

**SWICORP WABEL REIT FUND
(Managed by SWICORP Company)**

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

FINANCIAL STATEMENTS

31 December 2019

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

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 2019, 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 financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2019, 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 Certified Public 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.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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 semiannual basis.</p> <p>We considered this a key audit matter since the assessment of impairment requires significant judgment by the 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 higher than the carrying value of the related investment properties and an impairment reversal of SR 46,880,973 (2018: Impairment loss SR 83,233,546) 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 5.1 and related disclosures about the above-mentioned key audit matter are included in notes 6 and 7 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 independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work and evaluated their technical capabilities and expertise; - We reviewed the methodology applied by the external valuers to ensure it is appropriate; - We obtained the valuation reports from two different and independent real estate valuers engaged by the Fund management for all investment properties as at 31 December 2019 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; - We reconciled the average fair value of the investment properties as per note 7 of the accompanying financial statements to the external valuers' reports; - We reviewed that appropriate reversal of 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)**

Key Audit Matters (continued)

| Key Audit Matter | How the key matter was addressed in the audit |
|--|---|
| <p>Implementation of IFRS 16 "Leases"</p> <p>The Fund has adopted IFRS 16 "Leases" applicable onwards 1 January 2019 and this new standard supersedes the requirements of IAS 17.</p> <p>Fund management performed a detailed analysis of lease contract to determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease.</p> <p>IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of right-of-use on the lease assets and a corresponding liability for the discounted amount of lease payments over the term of lease contract.</p> <p>The Fund has chosen to apply IFRS 16 "Leases" as at 1 January 2019, accordingly, this resulted in recognition of right-of-use assets and lease liabilities of SR 8,594,560 as at 1 January 2019.</p> <p>Fund management also assessed the disclosure requirements of the new standard to be made in the accompanying financial statements.</p> <p>We considered this a key audit matter as the calculations of amounts and application of the standard, underlying the right-of-use assets and the corresponding lease liabilities, requires significant management judgement in respect to the terms in the contracts.</p> <p><i>The Fund's policies for leases and related disclosures about the above-mentioned key audit matter are included in note 5.15 of the accompanying financial statements.</i></p> | <p>For implementation of IFRS 16 "Lease", we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> - Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation; - Assessed the accuracy of the lease data captured by the management through the inspection of lease documents; - Tested lease schedules by recalculating the amounts underlying the right-of-use assets and lease liabilities based on the terms of the lease contract. We also tested the arithmetical accuracy of the lease schedules and how these adjustments applied in the accompanying financial statements as at 1 January 2019; - Assessed the appropriateness of the discount rates used in computation of lease liability obligations; and - We have also reviewed the adequacy of the disclosures included in the accompanying financial statements in relation to the implementation of the new standard IFRS 16 "Leases". |

Key Audit Matters (continued)

| Key Audit Matter | How the key matter was addressed in the audit |
|--|--|
| <p>IFRS 9 "Financial instruments"</p> <p>The Fund has adopted IFRS 9 "Financial instruments" with effect from 1 January 2018, and this new standard supersedes the requirements of IAS 39 "Financial Instruments – Recognition and Measurement".</p> <p>IFRS 9 "Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Fund financial statements related to the calculation of the allowance for the impairment of rent receivables.</p> <p>The Fund assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired. The Fund's management has applied a simplified expected credit loss ("ECL") method to determine the allowance for impairment of rent receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends and aging of rent receivables.</p> <p>As at 31 December 2019, the carrying value of the rent receivables amounted to SR 37,199,616 (2018: 18,124,541) after accounting for the allowance for ECL amounting to SR 6,227,315 (2018: nil).</p> <p>We considered this a key audit matter since the assessment to determine the allowance for impairment requires significant judgement by the Fund Manager and the potential impact of impairment could be material to the financial statements.</p> <p><i>The Fund's policies for impairment of financial assets held at amortised cost are disclosed in note 4.3 and related disclosures about the above-mentioned key audit matter are included in note 9 and 19.2 of the accompanying financial statements.</i></p> | <p>For developing an understanding of the relevant business process, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> - Specifically considered the validity of management's conclusion that the main area of impact was in respect of rent receivables impairment, using our experience and knowledge of similar entities; - Verified whether the ECL model developed by management is consistent with the requirements of IFRS 9 "Financial instruments"; - Tested the accuracy and completeness of underlying data used in the model and the arithmetical accuracy of the computation of ECL; - Assessed the appropriateness of the methodology used in the ECL model; - For forward looking assumptions used by the Fund's management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information; - Tested key assumptions and judgements used by the management, as those used to estimate the likelihood of default and loss on default on rent receivables, by comparing to historical and aging data. We also considered the appropriateness of forward-looking factors (macro-economic factors) used to determine the expected credit loss; and - We have also reviewed the adequacy of the disclosures included in the accompanying financial statements in relation to the requirements of IFRS 9 "Financial instruments". |

