

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS

31 December 2021

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SWICORP Wabel REIT Fund (the "Fund") managed by Alinma Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, and the related statements of comprehensive income, cash flows and changes in equity 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 ("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 ("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 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 Alinma Investment Company) (continued)

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
<p><u>Assessing Impairment of investment properties</u></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 are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>For assessing the impairment of investment properties, the Fund Manager 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>As at 31 December 2021, the carrying value of investment properties was SR 897 million (2020: SR 916 million) which was net of accumulated depreciation of SR 122 million (2020: SR 90 million) and an accumulated impairment allowance of SR 178 million (2020: SR 188 million).</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by the Fund Manager and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.7, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4.1 and 4.2, related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<p>We have carried out the following audit procedures, among others:</p> <ul style="list-style-type: none"> - We obtained the information about professional qualification, competence and expertise of the Fund's independent valuers and noted that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM); - We performed review of investment properties valuation which included: <ul style="list-style-type: none"> o A review of the assumptions used by Independent valuers in undertaking their valuation and an assessment of methodologies adopted; o A detailed assessment of sample of the individual property valuation examining key valuation inputs and assumption applied. - We agreed the value of all properties held at the year end to the results included in the valuation report of independent valuers. - We checked the accuracy of impairment loss or reversal recognized in the statement of comprehensive income during the year; and - We ensured that the financial statement contain adequate disclosure related to the investment properties.

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

Other Information included in the Fund's 2021 Annual Report

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2021 annual report other than the financial statements and our auditor's report thereon. The Fund's 2021 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 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.

When we read the Fund's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, 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.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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 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 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.

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

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

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.

Report on Other Legal and Regulatory Requirements

Subsequent to the year-end SWICORP Company, the former fund manager, transferred all of their responsibilities as Fund Manager to Alinma Investment Company on 22 February 2022 (corresponding to 21 Rajab 1443H). The legal proceedings along with updating the terms and conditions are in process as of the date of this report.

For Alluhaid & Alyahya Chartered Accountants



Turki A. Aluhaid
Certified Public Accountant
Registration No. 438

Riyadh: 26 Sha'ban 1443H
(29 March 2022)



SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2021 SR	31 December 2020 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	896,848,797	916,185,837
CURRENT ASSETS			
Prepayment and other receivables	8	8,775,054	10,908,610
Rental income receivable	9	8,664,405	29,005,923
Amounts due from a related party	10	3,039,089	4,929,167
Cash and cash equivalents	11	29,348,717	21,333,060
TOTAL CURRENT ASSETS		49,827,265	66,176,760
TOTAL ASSETS		946,676,062	982,362,597
LIABILITIES			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	12	7,014,911	7,338,538
CURRENT LIABILITIES			
Current portion of lease liabilities	12	650,000	650,000
Amounts due to related parties	11	63,592	1,867,487
Contract liabilities	13	1,564,580	19,779,639
Accrued expenses and other payables	14	1,219,817	419,968
Zakat payable	15	997,084	1,878,880
Dividend payable	23	2,301,584	2,705,774
TOTAL CURRENT LIABILITIES		6,796,657	27,301,748
TOTAL LIABILITIES		13,811,568	34,640,286
EQUITY			
Net assets attributable to unitholders		932,864,494	947,722,311
TOTAL LIABILITIES AND EQUITY		946,676,062	982,362,597
Units in issue (number)		118,000,000	118,000,000
Per unit value (SR)	7	7.90	8.03
Per unit fair value (SR)	7	7.90	8.03

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

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

	<i>Note</i>	<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
INCOME			
Rental income from investment properties	16	59,045,285	54,166,502
TOTAL INCOME		59,045,285	54,166,502
EXPENSES			
Depreciation on investment properties	6	(31,125,407)	(32,551,035)
Management fee	10	(7,090,939)	(7,904,363)
Custodian fee		(228,681)	(443,582)
Board oversight fee	10	(19,750)	(41,086)
Allowance for expected credit losses	9	(18,244,608)	(2,931,914)
General and administrative expenses	17	(4,174,601)	(3,146,354)
Property manager fee and operating expenses	18	(22,779,613)	(17,791,890)
TOTAL EXPENSES		(83,663,599)	(64,810,224)
OPERATING LOSS		(24,618,314)	(10,643,722)
Other income		20,071	12,000,000
Finance charges	12	(326,373)	(341,217)
(LOSS) / PROFIT FOR THE YEAR BEFORE IMPAIRMENT AND ZAKAT		(24,924,616)	1,015,061
Impairment reversal / (loss) on investment properties	6	10,066,799	(151,354,068)
LOSS FOR THE YEAR BEFORE ZAKAT		(14,857,817)	(150,339,007)
Zakat	15	-	(706,855)
NET LOSS FOR THE YEAR		(14,857,817)	(151,045,862)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(14,857,817)	(151,045,862)

