



SWICORP



Swicorp Wabel REIT Fund

Annual Report 2019

IMPORTANT NOTICE

Swicorp is a closed joint stock company registered under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration number 1010233360 dated 06/05/1428H (corresponding to 11/06/2007G) with a capital of SAR 500 million. Swicorp is regulated by the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia and is licensed by CMA under the license number 12161-37.

Swicorp provides investment banking and asset management services to its clients and investors under CMA licensed activities as follows:

Activity	Licensing date	Commencement date
<ul style="list-style-type: none"> ▪ Dealing as Principal ▪ Underwriting ▪ Managing (Funds) ▪ Advising ▪ Arranging 	07/05/2006	30/06/2007
<ul style="list-style-type: none"> ▪ Custody 	24/03/2012	05/02/2013
<ul style="list-style-type: none"> ▪ Managing – Client Portfolio 	05/02/2014	02/09/2014

Swicorp, as the Fund Manager for Swicorp Wabel REIT Fund ("Fund"), has prepared this document in compliance with the applicable regulations issued by CMA. Swicorp has used and relied upon information from third party service providers and public sources in preparation of this document. Swicorp has not independently verified the accuracy and completeness of such information and has assumed that all such information is complete, accurate, and not misleading.

The value of units and income of the Fund may go up or down and investors may receive less than the original investment. All investors should consider their respective specific individual and financial situation and seek professional investment and legal advice prior to investing in the Fund. Detailed and specific information pertaining to the Fund is provided in the terms and conditions of the Fund which should be read and understood prior to investing in the Fund.

Neither Swicorp nor any of its affiliates, directors, officers, employees, or agents give any representation, undertaking, or warranty, express or implied, pertaining to the (ii) accuracy or completeness of any information contained herein, or (ii) future performance of the Fund.

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1 SWICORP WABEL REIT FUND

Swicorp Wabel REIT Fund (the "REIT") is a Shariah compliant closed ended real estate investment traded fund licensed by the CMA pursuant to authorization number (18/147/5/3/ص) and listed on the Saudi Stock Exchange ("Tadawul").

The REIT operates in accordance to the Real Estate Investment Funds Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the CMA.

The principal investment objective of the REIT is to invest in income generating real estate assets primarily within the Kingdom of Saudi Arabia and distribute at least 90% of the REIT's net profit annually to the unitholders of the REIT. The REIT may invest in under construction real estate assets, financial securities, and other assets bearing that at least 75% of the REIT's total assets value shall be invested in developed real estate qualified to generate periodic rental income. Further, the Fund will not invest in raw lands.

For more detailed information on the investment risks involved in the REIT, please read the REIT's Terms & Conditions.

2 OVERVIEW OF INVESTMENT ACTIVITIES OF THE REIT

The REIT was listed on Tadawul on 06th August 2018 with an initial capital of SAR 1,180 million and no debt. The initial capital of the REIT was used for the acquisition of its initial portfolio of assets comprising four shopping malls from Wabel Al Arabia for Investment Company ("Wabel") and respective land owners (collectively "Founders"). The four shopping malls owned by the REIT are located in Riyadh, Tabouk, Hafr Al Batin, and Dawadmi. Each of these four malls is complete, operational, and generating periodic rental income.

Of the total capital of the REIT upon formation, 30% was subscribed by Public investors and 3% by the Fund Manager in cash as part of the initial public offering ("IPO") of the REIT. This cash amount equivalent to 33% of the total initial capital of the REIT (i.e. SAR 389.4 million) was paid as cash consideration to the Founders for acquisition of the initial portfolio of assets by the REIT from the Founders with the balance consideration equivalent to 67% of the total initial capital of the REIT (i.e. SAR 790.6 million) paid as units in the REIT to the Founders pro-rata to their respective shareholding in the assets acquired.

For the period from 01st January 2019 to 31st December 2019, the REIT declared a dividend of SAR 50.74 million to its unit holders on 16 April 2020 to be paid by 17 May 2020. This translates into a dividend per unit of SAR 0.43 and a yield of 4.3% based on the offer price per unit of SAR 10.

The Fund Manager procured a debt facility amounting to a total of SAR 1.4 billion for the REIT from NCB on 26th June 2019 to leverage the balance sheet of the REIT and provide cash funding to help grow its

assets base. The debt facility, once fully deployed, is expected to more than double the asset base of the REIT along with potentially improving the earnings and distribution per unit of the REIT.