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

Emphasis of Matter – Dividends Distribution

We draw attention to note 23 in the accompanying financial statements, as stated therein, the Fund Manager announced to distribute dividends to the unit holders for the period from 6 August 2018 to 31 December 2018 amounting to SR 31,860,000. The Fund had incurred a net loss for the period from 6 August 2018 to 31 December 2018 of SR 57,924,381 and a net income for the year ended 31 December 2019 amounting to SR 59,292,554. Accordingly, the dividend distributed was in excess of the distributable profits by SR 30,491,827. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Events after the End of the Reporting Date

We draw attention to note 24 in the accompanying financial statements, as stated therein, subsequent to the year end the presence of COVID 19 virus was confirmed, which was declared as a global pandemic by the World Health Organization "WHO" causing widespread disturbance of commercial and economic activities. The management considers this event to be an event that does not require adjustments as at the reporting date, as the situation is variable and rapidly evolving and the potential impact on the Fund's results cannot be estimated. Our opinion is not modified in respect of this matter.

Other Information included in the Fund's 2019 Annual Report

Other information consists of the information included in the Fund's 2019 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 Board of Directors 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.

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 SWICORP 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 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.
- 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 the Board of Directors 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 the Board of Directors 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 SWICORP Company) (continued)**

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

From the matters communicated with the Board of Directors, 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: 6 Sha'ban 1441H
(30 March 2020)



SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF FINANCIAL POSITION

| | <i>Note</i> | <i>31 December 2019 SR</i> | <i>31 December 2018 SR</i> |
|--|-------------|------------------------------------|------------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Investment properties | 6 | 1,087,701,256 | 1,076,257,739 |
| Right-of-use assets | 5.15 | 8,117,812 | - |
| TOTAL NON-CURRENT ASSETS | | 1,095,819,068 | 1,076,257,739 |
| CURRENT ASSETS | | | |
| Other receivables | | 1,031,707 | - |
| Financial assets at fair value through profit and loss | 8 | - | 30,226,332 |
| Rent receivable | 9 | 37,199,616 | 18,124,541 |
| Amounts due from a related party | 10 | 52,283,998 | 24,188,228 |
| Cash and cash equivalents | 11 | 333,756 | - |
| TOTAL CURRENT ASSETS | | 90,849,077 | 72,539,101 |
| TOTAL ASSETS | | 1,186,668,145 | 1,148,796,840 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Non-current portion of lease liabilities | 5.15 | 7,647,321 | - |
| CURRENT LIABILITIES | | | |
| Unearned income | 12 | 25,837,783 | 20,913,552 |
| Amounts due to related parties | 10 | 125,749 | 5,556,875 |
| Accrued expenses | 13 | 918,294 | 250,794 |
| Current portion of lease liabilities | 5.15 | 650,000 | - |
| Zakat payable | 14 | 1,980,825 | - |
| TOTAL CURRENT LIABILITIES | | 29,512,651 | 26,721,221 |
| TOTAL LIABILITIES | | 37,159,972 | 26,721,221 |
| NET ASSETS | | 1,149,508,173 | 1,122,075,619 |
| Units in issue (number) | 15 | 118,000,000 | 118,000,000 |
| Per unit value (SR) | 7 | 9.74 | 9.51 |
| Per unit fair value (SR) | 7 | 9.86 | 9.51 |

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF COMPREHENSIVE INCOME

| | <i>Note</i> | <i>For the year ended 31 December 2019 SR</i> | <i>For the period from 6 August 2018 to 31 December 2018 SR</i> |
|--|-------------|---|---|
| INCOME | | | |
| Rental income from investment properties | 5.10 | 91,684,951 | 70,046,156 |
| TOTAL INCOME | | 91,684,951 | 70,046,156 |
| EXPENSES | | | |
| Management fee | 10 | (8,506,286) | (6,473,836) |
| Custodian fee | | (546,525) | (215,794) |
| Board oversight fee | 10 | (20,000) | (15,000) |
| Property manager fee and operating | 10 | (22,331,130) | (12,872,568) |
| Allowance for doubtful debts | 9 | (17,959,611) | - |
| General and administrative | 16 | (39,775,547) | (25,386,125) |
| TOTAL EXPENSES | | (89,139,099) | (44,963,323) |
| OPERATING PROFIT | | 2,545,852 | 25,082,833 |
| Other income | 10 | 12,000,000 | - |
| Finance charges | 5.15 | (352,761) | - |
| Unrealized gain on financial assets at fair value through profit and loss | | - | 226,332 |
| Realized gain on financial assets at fair value through profit and loss | 8 | 199,315 | - |
| PROFIT FOR THE YEAR / PERIOD | | 14,392,406 | 25,309,165 |
| Impairment reversal (loss) on investment properties | 6 | 46,880,973 | (83,233,546) |
| PROFIT (LOSS) FOR THE YEAR / PERIOD AFTER IMPAIRMENT AND BEFORE ZAKAT | | 61,273,379 | (57,924,381) |
| Zakat | 14 | (1,980,825) | - |
| PROFIT (LOSS) FOR THE YEAR / PERIOD AFTER ZAKAT | | 59,292,554 | (57,924,381) |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR / PERIOD | | 59,292,554 | (57,924,381) |