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

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS

	<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year before zakat	(14,857,817)	(150,339,007)
<i>Adjustments to reconcile (loss) / profit to net cash flows:</i>		
Depreciation on investment properties	30,647,349	32,071,667
Depreciation on right-of-use assets	478,058	479,368
(Reversal) impairment on investment properties	(10,066,799)	151,354,068
Allowance for expected credit losses	18,244,608	2,931,914
Finance charges	326,373	341,217
	<u>24,771,772</u>	<u>36,839,227</u>
<i>Working capital adjustments:</i>		
Prepayment and other receivables	2,133,556	(9,876,903)
Rental income receivable	2,096,911	5,261,779
Amounts due from a related party	1,890,079	40,586,631
Contract liabilities	(18,215,059)	(6,058,144)
Amounts due to related parties	(1,803,895)	1,741,738
Accrued expenses and other payables	799,849	(498,326)
	<u>11,673,213</u>	<u>67,996,002</u>
Cash flows from operating activities		
Zakat paid	(881,796)	(808,800)
	<u>10,791,417</u>	<u>67,187,202</u>
Net cash flows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	(1,721,570)	(4,271,872)
	<u>(1,721,570)</u>	<u>(4,271,872)</u>
Net cash flows used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(650,000)	(650,000)
Distributions	(404,190)	(41,266,026)
	<u>(1,054,190)</u>	<u>(41,916,026)</u>
Net cash flows used in financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,015,657	20,999,304
Cash and cash equivalents at the beginning of the year	21,333,060	333,756
	<u>29,348,717</u>	<u>21,333,060</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
NON-CASH TRANSACTIONS		
Distributions settled against due from a related party	-	6,768,200
	<u>-</u>	<u>6,768,200</u>

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

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN EQUITY

	<i>2021</i> <i>SR</i>	<i>2020</i> <i>SR</i>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR	947,722,311	1,149,508,173
Comprehensive income:		
Loss for the year	(14,857,817)	(151,045,862)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(14,857,817)	(151,045,862)
Distribution (note 23)	-	(50,740,000)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR	932,864,494	947,722,311

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

	<i>Note</i>	<i>2021</i> <i>Units</i>	<i>2020</i> <i>Units</i>
UNITS AT THE BEGINNING AND END OF THE YEAR	16	118,000,000	118,000,000
NET ASSETS VALUE PER UNIT AT THE END OF THE YEAR	8	7.90	8.03

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

SWICORP WABEL REIT FUND

(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1 CORPORATE INFORMATION

SWICORP WABEL REIT Fund (the “REIT” or 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 on 24 Dhul Qadah 1439H (corresponding to 6 August 2020). 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 Capital Market Authority of the Kingdom of Saudi Arabia (“CMA”).

The Fund is being managed by Alinma Investment Company (the “Fund Manager”), a closed joint stock company licensed by Capital Market Authority of the Kingdom of Saudi Arabia with commercial registration number 1010269764, licensed by the CMA under license number 09134-37. The Fund Manager’s registered office is at Floor 20, King Fahd Road, Al Anoud Tower 2, Riyadh 55560, Kingdom of Saudi Arabia.

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) Real estate development, whether real estate owned by the Fund Manager or not
- (ii) Renovation and redevelopment of real estate Cash liquidity / holding of cash
- (iii) Property Repurchase Agreements
- (iv) Cash and cash equivalents, units of investment funds licensed by the Authority, real estate companies
- (v) Usufruct rights

The Fund has appointed Albilad Investment Company (the “Custodian”) to act as its custodian. The fees of the custodian are paid by the Fund.

1.1 Change in the Fund Manager

SWICORP Company, the former fund manager, published on 18 August 2021G (corresponding to 10 Muharram 1443H) that it has received a written request from a number of unitholders who own more than 25% of the value of the Fund’s units to call for a unitholders’ meeting to remove and replace SWICORP Company as the Fund Manager.