The Fund Manager has a healthy pipeline of potential deals which are currently being reviewed and evaluated for the REIT with primary considerations about quality of target assets, credit worthiness of counter parties, longer term lower risk tenancy agreements, and attractive valuations among others.

Thanks to the debt facility being procured for the REIT as well as the potential deals being evaluated, significant investments are expected to be made for the REIT during the year 2020 with potential for improvement in earnings and distributions for the REIT.

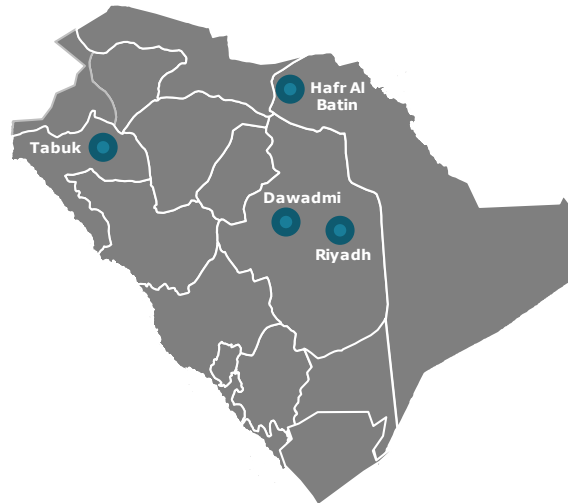
However, the REIT may also face significant challenges relating to both performance of its existing assets as well as acquisition of new assets due to the ongoing Covid-19 global pandemic which is having seriously negative economic impact on the economies around the world including the Kingdom of Saudi Arabia and hence creating uncertainty about the performance of the REIT for year 2020. Extensive safety measures have been taken across the Kingdom of Saudi Arabia by the Government including lockdowns, travel restrictions, and social distancing among others which are creating significant challenges for asset managers to achieve optimal performance of their assets under management.

3 ASSETS PORTFOLIO OF THE REIT

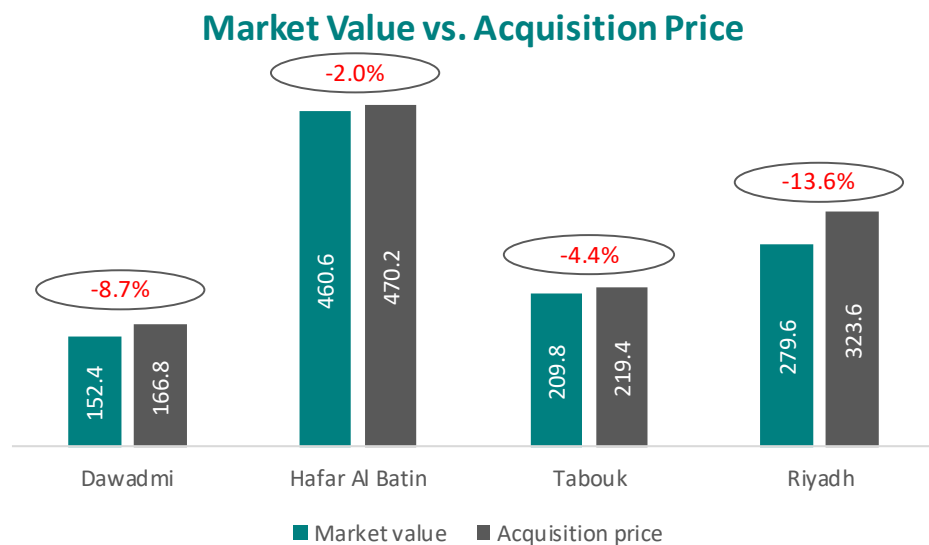
The current assets portfolio of the REIT comprises of four malls as listed in the table below along with their respective acquisition price and land ownership status:

Sr. No.	Description	Land ownership	Price (SAR mn)	% of total
1	Al Makan Mall – Dawadmi	Leasehold	166.8	14.1%
2	Al Makan Mall – Hafr Al Batin	Freehold	470.2	39.8%
3	Al Makan Mall – Tabouk	Freehold	219.4	18.6%
4	Al Makan Mall – Riyadh	Freehold	323.6	27.4%
Total			1,180	100%

The following diagram highlights the geographic location of the four assets across the Kingdom of Saudi Arabia:



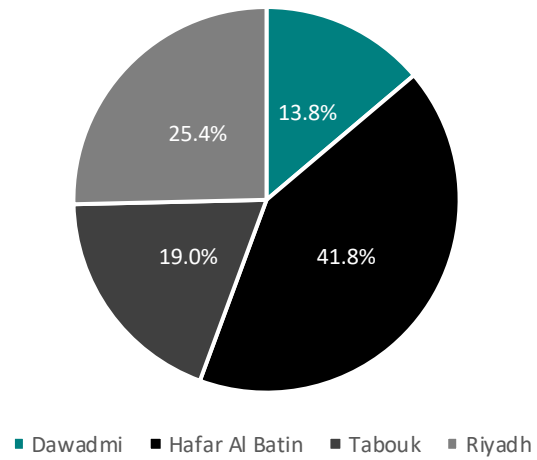
Following chart provides a comparison of the acquisition price for each asset against the latest estimated market value of each asset at the end of year 2019 based on the average of estimated values for each asset by two independent professional valuation firms:



The overall estimated market value of the assets portfolio of the REIT at the end of year 2019 was around 6.6% lower than the total acquisition price of those assets.

Following chart highlights the composition of the assets portfolio of the REIT at the end of year 2019 based on estimated market value for each asset:

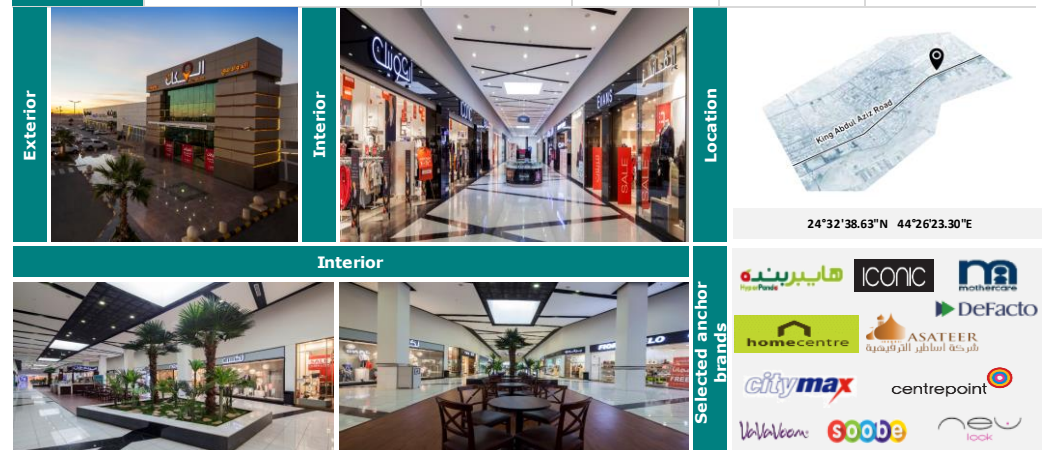
Portfolio Composition by Market Value



Leasehold assets value was 13.8% of the total assets value of the portfolio of the REIT at the end of year 2019 based on estimated market values for the assets.







3.1 AL MAKAN MALL - DAWADMI

General	Description	Community shopping centre			
	Location	Al Dawadmi town – Riyadh Province			
	Asset class	Retail			
	Completion	Year 2015			
	Acquisition	Year 2018			
Technical	No. of outlets	113			
	Land area	72,678 sqm			
	BuA	37,318 sqm			
	GLA	27,206 sqm			
Commercial	Occupancy rate	83%			
	Contracts validity ¹	Tenor (Years)	GLA		No. of contracts
			sqm	%	
		>10	6,737	30%	2
		5-10	8,860	39%	9
		2-5	152	1%	1
	<2	6,858	30%	71	







1. As of 31 December 2019

3.2 AL MAKAN MALL - HAFR AL BATIN

General	Description	Community shopping centre			
	Location	Hafr Al Batin town – Eastern Province			
	Asset class	Retail			
	Completion	Year 2016			
	Acquisition	Year 2018			
Technical	No. of outlets	179			
	Land area	126,700 sqm			
	BuA	98,374 sqm			
	GLA	62,458 sqm			
Commercial	Occupancy rate	68%			
	Contracts validity ¹	Tenor (Years)	GLA		No. of contracts
			sqm	%	
		>10	12,672	30%	2
		5-10	17,290	41%	14
		2-5	1,750	4%	9
	<2	10,909	26%	94	
Exterior				Location	
Interior				Selected anchor brands	
					
					
					













