<b>(7,153,725)</b>	(7,270,658)
Allowance for expected credit losses	9	<b>(3,486,357)</b>	(1,849,881)
Finance cost		<b>(8,459,795)</b>	(3,488,914)
Other expenses	18	<b>(2,076,073)</b>	(1,871,841)
<b>TOTAL EXPENSES</b>		<b>(21,175,950)</b>	(14,481,294)
<b>INCOME FROM OPERATIONS DURING THE YEAR</b>		<b>112,513,547</b>	84,537,397
Depreciation expense on furniture and equipment	12	<b>(2,967,117)</b>	(2,612,543)
Amortisation expense on intangibles	11	<b>(188,469)</b>	(227,628)
Depreciation expense on investment properties	13	<b>(41,493,922)</b>	(42,179,317)
Impairment reversal on investment properties	13	<b>(52,848)</b>	8,197,727
<b>NET INCOME BEFORE ZAKAT FOR THE YEAR</b>		<b>67,811,191</b>	47,715,636
Zakat charge during the year	19	<b>(2,409,269)</b>	(2,301,760)
<b>NET INCOME AFTER ZAKAT FOR THE YEAR</b>		<b>65,401,922</b>	45,413,876
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>65,401,922</b>	45,413,876
<b><u>EARNINGS PER UNIT</u></b>			
Weighted average units in issue		<b>162,881,100</b>	162,881,100
Earnings per unit		<b>0.4015</b>	0.2788

The accompanying notes 1 to 27 form an integral part of these financial statements.

**BONYAN REIT FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended 31 December 2021

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR</b>	<b>1,429,694,959</b>	1,449,286,930
<b>CHANGES FROM OPERATIONS</b>		
Net income for the year	<b>65,401,922</b>	45,413,876
Income distributions during the year (note 21)	<b>(104,243,904)</b>	(65,005,847)
<b>NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR</b>	<b>1,390,852,977</b>	1,429,694,959
<b>UNIT TRANSACTIONS</b>		
Transactions in units during the year are summarised as follows:		
	<i>31 December 2021 Units</i>	<i>31 December 2020 Units</i>
<b>UNITS AT THE START AND END OF THE YEAR</b>	<b>162,881,100</b>	162,881,100

**BONYAN REIT FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL COMPANY)**  
**STATEMENT OF CASH FLOWS**  
For year ended 31 December 2021

	<i>Note</i>	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income before Zakat for the year		<b>67,811,191</b>	47,715,636
<i>Adjustment for:</i>			
Depreciation expense on furniture and equipment	12	<b>2,967,117</b>	2,612,543
Amortisation expense on intangibles	11	<b>188,469</b>	227,628
Depreciation expense on investment properties	13	<b>41,493,922</b>	42,179,317
Impairment reversal on investment properties	13	<b>52,848</b>	(8,197,727)
Net gain on investment at FVTPL, net	8	<b>(584)</b>	(670,229)
Allowance for expected credit losses	9	<b>3,486,357</b>	1,849,881
Finance cost		<b>8,459,795</b>	3,488,914
Loss on Disposal of intangible assets		<b>1,761</b>	
<b>Operating cash flows before working capital changes</b>		<b>124,460,876</b>	89,205,963
<b>Changes in operating assets</b>			
Rental income receivable		<b>(16,251,752)</b>	(19,379,557)
Prepayment and other assets		<b>(1,731,787)</b>	(391,374)
Due from related parties		<b>3,049,432</b>	(3,055,661)
<b>Changes in operating liabilities</b>			
Deferred rental income		<b>(865,598)</b>	(1,653,463)
Management fee payable		<b>682,939</b>	(420,164)
Accrued expenses and other liabilities		<b>(3,530,470)</b>	6,852,889
Zakat paid	19	<b>(2,334,286)</b>	(2,437,282)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b>103,479,354</b>	68,721,351
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Addition of intangible assets	11	<b>(1,080,176)</b>	-
Addition of furniture and equipment	12	<b>(1,086,927)</b>	(1,828,549)
Addition of investment properties	13	<b>(109,174,985)</b>	(802,954)
Subscription of investments measured at FVTPL	8	-	(178,800,000)
Proceeds from redemption of investments measured at FVTPL	8	-	179,400,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(111,342,088)</b>	(2,031,503)
<b><u>CASH FLOWS FROM FINANCING ACTIVITY</u></b>			
Bank borrowings	14	<b>193,500,000</b>	189,210,000
Bank borrowings repaid	14	<b>(3,050,000)</b>	
Due to related parties	15	-	(186,160,000)
Finance cost paid		<b>(7,464,030)</b>	(2,274,479)
Dividends paid, net off unclaimed dividend	21	<b>(104,243,904)</b>	(64,995,981)
<b>NET CASH USED IN FINANCING ACTIVITY</b>		<b>78,742,066</b>	(64,220,460)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>70,879,332</b>	2,469,388
Cash and cash equivalents at the beginning of the year		<b>36,022,448</b>	33,553,060
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	7	<b>106,901,780</b>	36,022,448