On 16 September 2021 (corresponding to 9 Safar 1443H) SWICORP Company announced the results of the Fund unitholders’ meeting that had been held on Wednesday, 15 September 2021 (corresponding to 8 Safar 1443) through Tadawulaty web services, where the unitholders resolved to submit a request to the CMA to dismiss SWICORP Company as Fund Manager and prevent them from entering into any new investments or obtaining financing until the appointment of an alternative Fund Manager.

On 17 November 2021 (corresponding to 12 Rabi Al-Thani 1443H) SWICORP Company announced that they received a letter on 14 November 2021 (corresponding to 9 Rabi Al-Thani 1443H) from Alinma Investment Company expressing their intent to be appointed as an alternative manager for the Fund and to start the regulatory procedures.

On 1 December 2021 (corresponding to 26 Rabi Al-Thani 1443H) SWICORP Company announced that they had received a notification from the CMA on 30 November 2021 (corresponding to 25 Rabi Al-Thani 1443H) about the issuance of the CMA Board’s decision to dismiss SWICORP Company from managing the Fund, and to appoint Alinma Investment Company, a closed joint stock company licensed by Capital Market Authority of the Kingdom of Saudi Arabia with commercial registration number 1010269764, licensed by the CMA under license number 09134-37, as an alternative Fund Manager for the Fund based on Article 16 of the Real Estate Investment Funds Regulations. It should be noted that the approval of the CMA Board was issued based on the decision of the unit holders in their meeting held on 16 September 2021 (corresponding to 8 Safar 1443H).

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

1 CORPORATE INFORMATION (continued)

1.1 Change in the Fund Manager (continued)

SWICORP Company transferred all of their responsibilities as Fund Manager to Alinma Investment Company on 22 February 2022 (corresponding to 21 Rajab 1443H) subsequently, which was 60 business days from the date of appointing them as the alternative Fund Manager. The legal proceedings and update to the terms and conditions of the Fund are in process as at the date of the approval of these financial statements.

1.2 Changes in Fund term and conditions

During the year ended 31 December 2021, certain changes to the terms and conditions of the Fund have been made as follows:

- Amendment in Fund Summary: Management fee and operating expenses section. Updated management fee calculation so that it is on a quarterly basis. Updated operating expenses by adding a definition of operating expenses for assets.
- Amendment in Real Estate Assets Summary: Updated by adding a statement of operating costs for the assets and Usufruct contracts.
- Amendment in Transaction costs and Transaction fees sections: Updated by adding a statement.
- Amendment in Property Manager's Fees section: Updated by changing the property manager's fees to be a percentage of revenues instead of actual revenue collections so that they do not exceed 10% of annual revenues.
- Amendment in Real Estate Broker Fees section: Updated by adding a new paragraph related to the expenses of the real estate broker's pursuit of the Fund's purchase of real estate assets.
- Amendment in Property manager section: Updated by changing the property manager to be Retail Real Estate Company.
- Amendment in list of Fund Board Members as a result of resignation of Mr. Hammad Mughal as non-independent Board member.
- Amendment in list of Fund Board Members as a result of appointment of Mr. Badar Fayeh Al-Otaibi as non-independent Board member.

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"). The regulations detail the 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("IFRS as endorsed in KSA").

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting except for financial assets at fair value through profit or loss that have been measured at fair value. The financial statement has been prepared on the basis that the Fund will continue to operate as a going concern.

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.

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 6.1.

4.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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.

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 a provision 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 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 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.5 *Determining the lease term*

The Fund as a lessee determines the lease term as the non-cancellable period of a lease, together with both:
(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and;
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
For contracts that include extension and termination options, the Fund uses judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. Those factors include current and expected retail unit performance, availability, cost and other terms of substitutes, magnitude of leasehold improvements, length of extension or renewal, and cost of extension or renewal. Following the commencement date, the Fund reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Fund and affects its assessment on whether or not to exercise an option previously included in its determination of the lease term.

4.6 *Going concern*

The Fund Manager 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 Fund Manager is not aware of any material uncertainties that may cast significant doubt on Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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*

5.1.1 *Financial Instruments - Initial recognition and subsequent measurement*

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

i) *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories

Financial assets measured at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes cash and cash equivalent and receivables.

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

31 December 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Financial instruments (continued)

5.1.1 Financial Instruments - Initial recognition and subsequent measurement (continued)

Derecognition

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

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

ii) Financial liabilities

Initial recognition and measurement

The Fund's financial liabilities include dividend payable, amounts due to related parties, accrued expenses and other liabilities and lease liabilities. Financial liabilities are measured at amortised cost.