1. As of 31 December 2019

3.3 AL MAKAN MALL - TABOUK

General	Description	Community shopping centre			
	Location	Tabouk city – Tabouk Province			
	Asset class	Retail			
	Completion	Year 2016			
	Acquisition	Year 2018			
Technical	No. of outlets	83			
	Land area	21,596 sqm			
	BuA	44,198 sqm			
	GLA	20,735 sqm			
Commercial	Occupancy rate	68%			
	Contracts validity ¹	Tenor (Years)	GLA		No. of contracts
			sqm	%	
		>10	2,800	20%	2
		5-10	5,469	39%	9
		2-5	666	5%	5
	<2	5,241	37%	53	
Exterior					
	Location				
					
28°24'19.63"N 36°32'41.67"E					
Interior					
				Selected anchor brands	
					

1. As of 31 December 2019

3.4 AL MAKAN MALL - RIYADH

General	Description	Community shopping centre			
	Location	Riyadh city – Riyadh Province			
	Asset class	Retail			
	Completion	Year 2016			
	Acquisition	Year 2018			
Technical	No. of outlets	72			
	Land area	37,293 sqm			
	BuA	49,963 sqm			
	GLA	30,041 sqm			
Commercial	Occupancy rate	96%			
	Contracts validity ¹	Tenor (Years)	GLA		No. of contracts
			sqm	%	
		>10	7,166	25%	3
		5-10	16,643	58%	19
		2-5	342	1%	2
	<2	4,697	16%	43	
Exterior					
Interior					
Location					
		24°47'26.75"N 46°36'42.03"E			
		<div><div>Selected anchor brands</div><div><div></div><div></div><div></div></div></div>			

1. As of 31 December 2019

4 LEASED VS. UNLEASED REAL ESTATE ASSETS OF THE REIT

All four assets of the REIT during the year 2019 (i.e. 100% of the assets portfolio) were complete, operational, leased, and income generating. The REIT did not own any real estate assets during the year 2019 which were unleased or under development.

5 FINANCIAL HIGHLIGHTS OF THE REIT FOR YEAR 2019

Following table provides a snapshot of the key financial parameters of the REIT based on audited financials and performance of the REIT for year 2019 (in comparison to year 2018):

Parameters (figures in SAR)	FY 2019	FY 2018
Total assets at year end	1,186,668,145	1,148,796,840
Net asset value at year end	1,149,508,173	1,122,075,619
Issued units	118,000,000	118,000,000
Net asset value per unit at year end (at cost)	9.74	9.51
Net asset value per unit at year end (fair market value)	9.86	9.51
Net asset value at inception	1,180,000,000	1,180,000,000
Net asset value per unit at inception	10	10
Dividend distribution	50,740,000 ³	31,860,000 ²
Dividend distribution per unit	0.43	0.27
Total income	103,884,266	70,272,488
Net income before non-cash items	70,086,878	45,591,548
Net income before non-cash items per unit	0.59	0.39
Net income after non-cash items	59,292,554	-57,924,381
Net income after non-cash items per unit	0.50	-0.49
Funds from operations	51,927,952	45,591,548
Borrowing	0	0
Borrowing as percent of total assets	0.00%	0.00%
Expenses ratio ⁴	3.02%	2.13%
Highest NAV per unit	9.74 ⁶	10.00 ⁵
Lowest NAV per unit	9.30 ⁸	9.51 ⁷

1. From 06th August 2018 (listing date) to 31st December 2018 [first year of operations]
2. Declared on 11th March 2019, paid on 31st March 2019
3. Declared on 16 April 2020, to be paid by 17 May 2020
4. Total expenses for the period including zakat and excluding non-cash items divided by total assets value at end of the period
5. At inception

6. On 31st December 2019
7. On 31st December 2018
8. On 31st March 2019

6 TOTAL RETURNS

Following table summarizes the total returns of the REIT for one (1), three (3), and five (5) years or since inception:

Parameters	1 year	3 years	5 years	Since inception ¹
Based on book value of NAV per unit	2.42%	N.A	N.A	-2.60%
Based on fair value of NAV per unit	3.68%	N.A	N.A	-1.40%

1. From 06th August 2018 (listing date) to 31st December 2019

7 ANNUAL RETURNS

Following table summarizes the total annual returns of the REIT for the last ten (10) years or since inception:

Year	Based on book value of NAV per unit	Based on fair value of NAV per unit
2009	N.A	N.A
2010	N.A	N.A
2011	N.A	N.A
2012	N.A	N.A
2013	N.A	N.A
2014	N.A	N.A
2015	N.A	N.A
2016	N.A	N.A
2017	N.A	N.A
2018 ¹	-4.90%	-4.90%
2019	2.42%	3.68%
Since inception ²	-2.60%	-1.40%

