

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)
FINANCIAL STATEMENTS
31 December 2020

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**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SWICORP WABEL REIT FUND
(Managed by SWICORP Company)**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SWICORP Wabel REIT Fund (the "Fund") being managed by SWICORP Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the related statements of comprehensive income, cash flows and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") 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 ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements 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 judgment, 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
TO THE UNITHOLDERS OF SWICORP WABEL REIT FUND
(Managed by SWICORP Company) (continued)**

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
<p>Valuation of investment properties</p> <p>The Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia.</p> <p>Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p> <p>Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.</p> <p>For assessing the impairment of investment properties, the Fund management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis.</p> <p>We considered this a key audit matter since the assessment of impairment requires significant judgment by the Fund's management and assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties based on the independent valuation reports. The Fund's management have determined that the recoverable amount of investment properties at the end of the year was lower than the carrying value of the related investment properties and an impairment of SR 151,354,068 (2019: impairment reversal of SR 46,880,973) was recognized in the statement of comprehensive income during the year.</p> <p><i>The Fund's policies for investment properties are disclosed in note 5.7 and related disclosures about the above-mentioned key audit matter are included in notes 7 and 8 of the accompanying financial statements.</i></p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> - We assessed the professional qualification, competence and expertise of the Fund's independent valuers, also ensured that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM); - We reviewed the assumptions and methodologies used in valuing the investment properties by the Fund's independent valuers and also obtained the Fund Managers involvement in the valuation process to assess whether appropriate oversight was performed; - We reviewed the methodology, assumptions and key factors used in valuing the investment properties by hiring an independent valuation expert; - We reconciled the average fair value of the investment properties as per note 8 of the accompanying financial statements to the external valuers' reports; - We assessed the recoverable amount which is higher of fair value and value in use of the related investment properties as per the above mentioned valuation reports and ensured that appropriate impairment was recognized in the statement of comprehensive income during the year; and - We have also reviewed the adequacy of the investment properties disclosures included in the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SWICORP WABEL REIT FUND
(Managed by SWICORP Company) (continued)**

Other Information included in the Fund's 2020 Annual Report

Other information consists of the information included in the Fund's 2020 annual report, other than the financial statements and our auditor's report thereon. The Fund Manager is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we do 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 when it becomes available 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. If, based on the work we have performed, we conclude that there is a material misstatement in other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement issued by SOCPA, and for such internal control as the 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, the 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 the 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 ISA 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 ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF SWICORP WABEL REIT FUND
(Managed by SWICORP Company) (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid
 Certified Public Accountant
 Registration No. 438

Riyadh: 15 Sha'ban 1442H
 (28 March 2021)



SWICORP WABEL REIT FUND
(Managed by SWICORP Company)
STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2020 SR	31 December 2019 SR
ASSETS			
NON-CURRENT ASSETS			
Right-of-use assets	6	7,638,444	8,117,812
Investment properties	7	908,547,393	1,087,701,256
TOTAL NON-CURRENT ASSETS		916,185,837	1,095,819,068
CURRENT ASSETS			
Prepayment and other receivables	9	10,908,610	1,031,707
Rental income receivable	10	29,005,923	37,199,616
Amounts due from a related party	11	4,929,167	52,283,998
Cash and cash equivalents	12	21,333,060	333,756
TOTAL CURRENT ASSETS		66,176,760	90,849,077
TOTAL ASSETS		982,362,597	1,186,668,145
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	6	7,338,538	7,647,321
CURRENT LIABILITIES			
Current portion of lease liabilities	6	650,000	650,000
Amounts due to related parties	11	1,867,487	125,749
Unearned income	13	19,779,639	25,837,783
Accrued expenses	14	419,968	918,294
Zakat payable	15	1,878,880	1,980,825
Dividend payable	24	2,705,774	-
TOTAL CURRENT LIABILITIES		27,301,748	29,512,651
TOTAL LIABILITIES		34,640,286	37,159,972
NET ASSETS		947,722,311	1,149,508,173
Units in issue (number)	16	118,000,000	118,000,000
Per unit value (SR)	8	8.03	9.74
Per unit fair value (SR)	8	8.03	9.86

The accompanying notes from 1 to 28 form an integral part of these financial statements.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)
STATEMENT OF COMPREHENSIVE INCOME

		<i>For the year ended 31 December 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
INCOME			
Rental income from investment properties	17	54,166,502	91,684,951
TOTAL INCOME		54,166,502	91,684,951
EXPENSES			
Management fee	11	(7,904,363)	(8,506,286)
Custodian fee		(443,582)	(546,525)
Board oversight fee	11	(41,086)	(20,000)
Property manager fee and operating expenses	11	(17,791,890)	(22,331,130)
Allowance for expected credit losses	10	(2,931,914)	(17,959,611)
General and administrative expenses	18	(35,697,389)	(39,775,547)
TOTAL EXPENSES		(64,810,224)	(89,139,099)
OPERATING (LOSS) / PROFIT		(10,643,722)	2,545,852
Other income	11	12,000,000	12,000,000
Finance charges	6	(341,217)	(352,761)
Realized gain on financial assets at fair value through profit or loss		-	199,315
PROFIT FOR THE YEAR		1,015,061	14,392,406
Impairment (loss) / reversal on investment properties	7	(151,354,068)	46,880,973
(LOSS) / PROFIT FOR THE YEAR AFTER IMPAIRMENT AND BEFORE ZAKAT		(150,339,007)	61,273,379
Zakat	15	(706,855)	(1,980,825)
NET (LOSS) / PROFIT FOR THE YEAR AFTER ZAKAT		(151,045,862)	59,292,554
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(151,045,862)	59,292,554