The accompanying notes 1 to 27 form an integral part of these financial statements.



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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 Stock 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 period, the terms and conditions has been updated on 19 Rajab 1442H (corresponding to 3 March 2021).

AlBilad Investment Company is the Custodian for 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”) 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”).

#### 3.2 *Basis of measurement*

The financial statements have been prepared on a historical cost basis, using the accruals basis of accounting except for investments that are measured at fair value through profit or loss.

#### 3.3 *Functional and presentation currency*

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

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#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2020.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and bank balances and are available for use by the Fund unless otherwise stated.

##### **Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### ***Initial recognition***

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

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

##### ***Classification***

The Fund classifies its financial assets under the following categories:

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

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

The Fund measures financial 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 these financial liabilities approximates their carrying values at the reporting date.

##### ***Derecognition of financial instruments***

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

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

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

##### ***Offsetting of financial instruments***

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

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*Impairment of financial assets*

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

*Fair value measurement*

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

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

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

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

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

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

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

For assets and liabilities that are 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 22.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Investment properties***

Investment properties are real estate that are held for capital appreciation and/or rental yields are recorded as investment properties. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over its estimated useful life. Any capital expenditure incurred post acquisition on investment properties is depreciated on straight line basis over its estimated useful life.

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

***Intangible assets***

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

***Furniture and equipment***

Furniture and equipment includes air conditioners, computers and printers, electrical tools, furniture and fixtures, office and electrical equipment. Furniture and equipment are initially capitalised at cost and subsequently at cost less accumulated depreciation and accumulated impairment if any. Depreciation is computed using the straight-line method. The cost less residual value of furniture and equipment is depreciated over its estimated useful life.

***Estimated useful life***

The estimated useful life for investment properties, intangible assets and furniture and equipment is as below:

- Investment properties – 20 to 50 years
- Intangible assets – 5 to 20 years
- Furniture and equipment – 3 to 10 years

***Impairment of non-current assets***

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is 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 payables are recognised initially at fair value and subsequently measured at amortised cost.

***Provision***

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

***Revenue recognition***

***Rental income***

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

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**4. SUMMARY OF 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 recognised at fair value. Borrowings are subsequently measured at amortised cost.

**Net assets value**

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the REIT by the number of units in issue at the period-end.

**Dividend distribution**

As per the regulations, the distributed profits to unitholders must not be less than (90%) of the fund's annual net profits. Accordingly, the fund distributes dividends on semi-annual basis. Unclaimed dividends are disclosed under other liabilities in the statement of financial position.

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New standards, amendments and interpretations issued and effective from 1 January 2021**

At the date of authorisation of the financial statements, there were a number of standards and interpretations which were in issue but not yet effective. The Fund is assessing the impact of these standards and anticipates that the adoption of these standards and interpretations in future periods will not have a significant impact on its financial statements.

<u>Description</u>	<u>Effective Date</u>
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

In the opinion of the Fund Board, these standards, amendments to standards and interpretations are not expected to impact the Fund as the Fund has no application to the above-mentioned standards.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

***Going concern***

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

***Impairment of non-financial assets***

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

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

***Valuation of investment properties***

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

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

*Valuation of investment properties (continued)*

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

The valuation models have been applied in accordance with the recommendations of the International Valuation Standards Committee. The Fund manager has concluded that the valuation models used by the Fund are consistent with the principles in IFRS 13. These models comprise land plus cost method, residual value method and the discounted cash flow (“DCF”) method.