The accompanying notes 1 to 26 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 2019</i> | <i>For the period from 6 August 2018 to 31 December 2018</i> |
|--|-------------|--|--|
| | <i>Note</i> | <i>SR</i> | <i>SR</i> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit (loss) for the year / period before zakat | | 61,273,379 | (57,924,381) |
| <i>Adjustments to reconcile profit for the period to net cash flows:</i> | | | |
| Depreciation on investment properties | 6 | 36,905,352 | 20,508,715 |
| Depreciation on right of use asset | 5.15 | 476,748 | - |
| Increase in financial assets at fair value through profit and loss | 8 | - | (226,332) |
| Gain on sale of financial assets at fair value through profit or loss | 8 | (199,315) | - |
| (Reversal) impairment loss on investment properties | 6 | (46,880,973) | 83,233,546 |
| Allowance for doubtful debts | 9 | 17,959,611 | - |
| Finance charges | 5.15 | 352,761 | - |
| | | <u>69,887,563</u> | <u>45,591,548</u> |
| <i>Working capital adjustments:</i> | | | |
| Other receivables | | (1,031,707) | - |
| Rent receivable | 9 | (37,034,686) | (18,124,541) |
| Amounts due from a related party | 10 | (28,095,770) | (24,188,228) |
| Unearned income | 12 | 4,924,231 | 20,913,552 |
| Amounts due to related parties | 10 | (5,431,126) | 5,556,875 |
| Accrued expenses | 13 | 667,500 | 250,794 |
| | | <u>3,886,005</u> | <u>30,000,000</u> |
| Cash flows from operating activities | | 3,886,005 | 30,000,000 |
| Zakat paid | 14 | - | - |
| | | <u>3,886,005</u> | <u>30,000,000</u> |
| Net cash flows from operating activities | | 3,886,005 | 30,000,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investment properties | 6 | (1,467,896) | (389,400,000) |
| Purchase of money market securities | | - | (30,000,000) |
| Sale of money market securities | 8 | 30,425,647 | - |
| | | <u>28,957,751</u> | <u>(419,400,000)</u> |
| Net cash flows from (used in) investing activities | | 28,957,751 | (419,400,000) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from units sold | 15 | - | 389,400,000 |
| Dividends paid | 23 | (31,860,000) | - |
| Lease liabilities paid | 5.15 | (650,000) | - |
| | | <u>(32,510,000)</u> | <u>389,400,000</u> |
| Net cash flows (used in) from financing activities | | (32,510,000) | 389,400,000 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | <u>333,756</u> | - |
| Cash and cash equivalents at the beginning of the year / period | | - | - |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR / PERIOD | 11 | <u>333,756</u> | - |
| NON-CASH TRANSACTIONS | | | |
| Purchase of investment properties (compensated against sale of units) | 15 | - | 790,600,000 |
| Principal portion of the lease liabilities | 5.15 | 8,117,812 | - |

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2019

| | <i>Fund units SR</i> | <i>Cumulative loss SR</i> | <i>Total unitholders' net assets SR</i> |
|--|------------------------------|-----------------------------------|---|
| Issuance of units | | | |
| - for cash (note 15) | 389,400,000 | - | 389,400,000 |
| - for consideration other than cash (note 15) | 790,600,000 | - | 790,600,000 |
| | 1,180,000,000 | - | 1,180,000,000 |
| Loss for the period | - | (57,924,381) | (57,924,381) |
| Other comprehensive income for the period | - | - | - |
| Total comprehensive loss for the period | - | (57,924,381) | (57,924,381) |
| 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 23) | - | (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 |

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1 CORPORATE INFORMATION

SWICORP WABEL REIT Fund (the "Fund") is a closed-ended real estate investment traded fund established on 24 Dhul Qadah 1439H (corresponding to 6 August 2018). 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 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. 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 Medina.

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.

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

2 REGULATING AUTHORITY

The Fund is governed by the REIFR published by the CMA in the Kingdom of Saudi Arabia dated 10 Rabi Al-Thani 1439H (corresponding to 28 December 2018) and REITF instructions published by CMA dated 19 Jumada Al-Akhirah 1439H (corresponding to 7 March 2018), detailing requirements for all real estate funds operating 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 Certified Public 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.

3.4 Comparative information

The Fund has presented the comparative information for the period from 6 August 2018 to 31 December 2018 as these were the first financial period of the Fund.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 6.

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.