Subsequent measurement

Financial liabilities at amortised cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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

iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only 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 asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Financial instruments (continued)

5.1.2 Current versus non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle
 - a liability for at least twelve months after the reporting period
 - All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Fund classifies all other liabilities as non-current

5.2 Fair value measurement

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet 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 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.

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
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Fair value measurement (continued)

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. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. 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 7.

5.4 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.

5.5 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 freehold or leasehold properties that are held to earn rentals or for capital appreciation or both. Investment properties under freehold are stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the items. Whereas, investment properties under leasehold are accounted for in accordance with IFRS 16. The cost less estimated residual value, if any, of investment property under freehold is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost.

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Fund considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5.9 Cash and cash equivalents

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

5.10 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Fund has received consideration from the customer. Contract liabilities are recognised as revenue when the Fund performs under the contract.

5.11 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.

5.12 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.

5.13 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.

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

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

31 December 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental income

Rental income from operating lease of property is recognized on a straight-line basis over the term of the operating lease. In addition, the Fund subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Fund's subleases are classified as operating leases.

5.14 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.

5.15 Distribution

The Fund has a policy of distributing and paying at least 90% percent (90%) of the Fund's net profits on 31 March of each year.

5.16 Finance Cost

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

5.17 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.

5.18 Zakat

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

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

The accounting policies adopted, and method of computations followed are consistent with those of the previous financial year except for the items disclosed below:

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

These amendments had no impact on the financial statements of the Fund.

5.20 New standards, amendments and interpretations effective 1 January 2022 and have 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:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<u>Standards/ amendments to standards/ interpretations</u>	<u>Effective date</u>
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IFRS 17</i>	1 January 2023
<i>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Reference to the conceptual framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Property, plant and equipment, proceeds before intended use (Amendments to IAS 16)</i>	1 January 2022
<i>Onerous contracts – Cost of fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Annual improvement to IFRS 9, IFRS 16, IFRS 1, and IAS 41</i>	1 January 2022
<i>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
<i>Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendments to IAS 1)</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
<i>Definition of accounting estimates (IAS 8)</i>	1 January 2023

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

6 INVESTMENT PROPERTIES

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

31 December 2021

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment (note 6.3.5) SR</i>	<i>Net book value SR</i>
Dawadmi Mall	177,229,677	(27,838,410)	(52,749,942)	96,641,325
AlKhair Mall	324,997,973	(18,367,441)	(64,972,029)	241,658,503
Hafar Al-Batin Mall	471,970,278	(51,750,971)	(15,394,521)	404,824,786
Tabuk Mall	221,857,969	(23,610,436)	(44,523,350)	153,724,183
	<u>1,196,055,897</u>	<u>(121,567,258)</u>	<u>(177,639,842)</u>	<u>896,848,797</u>

31 December 2020

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Impairment (note 6.3.5) SR</i>	<i>Net book value SR</i>
Dawadmi Mall	176,751,487	(21,505,391)	(44,755,233)	110,490,863
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
	<u>1,194,334,328</u>	<u>(90,441,850)</u>	<u>(187,706,641)</u>	<u>916,185,837</u>

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6 INVESTMENT PROPERTIES (continued)

6.1 The movement in the investment properties during the year is as follows:

	<i>Land and buildings</i> SR	<i>Right-of-use asset</i> SR	<i>Total</i> SR
Cost			
1 January 2020	1,181,467,895	8,594,560	1,190,062,455
Additions	4,271,872	-	4,271,872
31 December 2020	1,185,739,767	8,594,560	1,194,334,327
Additions	1,721,570	-	1,721,570
31 December 2021	1,187,461,337	8,594,560	1,196,055,897
Accumulated depreciation			
1 January 2020	57,414,068	476,748	57,890,816
Depreciation charge	32,071,667	479,368	32,551,035
31 December 2020	89,485,735	956,116	90,441,851
Depreciation charge	30,647,349	478,058	31,125,407
31 December 2021	120,133,084	1,434,174	121,567,258
Accumulated impairment			
1 January 2020	36,352,573	-	36,352,573
Impairment loss	151,354,068	-	151,354,068
31 December 2020	187,706,641	-	187,706,641
Impairment charge	(10,066,799)	-	(10,066,799)
31 December 2021	177,639,842	-	177,639,842
Net book amount as at 31 December 2021	889,688,411	7,160,386	896,848,797
<i>Net book amount as at 31 December 2020</i>	908,547,393	7,638,444	916,185,837

Included above within land and buildings is land amounted to SR 312,274,760 (2020: SR 312,274,760).