1. From 06th August 2018 (listing date) to 31st December 2018

2. From 06th August 2018 (listing date) to 31st December 2019

8 DETAILS OF FEES AND EXPENSES PAID TO EXTERNAL PARTIES

Following table provides details of fees and expenses paid by the REIT to external parties during the year 2019 including zakat charge (in comparison to year 2018):

Parameters (figures in SAR)	FY 2019	FY 2018 ¹
Fund management fee	8,506,286	6,473,836
Custody fee	546,525	215,795
Property related expenses	22,331,130	12,872,568
Establishment fee	0	4,269,371
Other fees and expenses	4,394,272	623,039
Total expenses excluding depreciation	35,778,213	24,454,609
Depreciation charges	37,734,861	20,508,715
Total expenses including depreciation	73,513,074	44,963,324
Total expenses excluding depreciation as a percent of total assets	3.02%	2.13%
Total expenses including depreciation as a percent of total assets	6.19%	3.91%

1. From 06th August 2018 (listing date) to 31st December 2019

9 MATERIAL CHANGES DURING THE YEAR 2019

Following is a summary of the material changes which occurred during the year 2019 relating to the REIT:

- On 11th March 2019 (corresponding to 04/07/1440H), the REIT announced the distribution of cash dividend to the unit holders for the period starting from 6th August 2018 (Listing date) to 31st December 2018 (147 days)
- On 19th March 2019 (corresponding to 12/07/1440H), the REIT announced the availability of the semi-annual assets valuation reports for the second half of 2018 for the public
- On 31st March 2019 (corresponding to 24/07/1440H), the REIT announced the availability of the annual financial statements for the period ending on 31 December 2018
- On 31st March 2019 (corresponding to 24/07/1440H), the REIT announced the availability of the quarterly factsheet for the period ended on 31 March 2018
- On 8th May 2019 (corresponding to 03/09/1440H), the REIT announced the availability of the annual report as of 31 December 2018
- On 30th June 2019 (corresponding to 27/10/1440H), the REIT announced obtaining a SAR 1.4Bn Shariah Compliant Debt Facility from The National Commercial Bank
- On 9th July 2019 (corresponding to 06/11/1440H), the REIT announced the availability of semi-annual assets valuation reports for the first half of 2019
- On 10th July 2019 (corresponding to 07/11/1440H), the REIT announced the availability of the quarterly statement for the period ending on 30 June 2019
- On 20th August 2019 (corresponding to 19/12/1440H), the REIT announced the availability of the interim financial report for Fund for the period ending on 30 June 2019
- On 18th September 2019 (corresponding to 19/01/1441H), following resignation of the following two board members of the REIT was announced:
 - Saud Mansour Al Tassan (Non-independent member)
 - Abdullah Hamad Al Salloom (Non-Independent)
- Also, on 18th September 2019 (corresponding to 19/01/1441H), following appointment of the following two new board members of the REIT was announced:
 - Daniel Schenker (Non-Independent)
 - Hammad Mughal (Non-Independent)
- On 26th September 2019 (corresponding to 27/01/1441H), the REIT announced an update to the Fund's Terms and Conditions

- On 13th October 2019 (corresponding to 14/02/1441H), the REIT announced the availability of the quarterly statement for the period ending on 30 September 2019
- On 4th November 2019 (corresponding to 07/03/1441H), the REIT announced an update to the Fund's Terms and Conditions.
- On 15th December 2019 (corresponding to 18/04/1441H), the REIT announced commencement of the procedures of registering with the General Authority for Zakat and Income for the purpose of Zakat

10 BOARD OF DIRECTORS OF THE REIT - SUMMARY OF MEETINGS HELD AND RESOLUTIONS APPROVED DURING THE YEAR 2019

The Board of Directors of the REIT ("Board") met twice during the year 2019 and following topics were discussed:

- Summary of support secured from Wabel Alarabia For Investment
- 2018 performance review and 2019 forecast
- Secured financing terms
- Brief of targeted assets for acquisition and statues
- Description of the resolutions to be approved by the Board
- Current REIT Situation in 2019
- Current Wabel Alarabia For Investment Situation
- New Agreements Structure with Wabel Alarabia For Investment
- Proposed Changes to the Fund T&C
- Current Situation regarding to NCB CP's
- Briefing by the Head of Compliance of the Fund Manager to the Board