4.3 Impairment of financial assets held at amortised cost

The Fund recognises 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 rent 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 rent receivables is disclosed in note 9 and 19.2 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.

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 recognised as standard pricing convention within the industry.

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

31 December 2019

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.4 Fair value measurement (continued)

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 7 and 17 in these financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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 7 and 17 in these financial statements.

5.2 Cash and cash equivalents

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

5.3 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.

5.3.1 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 recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3.1 Initial recognition and measurement (continued)

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.

The Fund includes in this category:

Money market securities: These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

The Fund's financial assets include Financial assets at fair value through profit and loss.

5.3.2 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 FVPL.

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 FVPL 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category other short-term receivables.

The Fund derecognises 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 2019

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 derecognises 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 revenues, accrued management fee and accrued expenses.

5.6 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 recognised amounts and an intent to settle on a net basis, or to realise the assets and liabilities simultaneously.

5.7 Provision

Provisions are recognised 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.

5.8 Right-of-use assets

The Fund recognises 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 recognised, 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 recognised 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.

5.9 Lease liabilities

At the commencement date of the lease, the Fund recognises 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 recognised as expense in the period on which the event or condition that triggers the payment occurs.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.10 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. Recognise 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 recognised.

Rental income

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

5.11 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.

5.12 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.

5.13 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.

5.14 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.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Standards and amendments to existing standards effective 1 January 2019

IFRS 16 “Leases”

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Fund is the lessor.

The Fund adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Fund has assessed the impact of above standard. Based on the assessment, the above standard has the following impact on the Fund’s financial statements at the reporting date:

| | SR |
|--|------------------|
| Assets: | |
| Right-of-use asset recognized on 1 January 2019 | 8,594,560 |
| Less: depreciation charge for the year | (476,748) |
| Right-of-use asset as on 31 December 2019 | 8,117,812 |
| Non-current assets | 8,117,812 |
| Current assets | - |
| | 8,117,812 |
| Liabilities: | |
| Lease liabilities recorded on 1 January 2019 | 8,594,560 |
| Add: finance charge for the year | 352,761 |
| Less: payments made during the year | (650,000) |
| | 8,297,321 |
| Non-current liabilities | 7,647,321 |
| Current liabilities | 650,000 |
| | 8,297,321 |

Nature of the effect of adoption of IFRS 16

The Fund held land relating to its investment property under an operating lease. As per the previous standard’s requirements for operating leases, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and trade and other payables, respectively. Upon adoption of IFRS 16, the Fund recognised right-of-use assets and lease liabilities for the leasehold land previously classified as an operating lease. The right-of-use asset was recognised based on the amount equal to the lease liabilities, adjusted for related prepaid and accrued lease payments previously recognised, if any. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

31 December 2019

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 Standards and amendments to existing standards effective 1 January 2019 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as follows:

| | |
|--|------------------|
| | SR |
| Operating lease commitments as at 1 January 2019 | 12,350,000 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.28% |
| Discounted operating lease commitments at 1 January 2019 | 8,594,560 |
| | <hr/> |
| Lease liabilities as on 1 January 2019 | 8,594,560 |
| | <hr/> |

5.16 New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

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

| <u>Standards / amendments to standards / interpretations</u> | <u>Effective date</u> |
|--|-----------------------|
| Definition of a Business (Amendments to IFRS 3) | 1 January 2020 |
| Definition of Material (Amendments to IAS 1 and IAS 8) | 1 January 2020 |
| IFRS 17 Insurance Contracts | 1 January 2021 |

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.

5.16.1 Annual Improvements to IFRSs 2018-2020 Cycle

- IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements* clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.
- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

5.16.2 Annual Improvements to IFRSs 2018-2020 Cycle (continued)

- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
- IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
- IAS 23, *Borrowing Costs*, clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

5.16.3 Other amendments

The following new or amendments to standards are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

- IFRS 9, *Financial Instruments*, *Prepayment Features with Negative Compensation*.
- IAS 19, *Employee Benefits*, *Plan Amendments*, *Curtailment or Settlement*.
- IAS 28, *Investments in Associates and Joint Ventures*, *Long-term Interests in Associates and Joint Ventures*
- IFRIC 23, *Uncertainty over Income Tax Treatments*.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

6 INVESTMENT PROPERTIES

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

31 December 2019

| <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 | 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 |
| Tabouk Mall | 219,881,117 | (11,530,905) | - | 208,350,212 |
| | <u>1,181,467,896</u> | <u>(57,414,067)</u> | <u>(36,352,573)</u> | <u>1,087,701,256</u> |

31 December 2018

| <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 | 166,815,938 | (4,049,656) | (23,705,662) | 139,060,620 |
| AlKhair Mall | 323,560,874 | (3,597,886) | (33,456,232) | 286,506,756 |
| Hafar Al-Batin Mall | 470,205,991 | (8,415,756) | (23,780,970) | 438,009,265 |
| Tabouk Mall | 219,417,197 | (4,445,417) | (2,290,682) | 212,681,098 |
| | <u>1,180,000,000</u> | <u>(20,508,715)</u> | <u>(83,233,546)</u> | <u>1,076,257,739</u> |

During the year, depreciation amounts of SR 36,905,352 was charged (2018: 20,508,715) as disclosed in note 16.