During the year, depreciation charged to the statement of comprehensive income amounted to SR 31,125,407 (2020: SR 32,551,033).

6.1 a– The useful life of freehold properties is assessed at 25 years from date of acquisition

6.1 b– The useful life of Dawadmi Mall (leasehold) is assessed at 19 years from the date of acquisition.

6.2 Freehold and leasehold properties

Land comprises of the lands acquired or leased 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 leased land in Dawadmi with an area of 72,678 square meter of land.

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

31 December 2021

6 INVESTMENT PROPERTIES (continued)

6.3 Listed below are the details of the investment properties:

6.3.1 Dawadmi Mall

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

6.3.2 AlKhair Mall

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

6.3.3 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.

6.3.4 Tabuk Mall

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

6.3.5 Impairment of investment properties

During the year, the investment properties were tested for impairment and the management recognized an net reversal of SR 10,066,799 (2020: recognized an impairment of SR 151,354,068) to adjust the value of its investment properties to its recoverable amount based on the average value as at 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 disclosed in note 19.

6.3.6 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.

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

In accordance with Article 36 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 measurement of the investment properties was performed by BARCODE Company – Abdulkarim Abanami, accredited valuer by the Saudi Authority for Accredited Valuers ("Taqeem"), holding membership number 1210000001 and BUSSMA Company and Partner for Real Estate Valuation - Ahmed Saad Almalki, accredited valuer by the Saudi Authority for Accredited Valuers ("Taqeem"), holding membership number 1210001217. The valuers are independent, not related to the Fund, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

The discounted cash flow ("DCF") and income capitalisation valuation model (refer note 19) 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").

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

7.1 As at 31 December 2021, 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 2021			
Dawadmi Mall	88,991,878	89,970,000	89,480,939
AlKhair Mall	245,537,005	237,780,000	241,658,503
Hafar Al-Batin Mall	411,329,569	398,320,000	404,824,785
Tabuk Mall	152,968,368	154,480,000	153,724,184
	898,826,820	880,550,000	889,688,411
	<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
	914,000,000	903,094,787	908,547,393

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 7.2. The inputs used in the above level 3 fair valuation are disclosed in note 19.

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

	31 December 2021 SR	31 December 2020 SR
Fair value of investments in real estate properties (note 6.1)	896,848,797	916,185,837
Less: Carrying value of investments in real estate properties (note 7.1)	(896,848,797)	(916,185,837)
Net impact based on fair value evaluation	-	-
Units in issue	118,000,000	118,000,000
Impact per unit share based on fair value evaluation	-	-

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

	31 December 2021 SR	31 December 2020 SR
Net asset value at cost, as presented in these financial statements	932,864,494	947,722,311
Net impact based on real estate evaluations (note 7.2)	-	-
Net asset based on fair value	932,864,494	947,722,311

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

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

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Net asset value per unit, at cost as presented in these financial statements	7.90	8.03
Impact on net asset value per unit on account of unrealized loss based on fair value evaluations (note 7.2)	-	-
Net asset value per unit at fair value	7.90	8.03

8 PREPAYMENT AND OTHER RECEIVABLES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Deposit with ZATCA*	8,716,463	8,716,463
Prepaid expenses	58,591	341,630
Other receivable	-	1,850,517
	8,775,054	10,908,610

* During 2020, the Fund has received value added tax (“VAT”) assessment from the ZATCA for the period ended 31 December 2018 and year ended 31 December 2020 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 with ZATCA 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 regulations of ZATCA accordingly, 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 ZATCA as for the eligibility to file an appeal.

After subsequent rejection of the appeal from ZATCA, the management filed an appeal with GSTC on 11 February 2021. GSTC accepted the appeal request, and the first hearing session was held on 29 July 2021 (corresponding to 19 Dhul-Hijjah 1442), but no conclusion was reached during the first session and the second session was agreed to be conducted soon. The second hearing with GSTC was scheduled and attended on 26 September 2021. The appeal was rejected by GSTC. Official decision was received from GSTC on 22 November 2021, allowing the Fund to re-submit the appeal with Higher Appeal Committee (HAC) within 30 days. The revised appeal catering to the earlier discussions with ZATCA and GSTC was filed with HAC on 16 December 2021 and the time for first hearing is still awaited. The Fund management is confident on its appeal and expecting that the outcome of the appeal will be in favour of the Fund.