Under the DCF method, a property’s fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset’s life including estimated rental income and an exit or terminal value. This involves the projection of a series of cash flows to which an appropriate, market-derived discount rate is applied to establish the present value of the income stream (see note 23).

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

The REIT’s management determines the estimated residual value and useful lives of its investment properties, furniture and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation and/or amortisation 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 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.

**6. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

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

<u>Description</u>	<u>Effective Date</u>
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Leases: COVID-19-Related rent concessions (Amendments to IFRS 16)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Accounting Policies, Changes in Accounting Estimates and Errors: Definitions of accounting estimates (Amendments to IAS 8)	1 January 2023
IFRS 17 — Insurance Contracts	1 January 2023

In the opinion of the Fund Board, these standards, amendments to standards and interpretations are not expected to impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

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**7. CASH AND CASH EQUIVALENTS**

Cash and cash equivalent comprised of the following:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Bank balance	<b>106,866,235</b>	35,972,448
Cash in hand	<b>35,545</b>	50,000
	<b>106,901,780</b>	36,022,448

The bank balances includes the cash in a current account maintained with Banque Saudi Fransi (Note 15). The management has conducted a review of these balance, as required under IFRS 9 and based on such an assessment, the management believes that there is no need for loss allowance against the carrying value of bank balances.

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

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

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Financial assets measured at fair value through profit or loss (FVTPL)		
Al Badr Murabaha Fund	<b>2,907</b>	2,886
Riyadh SAR Trade Fund	<b>70,762</b>	70,199
	<b>73,669</b>	73,085

The following is the movement in investments during the year:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Balance at beginning of the year	<b>73,085</b>	2,856
Additions during the year	-	178,800,000
Sold during the year	-	(179,400,000)
Realised gain on FVTPL investment, net	-	669,584
Unrealised gain on FVTPL investments for the year	<b>584</b>	645
Balance at the end of the year	<b>73,669</b>	73,085
<b>Movement in unrealised gain on FVTPL investment, net</b>		
Balance at the beginning of the year	<b>674</b>	29
Less: balance at the end of the year	<b>(1,258)</b>	(674)
Unrealised gain on FVTPL investments for the year	<b>584</b>	645

During the year, the Fund subscribed Nil units (2020: 81,403 units) and redeemed Nil units (2020: 81,371 units) of Riyadh SAR Trade Fund.

As at 31 December 2021, the Fund has an investments of 184 units (2020: 184 units) in Al Badr Murabaha Fund and 32 units (2020: 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.



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**9. RENTAL INCOME RECEIVABLE, NET**

Rental income receivable comprised of the following:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Rental income receivable	<b>91,318,286</b>	75,066,534
Less: Allowance for expected credit losses (ECL)	<b>(8,786,640)</b>	(5,300,283)
	<b>82,531,646</b>	69,766,251

The movement in loss allowance is as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Opening balance	<b>5,300,283</b>	3,450,402
Charged during the year	<b>3,486,357</b>	1,849,881
Balance at the end of the year	<b>8,786,640</b>	5,300,283

Below is the aging analysis of gross rental income receivables:

0-3 months	<b>31,338,904</b>	43,486,756
3-12 months	<b>48,269,088</b>	19,776,753
Over 365 days	<b>11,710,294</b>	11,803,025
Balance at the end of the year	<b>91,318,286</b>	75,066,534

**10. PREPAYMENT AND OTHER ASSETS**

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Prepaid insurance	<b>48,233</b>	1,034,740
Other prepaid expenses and other assets	<b>4,952,025</b>	3,572,853
Advance payment to suppliers	<b>5,071,820</b>	5,144,540
VAT input credit	<b>2,512,698</b>	1,100,855
	<b>12,584,776</b>	10,852,988