The accompanying notes from 1 to 28 form an integral part of these financial statements.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF CASH FLOWS

		<i>For the year ended 31 December 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit for the year before zakat		(150,339,007)	61,273,379
<i>Adjustments to reconcile (loss) / profit to net cash flows:</i>			
Depreciation on investment properties	7	32,071,667	36,905,352
Depreciation on right-of-use assets	6	479,368	476,748
Gain on sale of financial assets at fair value through profit or loss		-	(199,315)
Impairment / (reversal) on investment properties	7	151,354,068	(46,880,973)
Allowance for expected credit losses	10	2,931,914	17,959,611
Finance charges	6	341,217	352,761
		36,839,227	69,887,563
<i>Working capital adjustments:</i>			
Prepayment and other receivables	9	(9,876,903)	(1,031,707)
Rental income receivable	10	5,261,779	(37,034,686)
Amounts due from a related party	11	40,586,631	(28,095,770)
Unearned income	13	(6,058,144)	4,924,231
Amounts due to related parties	11	1,741,738	(5,431,126)
Accrued expenses	14	(498,326)	667,500
Cash flows provided by operating activities		67,996,002	3,886,005
Zakat paid	15	(808,800)	-
Net cash flows provided by operating activities		67,187,202	3,886,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties	7	(4,271,872)	(1,467,896)
Sale of money market securities		-	30,425,647
Net cash flows (used in) / provided by investing activities		(4,271,872)	28,957,751
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liabilities paid	6	(650,000)	(650,000)
Dividends paid	24	(41,266,026)	(31,860,000)
Net cash flows used in financing activities		(41,916,026)	(32,510,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		20,999,304	333,756
Cash and cash equivalents at the beginning of the year	12	333,756	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	12	21,333,060	333,756
NON-CASH TRANSACTIONS			
Principal portion of the lease liabilities	6	7,638,444	8,117,812
Dividend netted off with amounts due from a related party	11,24	6,768,200	-

The accompanying notes from 1 to 28 form an integral part of these financial statements.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF CHANGES IN NET ASSETS

	<i>Fund units SR</i>	<i>Cumulative loss SR</i>	<i>Total unitholders' net assets SR</i>
Net asset value attributed to the unitholders at 31 December 2018	1,180,000,000	(57,924,381)	1,122,075,619
Profit for the year	-	59,292,554	59,292,554
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	59,292,554	59,292,554
Dividend distribution (note 24)	-	(31,860,000)	(31,860,000)
Net asset value attributed to the unitholders at 31 December 2019	1,180,000,000	(30,491,827)	1,149,508,173
Loss for the year	-	(151,045,862)	(151,045,862)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(151,045,862)	(151,045,862)
Dividend distribution (note 24)	-	(50,740,000)	(50,740,000)
Net asset value attributed to the unitholders at 31 December 2020	<u>1,180,000,000</u>	<u>(232,277,689)</u>	<u>947,722,311</u>

Transactions in units for the year ended are summarized as follows:

	<i>Note</i>	<i>For the year ended 31 December 2020 SR</i>	<i>For the year ended 31 December 2019 SR</i>
UNITS AT THE BEGINNING OF THE YEAR	16	118,000,000	118,000,000
- Subscription of units - cash		-	-
- Subscription of units - for other than cash		-	-
UNITS AT THE END OF THE YEAR	16	118,000,000	118,000,000
NET ASSETS VALUE PER UNIT AT THE END OF THE YEAR	8	8.03	9.74

The accompanying notes from 1 to 28 form an integral part of these financial statements.

SWICORP WABEL REIT FUND

(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1 CORPORATE INFORMATION

SWICORP WABEL REIT Fund (the "Fund") is a closed-ended real estate investment traded fund established on 23 Rajab 1439H (corresponding to 9 April 2018). The Fund is listed on the Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations on 24 Dhul Qadah 1439H (corresponding to 6 August 2019). The Capital of the Fund is SR 1,180,000,000 divided into 118,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the CMA.

The Fund is being managed by SWICORP Company (the "Fund Manager"), a closed joint stock company licensed by Capital Market Authority of the Kingdom of Saudi Arabia with commercial registration number 1010233360, and an Authorized Person license number 12161-37. The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in the Kingdom of Saudi Arabia, excluding the Holy cities of Makkah and Madinah.