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 leasehold properties is assessed at remaining land lease period from the date of acquisition.

6.2 Freehold

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. Additionally, the Fund acquired a leasehold land investment property in Dawadmi with land area of 72,678 square meter. The consideration for the properties was partly paid in cash and partly settled through issuance of 79,060,000 units of the Fund (note 15).

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 Tabouk Mall

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

6 INVESTMENT PROPERTIES (continued)

6.3.5 Impairment of investment properties

The investment properties were tested for impairment and the management noted their carrying amount not to be recoverable. During the year, the management recognised a net reversal of impairment of SR 46,880,973 (reversal of SR 47,530,294 and an impairment of SR 649,321) (2018: recognised an impairment loss of SR 83,233,546) 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 7. The key assumptions taken for valuation as at 31 December for these investment properties are as follows:

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 |
| Tabouk Mall | 10 | 9 | 8 | 2 |

31 December 2018

| | <i>Discount</i> | <i>Exit yield</i> | <i>Capitalization</i> | <i>Escalation</i> |
|---------------------|-----------------|-------------------|-----------------------|-------------------|
| | % | % | % | % |
| Dawadmi Mall | 11 | 13.09 | 9 | 2 |
| AlKhair Mall | 9.5 | 7.5 | 7.5 | 2 |
| Hafar Al-Batin Mall | 10 | 8 | 8 | 2 |
| Tabouk Mall | 10 | 8 | 8 | 2 |

7 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.

7.1 The fair value of the investment properties is determined by two selected appraisers, i.e. BARCODE and BUSSMA. As at period end, the valuation of investment properties are as follows:

| | <i>Appraiser 1</i> | <i>Appraiser 2</i> | <i>Average</i> |
|-------------------------|----------------------|----------------------|----------------------|
| | SR | SR | SR |
| 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 |
| Tabouk Mall | 210,310,000 | 209,224,978 | 209,767,489 |
| | 1,093,080,000 | 1,111,673,364 | 1,102,376,683 |
| 31 December 2018 | | | |
| | <i>Appraiser 1</i> | <i>Appraiser 2</i> | <i>Average</i> |
| | SR | SR | SR |
| Dawadmi Mall | 136,955,833 | 141,165,407 | 139,060,620 |
| AlKhair Mall | 283,623,702 | 289,389,810 | 286,506,756 |
| Hafar Al-Batin Mall | 427,820,416 | 448,198,112 | 438,009,264 |
| Tabouk Mall | 216,891,061 | 208,471,136 | 212,681,099 |
| | 1,065,291,012 | 1,087,224,465 | 1,076,257,739 |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

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

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. Below is an analysis of the investment properties' fair value against carrying value:

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

| | 2019 | 2018 |
|--|------------------------|-----------------|
| | SR | SR |
| Fair value of investments in real estate properties (note 7.1) | 1,102,376,683 | 1,076,257,739 |
| Less: Carrying value of investments in real estate properties (note 6) | (1,087,701,256) | (1,076,257,739) |
| 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 | - |

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

| | 2019 | 2018 |
|---|----------------------|---------------|
| | SR | SR |
| Net asset value at cost, as presented in these financial statements | 1,149,508,173 | 1,122,075,619 |
| Net impact based on real estate evaluations (note 7.2) | 14,675,427 | - |
| Net asset based on fair value | 1,164,183,600 | 1,122,075,619 |

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

| | 2019 | 2018 |
|---|-------------|-------------|
| | SR | SR |
| Net asset value per unit, at cost as presented in these financial statements | 9.74 | 9.51 |
| Impact on net asset value per unit on account of unrealised loss based on fair value evaluations (note 7.2) | 0.12 | - |
| Net asset value per unit at fair value | 9.86 | 9.51 |

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

During the period, the Fund has disposed of its investment in its debt-based securities. The following are the movements of the investment during the year:

| <i>31 December 2018</i> | <i>Number of units</i> | <i>Unit value at 31 December 2018 SR</i> | <i>Net book value SR</i> |
|-------------------------|----------------------------|--|----------------------------------|
| Money market securities | 195,569 | 154.56 | 30,226,332 |

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

Net gain of financial assets through profit or loss during the period is as follows:

| <i>Financial asset</i> | <i>For the year ended 31 December 2019 SR</i> | <i>For the period from 6 August 2018 to 31 December 2018 SR</i> |
|--|---|---|
| Net gain from changes in fair value of investment in money market securities | - | 226,332 |
| Net gain from sale of investment in money market securities | <u>199,315</u> | <u>-</u> |

9 RENT RECEIVABLE

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

During the year, the Fund has made a specific allowance for doubtful debts amounting to SR 11,732,296 (2018: nil) and an allowance for expected credit losses amounting to SR 6,227,315 (2018: nil).