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**11. INTANGIBLE ASSETS**

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
<b>Cost</b>		
Balance at the beginning of the year	<b>1,099,350</b>	1,099,350
Additions during the year	<b>1,080,176</b>	-
Disposals during the year	<b>(40,500)</b>	-
	<hr/>	<hr/>
Balance at the end of the year	<b>2,139,026</b>	1,099,350
	<hr/> <hr/>	<hr/> <hr/>
<b>Accumulated amortisation</b>		
Balance at the beginning of the year	<b>(537,320)</b>	(309,692)
Charge during the year	<b>(188,469)</b>	(227,628)
Reversal of accumulated depreciation due to disposals	<b>38,738</b>	-
	<hr/>	<hr/>
Balance at the end of the year	<b>(687,051)</b>	(537,320)
	<hr/>	<hr/>
<b>Net book value at the end of the year</b>	<b>1,451,975</b>	562,030
	<hr/> <hr/>	<hr/> <hr/>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**12. FURNITURE AND EQUIPMENT**

	<i>31 December 2021</i>		
	<i>Furniture and equipment SR</i>	<i>Capital work in progress SR</i>	<i>Total SR</i>
<b>Cost</b>			
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>
<b>Accumulated depreciation</b>			
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><u>2,259,463</u></u>	<u><u>61,625</u></u>	<u><u>2,321,088</u></u>
	<i>31 December 2020</i>		
	<i>Furniture and equipment SR</i>	<i>Capital work in progress SR</i>	<i>Total SR</i>
<b>Cost</b>			
Balance at the beginning of the year	11,517,717	9,664,094	21,181,811
Additions during the year	1,223,042	605,507	1,828,549
Fixed assets write off	(600,379)	-	(600,379)
Transfer out to building** (note 13)	-	(10,207,976)	(10,207,976)
Balance at the end of the year	<u>12,140,380</u>	<u>61,625</u>	<u>12,202,005</u>
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	(5,988,563)	-	(5,988,563)
Charge for the year	(2,612,543)	-	(2,612,543)
Reversal of accumulated depreciation due to fixed asset write off	600,379	-	600,379
Balance at the end of the year	<u>(8,000,727)</u>	<u>-</u>	<u>(8,000,727)</u>
Net book value at the end of the year	<u><u>4,139,653</u></u>	<u><u>61,625</u></u>	<u><u>4,201,278</u></u>

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

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**13. INVESTMENT PROPERTIES**

	<i>31 December 2021</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
<b>Cost</b>			
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>
<b>Accumulated depreciation and impairment</b>			
Balance at the beginning of the year	-	(181,041,163)	(181,041,163)
Charge for the year	-	(41,493,922)	(41,493,922)
Reversal of impairment loss	-	(52,848)	(52,848)
Balance at the end of the year	<u>-</u>	<u>(222,587,933)</u>	<u>(222,587,933)</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>
	<i>31 December 2020</i>		
	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
<b>Cost</b>			
Balance at the beginning of the year	243,843,205	1,543,466,354	1,787,309,559
Additions during the year	-	802,954	802,954
Transfer in from capital work in progress (Note 12)	-	10,207,976	10,207,976
Balance at the end of the year	<u>243,843,205</u>	<u>1,554,477,284</u>	<u>1,798,320,489</u>
<b>Accumulated depreciation and impairment</b>			
Balance at the beginning of the year	-	(147,059,573)	(147,059,573)
Charge for the year	-	(42,179,317)	(42,179,317)
Reversal of impairment loss	-	8,197,727	8,197,727
Balance at the end of the year	<u>-</u>	<u>(181,041,163)</u>	<u>(181,041,163)</u>
Net book value at the end of the year	<u><u>243,843,205</u></u>	<u><u>1,373,436,121</u></u>	<u><u>1,617,279,326</u></u>

The investment properties represent following ten properties namely:

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

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**13. INVESTMENT PROPERTIES (CONTINUED)**

- The Al Rashid Strip Mall investment, a freehold property acquired by the Fund, is located in Riyadh and is classified as in the Commercial sector.
- The 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.
- During the year, the Fund has acquired a newly constructed office tower (a freehold property) leased to a Government Entity. The property is located in Sahafa District on al-Olaya Street on a total land size spanning 3,330 square metres, with a total built -up area of 16,643.96 square metres and total GLA of 9,260 square metres.