While the Fund will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects in a value not exceeding 25% of the Fund's total asset value with the aim of achieving an increase in value per unit; provided that:

- (i) at least 75% of the Fund's total assets are invested in developed real estate assets which generate periodic income and;
- (ii) the Fund shall not invest in white land.

In addition, the Fund can also invest up to 25% of the total value of the Fund according to the latest audited financial statements in each of the following, provided that all these investments are Shariah compliant:

- (i) Units of Real Estate Traded Funds publicly offered in the Saudi Stock Exchange and licensed by CMA,
- (ii) Units of private real estate funds licensed by CMA
- (iii) Real estate investments outside the Kingdom of Saudi Arabia
- (iv) Cash liquidity / holding of cash
- (v) Money market funds publicly offered and licensed CMA
- (vi) Shares of real estate companies listed on the Saudi Stock Exchange and licensed by CMA, and;
- (vii) Usufruct rights.

The Fund Manager's registered office is at Kingdom Tower, Floor 49 office 1-2, P.O. Box 2076, Riyadh 11451, Kingdom of Saudi Arabia.

2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") instructions issued by the Capital Market Authority ("CMA"), detailing requirements for 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 issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting and the going concern concept except for financial assets at fair value through profit or loss that have been measured at fair value.

3.3 *Functional and presentation currency*

These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

3 BASIS OF PREPARATION (continued)

3.4 Comparative information

The Fund has presented the comparative information for the year ended 31 December 2019.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

4.1 Useful lives of investment properties

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 7.1.

4.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The provision of impairment on investment properties are disclosed in note 7.3.5.

4.3 Impairment of financial assets held at amortised cost

The Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As at the year end, the Fund has rents receivable and amounts due from a related party as financial assets carried at amortised cost. For rental income receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rental income receivables is disclosed in note 10 and note 21.2 in these financial statements.

4.4 Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date. 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 principal or the most advantageous market must be accessible to the Fund. 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.4 Fair value measurement (continued)

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices which is recognized as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each statement of financial position date. Fair values of those financial instruments are disclosed in note 8 and 19 in these financial statements.

4.5 Leases - Estimating the incremental borrowing rate

The Fund cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs such as market interest rates, as and when available.

4.6 Impact of COVID-19

At the beginning of the year 2020, the presence of COVID-19 virus was confirmed as a global pandemic by the World Health Organization, which spread all over the world causing widespread disturbance of commercial and economic activities. Accordingly, during the year ended 31 December 2020, the Fund has received a number of requests from tenants to provide concession on rents until the end of precautionary measures that were implemented to contain the spread of the coronavirus outbreak (COVID-19) aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. The impact on rental income from investment properties specifically related to COVID-19 is disclosed in note 17.

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment properties valuations as of 31 December 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants. As a result, the Fund has charged an impairment amounting SR 151,354,068 due to reduced valuations of real estate (note 7) and has charged expected credit losses amounting SR 2,931,914 arising on the financial assets (note 10) for the year ended 31 December 2020. The impact has been treated as an impairment and an allowance for doubtful debts respectively in the financial statements.

Any changes made to valuations to estimate the overall impact of COVID-19 is subject to extremely high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

4.7 Going concern

The Fund's management has made an assessment of 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 management is not aware of any material uncertainties that may cast significant doubt on Fund's ability to continue as a going concern.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

5.1 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. In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

5.1.1 Initial recognition and measurement

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, and other receivables. The Fund initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Financial asset at fair value through profit or loss

A financial asset is measured at fair value through profit or loss (FVPL) if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;

Or

(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell;

Or

(c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

5.1.2 Subsequent measurement

Financial assets are subsequently measured at amortised cost or FVPL. There are two criteria used to determine how financial assets should be classified and measured:

- a) The Fund's business model for managing the financial assets; and
- b) The contractual cash flow characteristics of the financial asset.

A financial asset is measured at amortised cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss.

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss:

Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

The Fund derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Fund has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

5.3 Financial liabilities – subsequent classification and measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. The EIR is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Fund derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The Fund's financial liabilities include due to unearned income, accrued management fee and accrued expenses.

5.4 Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and liabilities simultaneously.

5.5 Right-of-use assets

The Fund recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

5.6 Lease liabilities

At the commencement date of the lease, the Fund recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

5.7 Investment properties

Investment properties comprise completed properties that are held to earn rentals or for capital appreciation or both. Investment property is stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

The cost less estimated residual value, if any, of investment property is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost. The fair value of investment properties is disclosed in note 8 and 19 in these financial statements.

5.8 Prepayment and other receivables

Prepayment and other receivables are carried at cost less any accumulated impairment losses, if any.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Receivables

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

5.10 Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents consists of bank balances.

5.11 Unearned income

Billing in excess of income recognized, if any, are included in current liabilities as unearned income and will be recognized as earned income in the subsequent period when the related rent service is rendered.

5.12 Provision

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.13 Accrued expenses and other liabilities

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission rate method.

5.14 Management fees, custodian fees and other expenses

Management fees, custodian fees, administration fees and other expenses are charged at rates / amounts within limits mentioned in the terms and conditions of the Fund.