Information about the Fund's exposure to expected credit loss are shown in note 19.2.

| | <i>2019 SR</i> | <i>2018 SR</i> |
|------------------------------------|---------------------|--------------------|
| Rent receivable | <u>55,159,227</u> | 18,124,541 |
| Less: Allowance for doubtful debts | <u>(17,959,611)</u> | <u>-</u> |
| | <u>37,199,616</u> | <u>18,124,541</u> |

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

| | <i>2019 SR</i> | <i>2018 SR</i> |
|-------------------------|--------------------|--------------------|
| Less than 90 days | 21,736,017 | 14,497,451 |
| Between 91 to 180 days | 6,991,047 | 2,579,745 |
| Between 181 to 360 days | 20,739,636 | 1,047,345 |
| More than 360 days | 5,692,527 | - |
| | <u>55,159,227</u> | <u>18,124,541</u> |

The following is the movement of allowance for doubtful debts as at the reporting date:

| | <i>For the year ended 31 December 2019 SR</i> | <i>For the period from 6 August 2018 to 31 December 2018 SR</i> |
|---------------------------------------|---|---|
| At the beginning of the year/period | - | - |
| Allowance made during the year/period | <u>17,959,611</u> | <u>-</u> |
| At the end of the year/period | <u>17,959,611</u> | <u>-</u> |

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

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. 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) 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.

c) Board of Directors remuneration

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

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

| <i>Related parties</i> | <i>Nature of relationship</i> | <i>Nature of transactions</i> | <i>For the year ended 31 December 2019</i> <i>SR</i> | <i>For the period from 6 August 2018 to 31 December 2018</i> <i>SR</i> |
|--|---------------------------------|--|---|---|
| Wabel Al Arabia for Investment Company | Property manager and unitholder | Cash held as advance by Fund | - | 35,474,691 |
| | | Guaranteed net operating income | - | 56,873,909 |
| | | Rental income from investment properties | 65,408,596 | 2,789,011 |
| | | Media and advertising income | 12,000,000 | - |
| | | Property manager fee and operating | 22,331,130 | 12,872,568 |
| | | Payments made on behalf of Fund | (27,983,565) | - |
| | | Receipts of Fund | (21,329,261) | - |
| SWICORP Company | Fund manager and unitholder | Management fee | 8,506,286 | 6,473,836 |
| Board of Directors | Independent Directors | Board oversight fee | 20,000 | 15,000 |

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

| <i>Amounts due from a related party</i> | <i>2019</i> <i>SR</i> | <i>2018</i> <i>SR</i> |
|---|--------------------------|--------------------------|
| Wabel Al Arabia for Investment Company | 52,283,998 | 24,188,228 |

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(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
 31 December 2019

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

| <i>Amounts due to related parties</i> | 2019 SR | 2018 SR |
|---------------------------------------|--------------------------|--------------------------|
| SWICORP Company | 95,749 | 5,541,875 |
| Board oversight fee | 30,000 | 15,000 |
| | <u>125,749</u> | <u>5,556,875</u> |

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

| | 2019 Units | 2018 Units |
|--|-----------------------------|-----------------------------|
| Wabel Al Arabia for Investment Company | 62,960,000 | 62,960,000 |
| SWICORP Company | 3,058,562 | 3,058,562 |
| | <u>62,960,000</u> | <u>62,960,000</u> |
| | <u>3,058,562</u> | <u>3,058,562</u> |

As at 31 December 2019, board members of the Fund held 4,458,834 units (2018: 4,458,834).

11 CASH AND CASH EQUIVALENTS

As at 31 December 2019, the bank balance with an amount of SR 333,756 (2018: Nil) is maintained with an account at Riyadh Bank which is under the name of the Fund Manager and not under the name of the Fund.

12 UNEARNED INCOME

Represents rent income billed in advance in respect to the investment properties. The movement in unearned income for the year / period is as follows:

| | 2019 SR | 2018 SR |
|-------------------------------------|--------------------------|--------------------------|
| Opening during the year / period | 20,913,552 | - |
| Received during the year / period | 102,649,504 | 90,959,708 |
| Recognised during the year / period | (97,725,273) | (70,046,156) |
| | <u>25,837,783</u> | <u>20,913,552</u> |

13 ACCRUED EXPENSES

| | 2019 SR | 2018 SR |
|--------------------|--------------------------|--------------------------|
| Custody fee | 433,242 | 215,794 |
| Listing fee | 168,705 | - |
| Valuation fee | 161,500 | - |
| Administration fee | 87,347 | - |
| Professional fee | 67,500 | 35,000 |
| | <u>918,294</u> | <u>250,794</u> |