The investment properties are held in the name of “Bonyan Real Estate Fund One Person LLC Company” (“Special Purpose Vehicle - SPV”) which is owned by the AlBilad Investment Company (“Custodian of the Fund”). The properties are held by the SPV on behalf of the Fund.

**14. BANK BORROWINGS**

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
	<u>                    </u>	<u>                    </u>
<b>Borrowings</b>		
Balance at the beginning of the year	<b>189,210,000</b>	--
Addition during the year	<b>193,500,000</b>	189,210,000
Paid during the year	<b>(3,050,000)</b>	--
	<u>                    </u>	<u>                    </u>
Balance at the end of the year	<b>379,660,000</b>	189,210,000
	<u>                    </u>	<u>                    </u>
<b>Accrued finance cost</b>		
Balance at the beginning of the year	<b>1,216,655</b>	--
Charge for the year	<b>8,459,795</b>	3,488,914
Paid during the year	<b>(7,464,030)</b>	(2,274,479)
	<u>                    </u>	<u>                    </u>
	<b>2,212,420</b>	1,214,435
<b>Receivable from related party (note 15)</b>		
Balance at the beginning of the year	<b>2,220</b>	--
Charged for the year	<b>38,003</b>	2,220
Received during the year	<b>(40,223)</b>	--
	<u>                    </u>	<u>                    </u>
	<b>--</b>	2,220
	<u>                    </u>	<u>                    </u>
Balance at the end of the year	<b>2,212,420</b>	1,216,655
	<u>                    </u>	<u>                    </u>
Balance at the end of the year	<b>381,872,420</b>	190,426,655
	<u>                    </u>	<u>                    </u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
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**14. BANK BORROWINGS (CONTINUED)**

The borrowings from bank represents Islamic financing obtained from a local bank (ANB). The Fund obtained financing at Saudi Interbank Offer Rate (SIBOR) plus spread. The profit mark-up / bank commission is payable on semi-annual basis and the principal is due for payment as one bullet payment during April 2025, except for SAR 86,678,750 which is payable on 31 July 2022.

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

**15. RELATED PARTY TRANSACTIONS AND BALANCES**

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

Related parties include Saudi Fransi Capital (the “Fund Manager”), Banque Saudi Fransi (the “Bank” and a shareholder of the Fund Manager), Saudi Bonyan Company (being the property manager of the investment properties), the Funds’ Board of 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.

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**15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

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

Related party	Nature of transaction	Amount of transactions		Balances	
				Receivables/(Payables)	
		For the year ended 31 December 2021 SR	For the year ended 31 December 2020 SR	31 December 2021 SR	31 December 2020 SR
Saudi Fransi Capital (Fund manager)	Asset management fee (see note "a")	<b>(7,153,725)</b>	(7,270,658)	<b>(2,065,155)</b>	(1,382,216)
	Receivable of finance cost		2,220		2,220
Banque Saudi Fransi	Cash and cash equivalents	-	-	<b>96,432,680</b>	29,339,893
	Dividend distribution charges	<b>(34,235)</b>	(39,026)	<b>(25,074)</b>	(25,074)
Board of Directors	Board fees to independent board members	<b>(200,000)</b>	(120,000)	-	-
Al Badr Murabaha Fund (managed by Fund Manager)	Investments (see note "b")	-	-	<b>2,907</b>	2,886
	Unrealised gain on investments measured at FVTPL	<b>21</b>	30	-	-
Saudi Bonyan Company	Property management fee	<b>(9,699,894)</b>	7,477,044	<b>(2,001,488)</b>	(1,346,049)
	Property operating expenses	<b>(52,243,400)</b>	31,453,335	<b>(10,033,206)</b>	(13,409,351)
	Advances to supplier	-	-	<b>5,071,820</b>	5,071,820
	Cash collected against old rental receivables	<b>205,406</b>	2,308,343	-	-
	Cash paid against old rental received	<b>(2,308,343)</b>		-	
	Others	-	(671)	<b>6229</b>	-
Abdul Rahman Saad (Payment)/initial Al Rashid & Sons Company ("ARTAR")	acquisition of investment properties	-	(186,160,000)	-	-
	Addition to investment properties	-	802,954	-	-
	Capital work in progress		605,507		
	Receivable against VAT assessment (see note "c")	-	-	-	3,053,441