5.15 Revenue recognition

The Fund recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15, *Revenue from Contracts with Customers*:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Revenue recognition (continued)

The specific recognition criteria described below must also be met before revenue is recognized.

Rental income

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

5.16 Net assets value

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

5.17 Dividend distribution

The Fund has a policy of distributing and paying at least 90% of its income, not including profit resulting from the sale of the underlying real estate assets and other investments.

5.18 Finance Cost

Finance cost is recognized in statement of comprehensive income in the period in which they are incurred.

5.19 Other expenses

Expenses include legal, accounting, auditing and other fees. They are recognized in statement of comprehensive income in the period in which they are incurred on an accrual basis.

5.20 Zakat

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.

5.21 New standards, amendments and interpretations issued and effective from 1 January 2020

At the date of authorization 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>
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting issued on 29 March 2018	1 January 2020

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

5.22 New standards, amendments and interpretations issued but not yet effective

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>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
IFRS 17 Insurance Contracts	1 January 2023
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

6 RIGHT-OF-USE ASSETS

The composition of right-of-use assets as of the reporting date is summarized below:

	31 December 2020 SR	31 December 2019 SR
Assets:		
Right-of-use asset at the beginning of the year	8,117,812	8,594,560
Less: Depreciation charge for the year	(479,368)	(476,748)
Right-of-use asset at the end of the year	7,638,444	8,117,812
Liabilities:		
Lease liabilities at the beginning of the year	8,297,321	8,594,560
Add: finance charge for the year	341,217	352,761
Less: payments made during the year (note 20)	(650,000)	(650,000)
Lease liabilities at the end of the year	7,988,538	8,297,321
Non-current liabilities	7,338,538	7,647,321
Current liabilities	650,000	650,000
	7,988,538	8,297,321

7 INVESTMENT PROPERTIES

The composition of the investment properties as of the reporting date is summarized below:

31 December 2020

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment (note 7.3.5) SR</i>	<i>Net book value SR</i>
Dawadmi Mall	168,156,927	(20,549,275)	(44,755,233)	102,852,419
AlKhair Mall	324,914,532	(13,495,551)	(80,858,307)	230,560,674
Hafar Al-Batin Mall	471,552,074	(37,500,830)	(20,412,754)	413,638,490
Tabuk Mall	221,116,235	(17,940,078)	(41,680,347)	161,495,810
	1,185,739,768	(89,485,734)	(187,706,641)	908,547,393

31 December 2019

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment (note 7.3.5) SR</i>	<i>Net book value SR</i>
Dawadmi Mall	167,468,224	(12,848,016)	(2,247,020)	152,373,188
AlKhair Mall	323,560,874	(9,851,355)	(34,105,553)	279,603,966
Hafar Al-Batin Mall	470,557,681	(23,183,791)	-	447,373,890
Tabuk Mall	219,881,117	(11,530,905)	-	208,350,212
	1,181,467,896	(57,414,067)	(36,352,573)	1,087,701,256

During the year, depreciation charged to the statement of comprehensive income amounting to SR 32,071,667 (2019: SR 36,905,352) as disclosed in note 18.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

7 INVESTMENT PROPERTIES (continued)

7.1 a– the useful life of freehold properties is assessed at 25 years from date of acquisition, except for Dawadmi Mall (leasehold) which is assessed at 19 years from the date of acquisition.

7.1 b– the useful life of leasehold properties is assessed at remaining land lease period from the date of acquisition.

7.2 Freehold and leasehold properties

Land comprises of the lands acquired on which the buildings are built. The Fund acquired freehold properties in Riyadh, Hafar Al-Batin and Tabuk with an aggregate area of 185,721 square meter of land. The consideration for the properties was partly paid in cash and partly settled through issuance of 79,060,000 units of the Fund. Additionally, the Fund acquired a leasehold land investment property in Dawadmi with an area of 72,678 square meter of land.

7.3 Listed below are the details of the investment properties:

7.3.1 Dawadmi Mall

This property is a fully constructed commercial facility on a leasehold land, located in Dawadmi, Kingdom of Saudi Arabia ("KSA").

7.3.2 AlKhair Mall

This property is a fully constructed commercial facility on a freehold land, located in Al Malga District, Riyadh, KSA.

7.3.3 Hafar Al-Batin Mall

This property is a fully constructed commercial facility on a freehold land, located in Al Rayan District, Hafar Al-Batin, KSA.

7.3.4 Tabuk Mall

This property is a fully constructed commercial facility on a freehold land, located in Al Rajhi District, Tabuk, KSA.