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

14 ZAKAT

14.1 Charge for the year / period

During 2019 the fund has registered with the General Authority of Zakat and Income Tax for Zakat purposes. Accordingly, the Fund has calculated Zakat provision starting the year of 2019 and onwards. Zakat charge of SR 1,980,825 (2018: Nil) provided in the statement of comprehensive income for the year ended 31 December 2019 consists of current year's provision. The current year's provision is based on the following:

| | 2019 | 2018 |
|---|-------------------|-------------|
| | SR | SR |
| Unitholders equity | 1,090,215,619 | - |
| Unitholders account and provisions | 8,297,321 | - |
| Book value of long term assets and other assets | (1,048,938,095) | - |
| | <u>49,574,845</u> | <u>-</u> |
| Zakat base before adjusted net income for the Georgian year | 51,115,306 | - |
| Adjusted net income the year / period | 32,352,017 | - |
| | <u>83,467,323</u> | <u>-</u> |

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

14.2 Adjusted net income

| | For the year ended | For the period from |
|--|---------------------------|--|
| | 31 December 2019 | 6 August 2018 to 31 December 2018 |
| Income before zakat | 61,273,379 | - |
| Add: Provisions charged during the year / period | 17,959,611 | - |
| | <u>79,232,990</u> | <u>-</u> |

14.3 Zakat provision

| | For the year ended | For the period from |
|---------------------------------------|---------------------------|--|
| | 31 December 2019 | 6 August 2018 to 31 December 2018 |
| | SR | SR |
| At the beginning of the year / period | - | - |
| Charged during the year / period | 1,980,825 | - |
| | <u>1,980,825</u> | <u>-</u> |

14.4 Status of assessment

During the year the Fund registered itself with General Authority of Zakat and Tax ("GAZT"), the Fund has not filed the zakat returns for the period up to 2019; accordingly, no zakat assessments have yet been raised by the GAZT.

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

15 UNIT TRANSACTION

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

| | 2019 <i>(numbers)</i> | 2018 <i>(numbers)</i> |
|---|---------------------------------|---------------------------------|
| Units at the beginning of the year / period | 118,000,000 | - |
| Units issued during the year / period for consideration in cash | - | 38,940,000 |
| Units issued during the year / period for consideration other than cash | - | 79,060,000 |
| | <hr/> | <hr/> |
| Units at the end of the year / period | 118,000,000 | 118,000,000 |

During the year, the Fund did not issue any new units (2018: 38,940,000 units for SR 389,400,000 of which SR 354,000,000 were subscribed by the general public, and SR 35,400,000 by the Fund manager and 79,060,000 units were issued as a consideration for the purchase of investment properties).

16 GENERAL AND ADMINISTRATIVE

| | <i>For the year ended</i> 31 December 2019 SR | <i>For the period from</i> <i>6 August 2018 to</i> <i>31 December 2018</i> SR |
|--|---|---|
| Depreciation (note 6) | 36,905,352 | 20,508,715 |
| Professional fee | 564,000 | 50,750 |
| Property insurance | 483,657 | 161,128 |
| Depreciation of right-of-use asset (note 5.15) | 476,748 | - |
| Regulator fee | 400,000 | 257,462 |
| Legal expenses | 380,162 | 61,609 |
| Administration fee | 379,933 | - |
| Listing fee | 168,705 | - |
| Establishment fee | - | 4,269,371 |
| Others | 16,990 | 77,090 |
| | <hr/> | <hr/> |
| | 39,775,547 | 25,386,125 |

17 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 recognised 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:

- 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.

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

31 December 2019

17 FAIR VALUE MEASUREMENT (continued)

Financial assets consist of financial assets held at fair value through profit and loss, rent receivables and due from a related party. Financial liabilities consist of unearned income, accrued management fee and accrued expenses. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

The following table shows the fair value of financial instruments disclosed as at year end:

| <i>31 December 2019</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> |
| <i>Investment properties</i> | | | | |
| 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 |
| Tabouk Mall | - | 209,767,489 | - | 209,767,489 |
| | - | 1,102,376,683 | - | 1,102,376,683 |

| <i>31 December 2018</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> |
| <i>Financial assets at fair value through profit and loss</i> | | | | |
| Money market securities | 30,226,332 | - | - | 30,226,332 |
| <i>Investment properties</i> | | | | |
| Dawadmi Mall | - | 139,060,620 | - | 139,060,620 |
| AlKhair Mall | - | 286,506,756 | - | 286,506,756 |
| Hafar Al-Batin Mall | - | 438,009,264 | - | 438,009,264 |
| Tabouk Mall | - | 212,681,099 | - | 212,681,099 |
| | 30,226,332 | 1,076,257,739 | - | 1,106,484,071 |

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.

The financial assets at fair value through profit and loss are based on valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable, the instruments are included within Level 2 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions.