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

9 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 39,136,134 (2020: SR 20,891,323). Information about the Fund's exposure to expected credit loss are shown in note 21.1.

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Rental income receivable	47,800,538	49,897,448
Less: Allowance for expected credit losses	(39,136,133)	(20,891,525)
	8,664,405	29,005,923

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

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Less than 90 days	2,969,706	10,550,224
Between 91 to 180 days	6,539,600	9,266,852
Between 181 to 360 days	19,069,258	15,038,149
More than 360 days	19,221,974	15,042,223
	47,800,538	49,897,448

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

	<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
At the beginning of the year	20,891,525	17,959,611
Allowance made during the year	18,244,608	2,931,914
At the end of the year	39,136,133	20,891,525

10 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. 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 quarterly 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 per board meeting.

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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>	<i>For the year ended 31 December 2021</i> SR	<i>For the year ended 31 December 2020</i> SR
SWICORP Company	Former Fund Manager and unitholder	Management fee	7,090,939	7,904,363
		Dividend distribution	-	1,210,873
Board of Directors	Independent Directors	Board oversight fee	19,750	41,086
Wabel Al Arabia for Investment Company	Property manager and unitholder	Rental income from investment properties	1,398,307	24,561,287
		Media and advertising income	-	12,000,000
		Property manager fee and operating expenses	715,263	17,791,890
		Payments made on behalf of Fund	3,288,385	10,744,111
		Receipt of Fund	-	65,508,955
		Distribution settled (note 23)	-	6,768,200

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

<i>Amounts due from a related party</i>	<i>31 December 2021</i> SR	<i>31 December 2020</i> SR
Wabel Al Arabia for Investment Company	3,039,089	4,929,167

<i>Amounts due to related parties</i>	<i>31 December 2021</i> SR	<i>31 December 2020</i> SR
SWICORP Company	38,592	1,842,487
Board oversight fee	25,000	25,000
	63,592	1,867,487

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

	<i>31 December 2021</i> Units	<i>31 December 2020</i> Units
Wabel Al Arabia for Investment Company	-	62,960,000

As at 31 December 2021, board members of the Fund held 755,143 units (2020: 4,458,834 units).

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

11 CASH AND CASH EQUIVALENTS

As at 31 December 2021, the bank balance with an amount of SR 29,348,717 includes a balance of SR 13,231,774 (2020: SR 333,756) which is maintained with an account at Riyadh Bank under the name of the SWICORP Company and not under the name of the Fund.

12 LEASE LIABILITIES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Lease liabilities at the beginning of the year	7,988,538	8,297,321
Add: finance charge for the year	326,373	341,217
Less: payments made during the year	(650,000)	(650,000)
	<hr/>	<hr/>
Lease liabilities at the end of the year	7,664,911	7,988,538
	<hr/>	<hr/>
Non-current liabilities	7,014,911	7,338,538
Current liabilities	650,000	650,000
	<hr/>	<hr/>
	7,664,911	7,988,538
	<hr/> <hr/>	<hr/> <hr/>

13 CONTRACT LIABILITIES

Represents rental income received but not yet earned. The movement in contract liabilities for the year is as follows:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
At the beginning of the year	19,779,639	25,837,783
Received during the year	40,830,226	48,108,357
Recognized during the year	(59,045,285)	(54,166,501)
	<hr/>	<hr/>
At the end of the year	1,564,580	19,779,639
	<hr/> <hr/>	<hr/> <hr/>

14 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Value added tax payable	645,856	-
Administration fee	239,383	59,797
Listing fee	168,705	92,469
Custody fee	94,136	168,705
Professional fee	33,337	11,500
Valuation fee	21,250	87,347
Others	17,150	150
	<hr/>	<hr/>
	1,219,817	419,968
	<hr/> <hr/>	<hr/> <hr/>

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

15 ZAKAT

15.1 Charge for the year

Zakat charge amounting to SR 27,249 (2020: SR 706,855) provided in the statement of comprehensive income for the year ended 31 December 2021 consists of current year provision. The current year's provision is based on the following:

	<i>31 December 2021 SR</i>	<i>31 December 2020 SR</i>
Unitholders equity	1,180,000,000	1,180,000,000
Unitholders account and provisions	21,888,609	25,948,149
Book value of long term assets and other assets	(1,313,959,234)	(1,182,418,531)
	(112,070,625)	23,529,618
Zakat base before adjusted net income for 366/345 days	(115,553,046)	24,327,232
Adjusted net (loss)/income for the year	(6,680,008)	3,946,975
Zakat base	(122,233,054)	28,274,207