7.3.5 Impairment of investment properties

There is likely to be an impact on fair value measurement arising from the COVID-19 pandemic and the ensuing economic and market disruptions varies across countries, markets and industries. Uncertainty is likely to continue, even as some jurisdictions begin to ease the restrictions and open up their economies. A significant decrease in volume or activity in a market can also influence the valuation techniques used to determine the recoverable amount of an asset. During the year, the investment properties were tested for impairment and the management noted their carrying amount not to be recoverable. During the year, the management recognized an impairment loss of SR 151,354,068 (2019: recognized a net reversal of SR 46,880,973) to adjust the value of its investment properties to its recoverable amount based on the average fair value as the reporting period determined by the independent evaluators as shown in note 8. The key assumptions taken for valuation as at 31 December for these investment properties are as follows:

31 December 2020

	<i>Discount</i>	<i>Exit yield</i>	<i>Capitalization</i>	<i>Escalation</i>
	%	%	%	%
Dawadmi Mall	11	14.4	9	2
AlKhair Mall	9.5	8	8	-
Hafar Al-Batin Mall	10.5	8.5	8.5	2
Tabuk Mall	10.5	8.5	8.5	2

31 December 2019

	<i>Discount</i>	<i>Exit yield</i>	<i>Capitalization</i>	<i>Escalation</i>
	%	%	%	%
Dawadmi Mall	11.5	14.3	9.5	2
AlKhair Mall	9.5	8.5	7.5	2
Hafar Al-Batin Mall	10.5	9.5	8.5	2
Tabuk Mall	10	9	8	2

7.3.6 Ownership of investment properties

All properties are held in the name of Wabel Fund Company (the "SPV"). The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

8 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 21 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, in accordance with the requirement in the Kingdom of Saudi Arabia, investment in real estate properties are carried at cost less depreciation and impairment, if any, in these financial statements. Accordingly, the fair value below is disclosed for information purposes.

The fair value of the investment properties is determined by two selected appraisers for all 4 properties. The appraisers that evaluated these properties are BARCODE and BUSSMA. They are accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The discounted cash flow ("DCF") valuation model has been applied in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council ("IVSC") and applied by Saudi Authority for Accredited Valuers ("TAQEEM").

8.1 As at 31 December 2020, the valuation of the investment properties are as follows:

	<i>Appraiser 1</i>	<i>Appraiser 2</i>	<i>Average</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
31 December 2020			
Dawadmi Mall	102,000,000	103,704,839	102,852,419
AlKhair Mall	222,000,000	239,121,348	230,560,674
Hafar Al-Batin Mall	416,000,000	411,276,979	413,638,490
Tabuk Mall	174,000,000	148,991,621	161,495,810
	<u>914,000,000</u>	<u>903,094,787</u>	<u>908,547,393</u>
	<i>Appraiser 1</i>	<i>Appraiser 2</i>	<i>Average</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
31 December 2019			
Dawadmi Mall	136,830,000	167,916,375	152,373,188
AlKhair Mall	272,480,000	286,727,931	279,603,966
Hafar Al-Batin Mall	473,460,000	447,804,080	460,632,040
Tabuk Mall	210,310,000	209,224,978	209,767,489
	<u>1,093,080,000</u>	<u>1,111,673,364</u>	<u>1,102,376,683</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration a number of factors, including the area and type of property. The fair value versus cost analysis of the investment properties is presented in note 8.2.

8.2 The unrealized loss on investment properties based on fair value evaluation is set out below:

	31 December 2020 SR	31 December 2019 SR
Fair value of investments in real estate properties (note 8.1)	908,547,393	1,102,376,683
Less: Carrying value of investments in real estate properties (note 7)	(908,547,393)	(1,087,701,256)
Net impact based on fair value evaluation	-	14,675,427
Units in issue	118,000,000	118,000,000
Impact per unit share based on fair value evaluation	-	0.12

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

8 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

8.3 The net asset value using the fair values of the real estate properties is set out below:

	31 December 2020 SR	31 December 2019 SR
Net asset value at cost, as presented in these financial statements	947,722,311	1,149,508,173
Net impact based on real estate evaluations (note 8.2)	-	14,675,427
Net asset based on fair value	947,722,311	1,164,183,600

8.4 The net asset value per unit, using the fair values of the real estate properties is set out below:

	31 December 2020 SR	31 December 2019 SR
Net asset value per unit, at cost as presented in these financial statements	8.03	9.74
Impact on net asset value per unit on account of unrealized loss based on fair value evaluations (note 8.2)	-	0.12
Net asset value per unit at fair value	8.03	9.86

9 PREPAYMENT AND OTHER RECEIVABLES

	31 December 2020 SR	31 December 2019 SR
Deposit with GAZT *	8,716,463	-
Other receivable	1,850,517	972,816
Prepaid expenses	341,630	58,891
	10,908,610	1,031,707

* During the year ended 31 December 2020, the Fund has received value added tax ("VAT") assessment from the General Authority of Zakat and Tax (the "GAZT") for the period ended 31 December 2018 and year ended 31 December 2019 amounting to SR 18,276,974 for non-submission and payment of its VAT returns. The Fund has filed an appeal during the financial year 2020 and 2021 with GAZT and the General Secretariate of Tax Committees ("GSTC") stating that the Fund has submitted and paid the due amounts of VAT through one of its related parties and believes that as the VAT was calculated and submitted based on the true regulations of GAZT and the demand is not justified. However, the ultimate outcome of the claim is still awaited. The amount of SR 8,716,463 represent the payments made to GAZT as for the eligibility to file appeal. The Fund management is confident on its appeal and expecting the outcome in favour of the Fund.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

10 RENTAL INCOME RECEIVABLE

This account represents the rental income receivable from the investment properties in accordance with the terms of the corresponding tenancy agreements. The rental income receivables are current in nature, settled within a short period of time.