- (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 2021, the Fund has an investment of 184 (2020: 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.
- (c) During the prior year, the Fund was subject to a VAT audit by Zakat, Tax and Custom Authority (ZATCA) for the period / year 2018 and 2019. ZATCA claimed SR 3,053,441 which is the output VAT that pertains to the revenues of the Fund for the period from July to October 2018 (transition period). ARTAR, being the seller of the real estate assets, already discharged the VAT liability on the said amount of revenues to ZATCA on behalf of the Fund during this transition period. However, ZATCA opined that the VAT should have been paid by the entity responsible.

The Fund Manager sought an independent advice (cost borne by the fund manager) with regard to the recoverability of the amount paid to ZATCA. Based on the advice received, SR 3,053,441 was paid by the Fund in December 2020 and a receivable by the Fund from ARTAR had been booked which is expected to recover the amount from ZATCA. Subsequent to 30 June 2021, the Fund received an amount of SR 3.05 million from ARTAR.

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**16. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
Trade and other payables	3,165,112	2,443,813
Property management fee	2,001,488	1,346,059
Property operating expenses	10,033,206	13,409,351
Accrued expenses and other liabilities	8,026,143	12,526,392
Furniture, fixture and equipment maintenance	8,398,947	6,573,042
Advance from customers	5,325,260	5,067,463
VAT output	2,870,056	2,040,418
Custody fees	100,227	200,548
Audit fees	70,000	84,000
Property valuation fee	174,283	80,000
Other payables	307,969	232,075
	<b>40,472,691</b>	<b>44,003,161</b>

**17. INCOME FROM INVESTMENT PROPERTIES, NET**

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
<b>Income from investment properties</b>		
Lease rental income on investment properties excluding hotels	181,727,723	133,403,368
Revenue from hotel services	28,384,671	30,290,713
Other income – ancillary services	9,364,667	7,792,105
	<b>219,477,061</b>	<b>171,486,186</b>
Operational costs for investment properties	<b>(85,961,015)</b>	<b>(73,510,871)</b>
<b>Net income from investment properties</b>	<b>133,516,046</b>	<b>97,975,315</b>

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

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

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

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
Not later than one year	103,505,340	72,351,692
Later than one year and less than five years	164,451,370	119,109,138
Later than five years	146,195,690	198,784,457
	<b>414,152,400</b>	<b>390,245,287</b>



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**18. OTHER EXPENSES**

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
Registration fee	<b>400,000</b>	400,000
Custody fess	<b>400,000</b>	400,000
Property valuation fees	<b>234,000</b>	234,000
Listing fees	<b>300,000</b>	300,000
Audit fees	<b>140,000</b>	110,000
Board and committee fee	<b>200,000</b>	120,000
Bank and dividend processing charges	<b>111,248</b>	61,995
Publishing fee	<b>10,000</b>	-
Regulatory fee	<b>7,500</b>	7,500
Others	<b>273,325</b>	238,346
	<b>2,076,073</b>	1,871,841

**19. ZAKAT**

**a) Basis for Zakat:**

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

**b) Zakat charge for the year:**

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
<i>Zakat charge during the year</i>		
Zakat charge for the current year	<b>2,379,580</b>	2,304,597
Zakat due to under / (over) provision for the prior year	<b>29,689</b>	(2,837)
	<b>2,409,269</b>	2,301,760

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

	<i>31 December</i> <i>2021</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>SR</i>
Balance at the opening of the year	<b>2,304,597</b>	2,440,119
Provision for the year	<b>2,379,580</b>	2,304,597
Zakat due to under / (over) provision for the prior year	<b>29,689</b>	(2,837)
Payments during the year	<b>(2,334,286)</b>	(2,437,282)
Balance at the end of the year	<b>2,379,580</b>	2,304,597

**d) Status of annual return and assessments:**

The Fund would file the annual return for the year ended 31 December 2021 within the stipulated timelines as specified under the Zakat regulations issued by Zakat, Tax and Customs Authority (“ZATCA”).