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

15.2 Adjusted net income

	<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
(Loss) income before zakat	(14,857,817)	(150,339,007)
Add: Provisions charged during the year	8,177,809	154,285,982
Adjusted net (loss)/income for the year	(6,680,008)	3,946,975

15.3 Zakat provision

	<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
At the beginning of the year	1,878,880	1,980,825
Charged during the year	-	706,855
Paid during the year	(881,796)	(808,800)
At the end of the year	997,084	1,878,880

15.4 Status of assessment

The Fund has filed the zakat returns for all years up to 31 December 2020. No zakat assessments have yet been raised by the ZATCA.

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

16 RENTAL INCOME FROM INVESTMENT PROPERTIES

	<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
	SR	SR
Rental income	<u>59,045,285</u>	<u>54,166,502</u>

(i) The Fund's rental income from investment properties is concentrated within one operating segment and geographical region of the Kingdom of Saudi Arabia, comprising of 4 investment properties as disclosed in note 6.3.

17 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
	SR	SR
Professional fees	840,937	940,426
Property insurance	492,279	528,072
Legal fees	177,293	459,466
Administration fees	499,028	443,064
Regulator fees	400,000	407,500
Listing fees	280,642	262,031
Others	1,484,422	105,795
	<u>4,174,601</u>	<u>3,146,354</u>

18 PROPERTY MANAGER FEE AND OPERATING EXPENSES

	<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
	SR	SR
Operating expenses	19,039,350	16,023,574
Property manager fees	3,740,263	1,768,316
	<u>22,779,613</u>	<u>17,791,890</u>

19 FAIR VALUE MEASUREMENT

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

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

19 FAIR VALUE MEASUREMENT (continued)

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

<i>31 December 2021</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<u><i>Investment properties</i></u>				
Dawadmi Mall	-	-	96,641,325	96,641,325
AlKhair Mall	-	-	241,658,503	241,658,503
Hafar Al-Batin Mall	-	-	404,824,786	404,824,786
Tabuk Mall	-	-	153,724,183	153,724,183
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	896,848,797	896,848,797
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>31 December 2020</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<u><i>Investment properties</i></u>				
Dawadmi Mall	-	-	110,490,863	110,490,863
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
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	916,185,837	916,185,837
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 key assumptions are listed below.

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.

The fair values of investment properties were assessed by BARCODE Company and BUSSMA Company and Partner for Real Estate Valuation as disclosed in note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have 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”).

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

19 FAIR VALUE MEASUREMENT (continued)

31 December 2021

Evaluator: BUSSMA Company and Partner for Real Estate Valuation

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Rate (%)</u>
Dawadmi Mall	Discounted cash flow	Discount rate	13.00
		Growth rate	2.50
		Vacancy rate	15.00
AlKhair Mall	Discounted cash flow	Discount rate	9.50
		Growth rate	2.50
		Vacancy rate	10.00
Hafar Al-Batin Mall	Discounted cash flow	Discount rate	10.50
		Growth rate	2.50
		Vacancy rate	15.00
Tabuk Mall	Discounted cash flow	Discount rate	10.50
		Growth rate	2.50
		Vacancy rate	10.00

Evaluator: BARCODE Company

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Rate (%)</u>
Dawadmi Mall	Discounted cash flow	Discount rate	9.00
AlKhair Mall	Income capitalisation	Capitalisation rate	8.00
Hafar Al-Batin Mall	Income capitalisation	Capitalisation rate	9.00
Tabuk Mall	Income capitalisation	Capitalisation rate	8.50

31 December 2020

Evaluator: BUSSMA Company and Partner for Real Estate Valuation

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Rate (%)</u>
Dawadmi Mall	Discounted cash flow	Discount rate	11.50
		Growth rate	3.00
		Vacancy rate	10.00
AlKhair Mall	Income capitalisation	Capitalisation rate	7.00
Hafar Al-Batin Mall	Income capitalisation	Capitalisation rate	8.00
Tabuk Mall	Income capitalisation	Capitalisation rate	7.00