During the year, the Fund has made an allowance for expected credit losses amounting to SR 2,931,914 (2019: SR 17,959,611). Information about the Fund's exposure to expected credit loss are shown in note 21.2.

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Rental income receivable	49,897,448	55,159,227
Less: Allowance for expected credit losses	(20,891,525)	(17,959,611)
	<u>29,005,923</u>	<u>37,199,616</u>

The following is the aging analysis of the rental income receivables as at the reporting date:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Less than 90 days	10,550,224	21,736,017
Between 91 to 180 days	9,266,852	6,991,047
Between 181 to 360 days	15,038,149	20,739,636
More than 360 days	15,042,223	5,692,527
	<u>49,897,448</u>	<u>55,159,227</u>

The following is the movement of allowance for expected credit losses as at the reporting date:

	<i>For the year ended 31 December 2020 SR</i>	<i>For the year ended 31 December 2019 SR</i>
At the beginning of the year	17,959,611	-
Allowance made during the year	2,931,914	17,959,611
At the end of the year	<u>20,891,525</u>	<u>17,959,611</u>

11 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. Related party transactions are governed by limits set by the Regulations issued by the CMA. All the related party transactions are approved by the Fund's Board of Directors.

a) Management fee

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the Terms and Conditions of the Fund charges the Fund a management fee equal to 0.75% of the net asset value of the Fund calculated semi-annually in arrears and payable quarterly.

b) Board of Directors remuneration

Each independent member of the Board of Directors is allowed a remuneration of SR 5,000 annually.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Property manager fee and operating

In consideration for managing the properties of the Fund, the Fund Manager in accordance with the Terms and Conditions of the Fund charges the property manager a property management fee and operating expenses equal to 3% and 17% of the rental income, respectively, calculated annually and payable semi-annually.

The following are the details of the transactions with related parties during the year:

<u>Related parties</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>For the year ended 31 December 2020</u> SR	<u>For the year ended 31 December 2019</u> SR
SWICORP Company	Fund manager and unitholder	Management fee	7,904,363	8,506,286
		Dividend paid	1,210,873	825,812
Board of Directors	Independent Directors	Board oversight fee	41,086	20,000
Wabel Al Arabia for Investment Company	Property manager and unitholder	Rental income from investment properties	24,561,287	65,408,596
		Media and advertising income	12,000,000	12,000,000
		Property manager fee and operating expenses	17,791,890	22,331,130
		Payments made on behalf of Fund	10,744,111	27,983,565
		Receipts of Fund	65,508,955	21,329,261
		Dividend netted off (note 24)	6,768,200	-

The following are the details of the related party balances at the year-end:

<u>Amounts due from a related party</u>	<u>31 December 2020</u> SR	<u>31 December 2019</u> SR
Wabel Al Arabia for Investment Company	4,929,167	52,283,998
<u>Amounts due to related parties</u>	<u>31 December 2020</u> SR	<u>31 December 2019</u> SR
SWICORP Company	1,842,487	95,749
Board oversight fee	25,000	30,000
	<u>1,867,487</u>	<u>125,749</u>

The unit holder's account included units (in numbers) held as follows:

	<u>31 December 2020</u> Units	<u>31 December 2019</u> Units
Wabel Al Arabia for Investment Company	62,960,000	62,960,000
SWICORP Company	-	3,058,562

As at 31 December 2020, board members of the Fund held 1,007,657 units (2019: 4,458,834 units).

SWICORP WABEL REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

12 CASH AND CASH EQUIVALENTS

As at 31 December 2020, the bank balance with an amount of SR 21,333,060 (2019: SR 333,756) includes a balance of SR 13,231,774 (2019: SR 333,756) which is maintained with an account at Riyadh Bank under the name of the Fund Manager and not under the name of the Fund.

13 UNEARNED INCOME

Represents rental income billed but not yet earned in respect to the investment properties. The movement in unearned income for the year is as follows:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
At the beginning of the year	25,837,783	20,913,552
Received during the year	48,108,357	102,649,504
Recognized during the year	(54,166,501)	(97,725,273)
At the end of the year	<u>19,779,639</u>	<u>25,837,783</u>

14 ACCRUED EXPENSES

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Custody fee	168,705	433,242
Listing fee	92,469	168,705
Valuation fee	87,347	161,500
Administration fee	59,797	87,347
Professional fee	11,500	67,500
Legal fee	150	-
	<u>419,968</u>	<u>918,294</u>