## **20. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES**

### ***Risk management***

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

### ***Risk measurement and reporting system***

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

### ***Risk mitigation***

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

### **Market risk**

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia and United Arab Emirates, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the country, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory changes, and the geopolitical environment. The Asset Management Department of the Fund Manager monitors the impact of the factors stated above on the REIT.

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

**Credit risk**

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

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Bank balances	<b>106,901,780</b>	36,022,448
Rental income receivable, net	<b>82,531,646</b>	69,766,251
Due from related party	<b>6,229</b>	3,055,661
	<b>189,439,655</b>	108,844,360

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

**Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through use of available cash balance, liquidation of the investment portfolio or by taking short to medium term loans from the Fund Manager and /or Banks. The table below summarises the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

	<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	<b>106,901,780</b>	-	<b>106,901,780</b>
Rental income receivable, net	<b>82,531,646</b>	-	<b>82,531,646</b>
Investment measured at fair value through profit or loss (FVTPL)	<b>73,669</b>	-	<b>73,669</b>
Investment properties	-	<b>1,684,907,541</b>	<b>1,684,907,541</b>
Furniture and equipment	-	<b>2,321,088</b>	<b>2,321,088</b>
Intangible assets	-	<b>1,451,975</b>	<b>1,451,975</b>
Due from related party	-	<b>6,229</b>	<b>6,229</b>
Total assets	<b>189,507,095</b>	<b>1,688,686,833</b>	<b>1,878,193,928</b>
Management fee payable	<b>2,065,155</b>	-	<b>2,065,155</b>
Accrued expenses and other liabilities	<b>40,472,691</b>	-	<b>40,472,691</b>
Provision for Zakat	<b>2,379,580</b>	-	<b>2,379,580</b>
Bank borrowing	<b>88,891,170</b>	<b>292,981,250</b>	<b>381,872,420</b>
Total liabilities	<b>133,808,596</b>	<b>292,981,250</b>	<b>426,789,846</b>
<b>Surplus</b>	<b>55,698,499</b>	<b>1,395,705,583</b>	<b>1,451,404,082</b>

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**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Liquidity risk (continued)**

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

**Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The fund's functional and presentation currency is Saudi Riyal, with some transactions in UAE Dirham, which is mainly related to Investment property located in the United Arab Emirates. UAE Dirham has a stable exchange rate to Saudi Riyal. The Fund is not consequently exposed to any material currency risk.

**Investment property price risk**

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

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**21. DIVIDEND/DISTRIBUTION**

In accordance with the approved terms and conditions of the Fund, on 23 May 2021, the Fund's Board of Directors approved to distribute dividends with regards to period from 01 November 2020 till 30 April 2021 amounting to SR 0.32 per unit amounted to SR 52.12 million.

Moreover, the Fund's Board of Directors approved to distribute dividends on 13 December 2021, with regards to period from 1 May 2021 till 30 November 2021 amounting to SR 0.32 per unit amounted to SR 52.12 million.

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

*Determination of fair value and fair value hierarchy*

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

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

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

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

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

The Fund's financial assets consist of 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.

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>	
<b>31 December 2021</b>					
Financial assets measured at FVTPL	<b>73,669</b>	<b>73,669</b>	-	-	<b>73,669</b>
	<b>73,669</b>	<b>73,669</b>	-	-	<b>73,669</b>
<b>31 December 2020</b>					
Financial assets measured at FVTPL	73,085	73,085	-	-	73,085
	73,085	73,085	-	-	73,085

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 2021, 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.