Evaluator: BARCODE Company

<u>Description</u>	<u>Valuation approach</u>	<u>Key assumptions</u>	<u>Rate (%)</u>
Dawadmi Mall	Discounted cash flow	Discount rate	11.00
		Growth rate	2.00
		Vacancy rate	35.00
AlKhair Mall	Discounted cash flow	Discount rate	9.50
		Growth rate	2.00
		Vacancy rate	11.00
Hafar Al-Batin Mall	Discounted cash flow	Discount rate	10.50
		Growth rate	2.00
		Vacancy rate	11.00
Tabuk Mall	Discounted cash flow	Discount rate	10.50
		Growth rate	2.00
		Vacancy rate	33.00

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

20 LEASE COMMITMENTS

Future rental commitments under the leases are as follows:

	<i>31 December 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
No later than one year	45,327,525	58,025,682
Later than one year and not later than five years	139,580,055	144,419,766
Later than five years	80,176,539	92,935,590
	<u>265,084,119</u>	<u>295,381,038</u>

21 FINANCIAL RISK MANAGEMENT

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

21.1 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 risks on the following financial instruments:

	<i>31 December 2021</i>	<i>31 December 2020</i>
	<i>SR</i>	<i>SR</i>
Rental income receivables (note 9)	8,664,405	29,005,923
Cash and cash equivalents (note 11)	29,348,717	21,333,060
Amounts due from a related party (note 10)	3,039,089	4,929,167
	<u>41,052,211</u>	<u>55,268,150</u>

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, 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 2021 Expected credit loss</i>	<i>31 December 2020 Expected credit loss</i>
	<i>SR</i>	<i>SR</i>
Less than 90 days	1,400,315	2,651,096
Between 91 to 180 days	4,122,659	2,939,711
Between 181 to 360 days	14,391,186	5,711,301
More than 360 days	19,221,973	9,595,417

21.2 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.

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

21 FINANCIAL RISK MANAGEMENT (continued)

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 2021				
Dividend payable	2,301,584	-	-	2,301,584
Amounts due to related parties	-	63,592	-	63,592
Accrued expenses and other payables	-	645,856	-	645,856
Current portion of lease liabilities	-	650,000	-	650,000
Non-current portion of lease liabilities	-	-	9,750,000	9,750,000
	2,301,584	1,334,448	9,750,000	13,411,032
	-----	-----	-----	-----
	2,301,584	1,334,448	9,750,000	13,411,032
	=====	=====	=====	=====
	<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
Current portion of lease liabilities	-	650,000	-	650,000
Non-current portion of lease liabilities	-	-	10,400,000	10,400,000
	2,705,774	2,517,487	10,400,000	15,623,261
	-----	-----	-----	-----
	2,705,774	2,517,487	10,400,000	15,623,261
	=====	=====	=====	=====

21.3 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.

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 DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 16 April 2020, the Fund's Board announced to make distributions for the year ended 31 December 2020 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"). Furthermore, an amount of SR 2,301,584 (2020: SR 2,705,774) is still payable as at 31 December 2021 from the Fund's dividend account.

24 LAST VALUATION DAY

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

SWICORP WABEL REIT FUND
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2021

25 COMPARATIVE INFORMATION

The corresponding figures have been rearranged and reclassified, wherever considered necessary for the purposes of comparison and better presentation. Following reclassification has been made:

<i>Reclassified from component</i>	<i>Reclassified to component</i>	<i>Amount</i>
		<i>SR</i>
Right of use assets	Investment properties	7,638,444
General and administrative expenses	Depreciation on investment properties	32,551,035

26 EVENTS AFTER THE REPORTING DATE

As disclosed in note 1.1, SWICORP Company, former fund manager, transferred all of their responsibilities as Fund Manager to Alinma Investment Company on 22 February 2022 (corresponding to 21 Rajab 1443H). The legal proceedings along with updating the terms and conditions are in process as of the date of the approval of these financial statements.

Further, subsequent to the reporting date, the Fund announced changes in the board of directors due to the resignation of the below board members:

- Daniel Schenker
- Kwok Hansim
- Bandar Fayeh Alotaibi
- Ahmed Tawfiq Alkusayer (independent).
- Hussam Mohammed Abdulraouf (independent).

The formation of the board of directors, after the change from 28 March 2022 (corresponding to 25 Sha'ban 1443H) shall be:

- Faisal Mohammed Al Abdulkarim
- Abdullah Sulaiman Al Dahayan
- Ahmed Abdulaziz Bin Hasan (independent).

27 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 29 March 2022 (corresponding to 26 Sha'ban 1443).