15 ZAKAT

15.1 Charge for the year

Zakat charge amounting to SR 706,855 (2019: SR 1,980,825) provided in the statement of comprehensive income for the year ended 31 December 2020 consists of current year provision. The current year's provision is based on the following:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Unitholders equity	1,180,000,000	1,090,215,619
Unitholders account and provisions	25,948,149	8,297,321
Book value of long term assets and other assets	(1,182,418,531)	(1,048,938,095)
	<u>23,529,618</u>	<u>49,574,845</u>
Zakat base before adjusted net income for 366/345 days	24,327,232	51,115,306
Adjusted net income the year	3,946,975	32,352,017
Zakat base	<u>28,274,207</u>	<u>83,467,323</u>

Zakat is payable at 2.5% higher of approximate zakat base or adjusted net income

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15 ZAKAT (continued)

15.2 Adjusted net income

	<i>For the year ended 31 December 2020</i>	<i>For the year ended 31 December 2019</i>
(Loss) income before zakat	(150,339,007)	61,273,379
Add: Provisions charged during the year	154,285,982	(28,921,362)
Adjusted net income for the year	3,946,975	32,352,017

15.3 Zakat provision

	<i>For the year ended 31 December 2020</i> SR	<i>For the year ended 31 December 2019</i> SR
At the beginning of the year	1,980,825	-
Charged during the year	706,855	1,980,825
Paid during the year	(808,800)	-
At the end of the year	1,878,880	1,980,825

15.4 Status of assessment

The Fund has filed the zakat returns for all years up to 31 December 2019. No zakat assessments have yet been raised by the General Authority of Zakat and Income Tax ("GAZT").

16 UNIT TRANSACTION

Transaction in units of the Fund for the year is summarised as follows:

	<i>31 December 2020 (numbers)</i>	<i>31 December 2019 (numbers)</i>
Units at the beginning of the year	118,000,000	118,000,000
Units issued during the year	-	-
Units redeem during the year	-	-
Units at the end of the year	118,000,000	118,000,000

17 RENTAL INCOME FROM INVESTMENT PROPERTIES

	<i>For the year ended 31 December 2020</i> SR	<i>For the year ended 31 December 2019</i> SR
Rental income (i)	64,430,125	91,684,951
Concessions provided during the year (ii)	(10,263,623)	-
	54,166,502	91,684,951

(i) Rental income from investment properties is recognized on a straight-line basis over the term of the lease. Customers are invoiced on a monthly basis and consideration is payable when invoiced. Since the Fund bills contractually fixed amount each month, the Fund has a right to invoice the customer in the amount that corresponds directly with the value of the entity's performance completed to date in accordance with paragraph B16 of IFRS 15. Consequently, the Fund elects to apply the practical expedient in paragraph 121(b) of IFRS 15 and have elected not to disclose the amount of the remaining performance obligations for its contracts with its customers.

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17 RENTAL INCOME FROM INVESTMENT PROPERTIES (continued)

Rental income includes a net sublease income in Dawadmi leasehold property amounting to SR 8,294,092 (2019: SR 20,862,158).

(ii) In the context of the ongoing COVID-19 pandemic, and the significant measures taken by governments worldwide to mitigate its effects, a few number of lessees have obtained rent concessions from the Fund. The total value of requests approved for the rent concessions to the Funds tenants during the year are SR 10,260,623 million (2019: SR nil) represent as 15.9 % of annual rent (2019: nil%).

(iii) The Fund's rental income from investment properties is majorly concentrated within one operating segment and geographical region of the Kingdom of Saudi Arabia, comprising of 4 investment properties as disclosed in note 7.3.

18 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December 2020</i>	<i>For the year ended 31 December 2019</i>
	<i>SR</i>	<i>SR</i>
Depreciation (note 7)	32,071,667	36,905,352
Professional fee	940,426	564,000
Property insurance	528,072	483,657
Depreciation of right-of-use asset (note 6)	479,368	476,748
Legal fee	459,466	380,162
Administration fee	443,064	379,933
Regulator fee	407,500	400,000
Listing fee	262,031	168,705
Others	105,795	16,990
	<u>35,697,389</u>	<u>39,775,547</u>

19 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.

Assets and liabilities for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability,

Financial assets consist of rental income receivables, due from a related party and other receivables. Financial liabilities consist of dividend payable, due from related parties, accrued management fee and accrued expenses. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

19 FAIR VALUE MEASUREMENT (continued)

The following table shows the fair value of investment properties disclosed as at year end:

31 December 2020	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
<u><i>Investment properties</i></u>				
Dawadmi Mall	-	-	102,852,419	102,852,419
AlKhair Mall	-	-	230,560,674	230,560,674
Hafar Al-Batin Mall	-	-	413,638,490	413,638,490
Tabuk Mall	-	-	161,495,810	161,495,810
	-	-	908,547,393	908,547,393
31 December 2019	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR
<u><i>Investment properties</i></u>				
Dawadmi Mall	-	-	152,373,188	152,373,188
AlKhair Mall	-	-	279,603,966	279,603,966
Hafar Al-Batin Mall	-	-	460,632,040	460,632,040
Tabuk Mall	-	-	209,767,489	209,767,489
	-	-	1,102,376,683	1,102,376,683

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility.