The fair values of investment properties were assessed by BARCODE and BUSSMA 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). These models comprise both the income capitalisation approach and depreciated replacement cost (DRC).

SWICORP WABEL REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2019

18 OPERATING LEASES

Future rental commitments under the operating leases are as follows (note 5.15):

| | <i>31 December 2019 SR</i> | <i>31 December 2018 SR</i> |
|---|------------------------------------|------------------------------------|
| No later than one year | 650,000 | 650,000 |
| Later than one year and not later than five years | 3,250,000 | 3,250,000 |
| Later than five years | 7,800,000 | 8,450,000 |
| | <u>11,700,000</u> | <u>12,350,000</u> |

19 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.

19.1 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.

19.2 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 2019 SR</i> | <i>31 December 2018 SR</i> |
|--|------------------------------------|------------------------------------|
| Amounts due from a related party (note 10) | 52,283,998 | 24,188,228 |
| Rent receivable (note 9) | 37,199,616 | 18,124,541 |
| | <u>89,483,614</u> | <u>42,312,769</u> |

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

The Fund seeks to limit its credit risk with respect to rent 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. Further, the Fund limits its credit risk with respect to due from a related party, as the Fund expects the receivables to be fully recoverable as these are secured by promissory notes from the related parties.

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

31 December 2019

19 FINANCIAL RISK MANAGEMENT (continued)

19.2 Credit risk (continued)

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

| | <i>Expected credit loss rate %</i> |
|-------------------------|--|
| <i>31 December 2019</i> | |
| Less than 90 days | 7.06 |
| Between 91 to 180 days | 8.55 |
| Between 181 to 360 days | 12.75 |
| More than 360 days | 25.20 |
| | |
| | <i>Expected credit loss rate %</i> |
| <i>31 December 2018</i> | |
| Less than 90 days | - |
| Between 91 to 180 days | - |
| Between 181 to 360 days | - |
| More than 360 days | - |

19.3 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 3 months SR</i> | <i>Total SR</i> |
|--------------------------------|-------------------------|--------------------------------------|---------------------|
| <i>31 December 2019</i> | | | |
| Unearned income | - | 25,837,783 | 25,837,783 |
| Amounts due to related parties | - | 125,749 | 125,749 |
| Accrued expenses | - | 918,294 | 918,294 |
| | <hr/> | <hr/> | <hr/> |
| | - | 26,881,826 | 26,881,826 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| | | | |
| | <i>On demand SR</i> | <i>Less than 3 months SR</i> | <i>Total SR</i> |
| <i>31 December 2018</i> | | | |
| Unearned income | - | 20,913,552 | 20,913,552 |
| Amounts due to related parties | - | 5,556,875 | 5,556,875 |
| Accrued expenses | - | 250,794 | 250,794 |
| | <hr/> | <hr/> | <hr/> |
| | - | 26,721,221 | 26,721,221 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2019

19 FINANCIAL RISK MANAGEMENT (continued)

19.4 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.

20 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.

21 COMPARATIVE FIGURES

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

| <i>Line items</i> | <i>Reclassified from:</i> | <i>Reclassified to:</i> | <i>Amount SR</i> |
|---------------------------------|-------------------------------------|-----------------------------------|----------------------|
| Board oversight fee | Accrued expenses | Amounts due to related parties | 15,000 |
| Custodian fee | General and administrative expenses | Statement of comprehensive income | 215,794 |
| Property and operating expenses | General and administrative expenses | Statement of comprehensive income | 12,872,568 |

22 CONTINGENCIES

In the opinion of Fund management there are no contingencies as at the reporting date.

23 DIVIDENDS DISTRIBUTION

On 11 March 2019 (corresponding to 7 Rajab 1440) the Fund Manager announced to distribute dividends of SR 0.27 per unit to the unitholders for the period from 6 August 2018 to 31 December 2018 amounting to SR 31,860,000. The Fund had incurred a net loss for the period from 6 August 2018 to 31 December 2018 of SR 57,924,381 and a net income for the year ended 31 December 2019 amounting to SR 59,292,554. Accordingly, the dividend distributed was in excess of the distributable profits by SR 30,491,827.

24 EVENTS AFTER THE END OF THE REPORTING DATE

At the beginning of the year 2020, the presence of COVID 19 virus was confirmed, which was declared as a global pandemic by the World Health Organization "WHO" causing widespread disturbance of commercial and economic activities. On 17 March 2020, the Fund manager announced a material development to Swicorp Wabel REIT Fund regarding temporary closure of shopping centers pursuant to the precautionary directive issued by the Government to contain the spread of COVID 19.

The management considers this event to be an event that does not require adjustments after the financial reporting period, as the situation is variable and rapidly evolving and the potential impact on the Fund's results cannot be estimated.

25 LAST VALUATION DAY

The last valuation day for the year was 31 December 2019 (2018: 31 December 2018).

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 6 Sha'ban 1441H (corresponding to 30 March 2020).