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

In accordance with Article 22 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent valuers. As set out in the terms and conditions of the Fund, the net asset values declared are based on the market value obtained. However, in accordance with International Accounting 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>
<b>31 December 2021</b>			
Investment properties	<b>1,895,962,200</b>	<b>2,220,685,000</b>	<b>2,058,323,600</b>
	<b>1,895,962,200</b>	<b>2,220,685,000</b>	<b>2,058,323,600</b>
	<i>First Appraiser</i>	<i>Second Appraiser</i>	<i>Average</i>
<b>31 December 2020</b>			
Investment properties	1,789,369,340	2,058,108,000	1,923,738,670
	1,789,369,340	2,058,108,000	1,923,738,670

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

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Estimated fair value of investment properties	<b>2,058,323,600</b>	1,923,738,670
Book value of investment properties	<b>(1,684,907,541)</b>	(1,617,279,326)
Less: present value of purchase option on Rashid Mall Abha	<b>(106,644,042)</b>	(104,780,809)
Estimated fair value in excess of book value	<b>266,772,017</b>	201,678,535
Units in issue (numbers)	<b>162,881,100</b>	162,881,100
Value per unit relating to excess of estimated fair value over book value of investment properties	<b>1.6378</b>	1.2382

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

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

<i>Net asset value</i>	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Net asset value as per the financial statements	<b>1,390,852,977</b>	1,429,694,959
Estimated fair value in excess of book value of investment properties	<b>266,772,017</b>	201,678,535
Net asset value based on fair valuation of investment properties	<b>1,657,624,994</b>	1,631,373,494
<i>Net asset value per unit</i>		
Net asset value per unit as per the financial statements	<b>8.5391</b>	8.7775
Estimated fair value in excess of book value of investment properties	<b>1.6378</b>	1.2382
Net asset value per unit based on fair valuation of investment properties	<b>10.1769</b>	10.0157

**24. 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.

The Fund's total assets, investment properties and liabilities as at 31 December 2021 and 2020, its total operating income and expense, and the results for the years then ended, by operating segment, are as follows:

	<i>31 December 2021</i>				
	<i>Commercial Centres</i>	<i>Residential</i>	<i>Hospitality</i>	<i>Others</i>	<i>Total</i>
Total assets	<b>1,040,701,201</b>	<b>419,833,454</b>	<b>222,469,820</b>	<b>207,774,229</b>	<b>1,890,778,704</b>
Investment properties	<b>978,152,090</b>	<b>418,826,616</b>	<b>182,061,919</b>	<b>105,866,916</b>	<b>1,684,907,541</b>
Total liabilities	<b>85,031,642</b>	<b>12,112,098</b>	<b>11,366,170</b>	<b>391,415,817</b>	<b>499,925,727</b>
Total operating income	<b>105,316,945</b>	<b>4,017,186</b>	<b>21,681,915</b>	<b>2,673,451</b>	<b>133,689,497</b>
Total expense	<b>3,104,574</b>	-	<b>381,881</b>	<b>17,689,495</b>	<b>21,175,950</b>
Net income/(loss) for the year	<b>73,856,029</b>	<b>13,387,868</b>	<b>(2,007,125)</b>	<b>(19,834,850)</b>	<b>65,401,922</b>
<i>31 December 2020</i>					
	<i>Commercial Centres</i>	<i>Residential</i>	<i>Hospitality</i>	<i>Others</i>	<i>Total</i>
Total assets	1,088,806,220	423,976,276	202,742,956	26,287,615	1,741,813,067
Investment properties	1,024,591,737	418,020,386	174,667,203	-	1,617,279,326
Total liabilities	90,599,340	16,312,653	10,026,553	195,179,562	312,118,108
Total operating income	68,261,595	23,699,498	6,387,369	670,229	99,018,691
Total expense	1,745,493	-	104,388	12,631,413	14,481,294
Net income/(loss) for the year	39,775,036	13,772,711	6,386,290	(14,520,161)	45,413,876

**25. SIGNIFICANT EVENTS AFTER REPORTING DATE**

Subsequent to the statement of financial position date, following events have occurred:

- In January 2022, the Fund Manager announced the acquisition of a property (Office building) located in Al-Ghadeer District on Al-Sail Al-Kabeer Road on a total land size spanning 4,360 square meters, with a total built-up area of 13,261 square meters. The purchase price of the property is SAR 75 million. The acquisition was financed through Shariah-compliant loan facility. The office building is leased to Alkhaleej Training and Education Company.

**26. LAST VALUATION DAY**

The last valuation day of the year was 30 December 2021 (2020: 31 December 2020).

**27. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board of Directors on 28 Shaban 1443H (corresponding to 31 March 2022).