Changes in assumptions about these factors could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

20 OPERATING LEASES

Future rental commitments under the operating leases are as follows (note 6):

	31 December	31 December
	2020	2019
	SR	SR
No later than one year	650,000	650,000
Later than one year and not later than five years	2,600,000	3,250,000
Later than five years	7,800,000	7,800,000
	11,050,000	11,700,000

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

21 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and property risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

The Fund has its Terms and Conditions document that sets out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

21.1 Market risk

The Fund will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The Fund management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

21.2 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk on the followings:

	<i>31 December 2020 SR</i>	<i>31 December 2019 SR</i>
Rental income receivables (note 10)	29,005,923	37,199,616
Cash and cash equivalents (note 12)	21,333,060	333,756
Amounts due from a related party (note 11)	4,929,167	52,283,998
	55,268,150	89,817,370

The carrying amount of financial assets represents the maximum credit exposure.

The Fund seeks to limit its credit risk with respect to rental income receivables by charging rent in advance, providing discounts as credit notes and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund. As at the year-end, the related parties have sound financial position and have the ability to repay their debts towards the Fund. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

The following table details the risk profile of rental income receivables based on the Fund's expected credit loss matrix:

	<i>31 December 2020 Expected credit loss rate %</i>	<i>31 December 2019 Expected credit loss rate %</i>
Less than 90 days	25.13	7.06
Between 91 to 180 days	31.72	8.55
Between 181 to 360 days	37.98	12.75
More than 360 days	63.75	25.20

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21 FINANCIAL RISK MANAGEMENT (continued)

21.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

	<i>On demand SR</i>	<i>Less than 12 months SR</i>	<i>More than 12 months SR</i>	<i>Total SR</i>
31 December 2020				
Dividend payable	2,705,774	-	-	2,705,774
Amounts due to related parties	-	1,867,487	-	1,867,487
Accrued expenses	-	419,968	-	419,968
Current portion of lease liabilities	-	650,000	-	650,000
Non-current portion of lease liabilities	-	-	7,338,538	7,338,538
	<u>2,705,774</u>	<u>2,937,455</u>	<u>7,338,538</u>	<u>12,981,767</u>
31 December 2019				
Amounts due to related parties	-	125,749	-	125,749
Accrued expenses	-	918,294	-	918,294
Current portion of lease liabilities	-	650,000	-	650,000
Non-current portion of lease liabilities	-	-	7,647,321	7,647,321
	<u>-</u>	<u>1,694,043</u>	<u>7,647,321</u>	<u>9,341,364</u>

21.4 Property risk

Property risk is the risk related to the investment properties of the Fund. The Fund's management has identified the risk that a tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associate property. To reduce this risk, the Fund reviews the financial status of all prospective tenants and decides on the appropriate measures to mitigate this risk.

21.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi Riyals.

21.6 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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22 OPERATING SEGMENT

The Fund is organised into one operating segment. All of the Fund's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the fund as one segment.

23 COMPARATIVE FIGURES AND DISCLOSURES

Certain of the prior year amounts and disclosures have been reclassified to conform the presentation in the current year.

24 DIVIDENDS DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 16 April 2020, the Fund's Board announced to distribute dividends for the year ended 31 December 2019 amounting to SR 0.43 per unit totalling SR 50,740,000. An amount of SR 41,266,026 was paid during the year ended 31 December 2020 and an amount of SR 6,768,200 was netted off with the amount due from Wabel Al Arabia for Investment Company (the "property manager and unitholder"). (2019: on 11 March 2019, the Fund's Board announced to distribute dividends for the period from 6 August 2018 to 31 December 2018 amounting to SR 0.27 per unit totalling SR 31,860,000. The same was paid during the year ended 31 December 2019). Furthermore, an amount of SR 2,705,774 (2019: SR nil) is still payable as at 31 December 2020 from the Fund's dividend account.

25 CHANGES IN FUND'S TERMS AND CONDITIONS

During the year ended 31 December 2020, the Fund Manager has made certain changes to the terms and conditions of the Fund stated as follows:

- Amendment in list of Fund Board Members as a result of resignation of Mr. Abdullah Saud Al Kulaibi.
- Amendment in list of Fund Board Members as a result of appointment of Mr. Majed Diauddin Kareem as independent Board member.
- Amendment in list of Fund Board Members as a result of appointment of Mr. Kwok Hansim as non-independent Board member.

26 EVENTS AFTER THE END OF THE REPORTING DATE

On 11 March 2021, the Fund Manager announced the decisions that were approved in a unitholders meeting as followings:

- Agreeing to add real estate brokerage fees to a maximum of 2.5% of any real estate investment acquired.
- Agreeing to remove the cap of 17% for operating expenses on the current property management agreement effective retrospectively from 1 January 2020.
- Agreeing to allow property management fee to be a maximum of 10% of the total annual revenue of the real estate assets for managing, leasing, and collecting on behalf of the Fund.
- Agreeing to update the terms and conditions that reflect the above-mentioned changes and adding definitions and other clarifications for respective fees.

27 LAST VALUATION DAY

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

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 28 March 2021 (corresponding to 15 Sha'ban 1442).