Following table lists down and summarizes the resolutions approved by the Board of Directors of the REIT during the year 2019:

Resolution number	Resolution date	Brief description
No. 03-2019	14/03/2019	<ul style="list-style-type: none"> ▪ Approval of REIT's Terms and Conditions amendments ▪ Approval of the Fund assets valuation reports for 2018 ▪ Approval of the Fund audited

		<p>financial statements for 2018</p> <ul style="list-style-type: none"> ▪ Approval to obtaining of a bank financing facility from the National Commercial Bank (NBC) for the fund in the amount of SAR 1,400,000,000 ▪ Approval of the Support and settlement agreements signed with Wabel Alarabia For Investment ▪ Approval of the cash distribution to the unit holders for the period of 2018G ▪ Approval of the term sheet for potential acquisitions of real estate assets by the fund ▪ Approval of the appointment of a new facility manager to replace the current facility manager ▪ Approval of the Fund to pay Zakat on behalf of the unit holders for 2018.
No. 04-2019	26/05/2019	<ul style="list-style-type: none"> ▪ Approving the authorization of the Chief Executive Officer "CEO" of Swicorp Mr. Daniel Schenker to sign on behalf of the Fund Manager in all transactions with Apex, the "Sub-Manager" of Swicorp Wabel REIT.
No. 05-2019	22/10/2019	<ul style="list-style-type: none"> ▪ Approval of the authorization of the Chief Executive Officer "CEO" Mr. Daniel Schenker of Swicorp to open new bank accounts, or new investment accounts for the fund and open and/or sign any other related contracts on behalf of the fund
No. 06-2019	22/10/2019	<ul style="list-style-type: none"> ▪ Approval of pledging Swicorp Wabel REIT Fund properties for National Commercial Bank "NCB" and transferring ownership of assets to subsidiaries of Bank as

		<p>a mortgage.</p> <ul style="list-style-type: none"> Approval to delegate Mr. Abdullah Saud Al-Kulaibi to mortgage and transferring ownership of three of the fund properties Approval of the authorized person has the right to delegate others with regard to the authority to transfer ownership and mortgage of the three properties
No. 07-2019	22/10/2019	<ul style="list-style-type: none"> The appointment of Mr. Bandar Fayeh Alotaibi instead of Mr. Abdullah Hamad Al Salloom as ("Issuer Representative") along with Mr. Abdullah Saud Al Kulaibi who has been appointed previously on behalf of Swicorp Wabel REIT Fund in front of the Saudi Stock exchange (Tdawaul),
No. 08-2019	12/12/2019	<ul style="list-style-type: none"> Approval to authorized selected persons mentioned in the resolution to sign on behalf of the Fund on all transactions in relation to the Fund's bank account with National Commercial Bank

11 SOFT COMMISSIONS

Fund Manager did not receive any soft commissions relating to the REIT during the year 2019.

12 RISK ASSESSMENT REPORT

Name	Swicorp Wabel REIT Fund
Tenure	99 years
Type	Close ended REIT Fund listed on Tadawul
Listing date	06th August 2018
Risk level	High

During the course of its operations, the REIT as well as the real estate assets in its portfolio are exposed to a range of potential risks. In case of any of those risks materializing, the performance and financial health of the REIT may be materially impacted. All potential investors must carefully evaluate the risks pertaining to the REIT against their specific individual objectives and circumstances and avail professional investment and legal advice before investing in the units of the REIT.

The Fund Manager has a robust risk management function guided by internal procedures, processes, and systems to carefully identify and manage potential risks with the aim of minimizing potential negative impact of those risks on the financial and operational performance and health of the REIT. The potential risks facing the REIT include, but are not limited to, the following:

Potential risks	Description	Mitigation measures
COVID-19 risk	The pandemic has caused business shutdown due to lockdown and curfew across the world. Which ultimately created significant damage to the demand side.	Swicorp has issued several disclosures regarding the potential impact of this pandemic. The disclosure can be read by visiting the below site: http://swicorpwabelreit.com/en/?open=1
Shopping Mall performance risk	Oversupply as a result of an increase in the Shopping Mall area space or declining demand as result of contractionary fiscal policy or the increasing adoption of online shopping by consumers	The fund manager is considering developing a risk indicator to gauge this risk. Such as foot traffic, afterward limits and thresholds will be adopted for the purpose of monitoring, reporting and escalation.
Property type concentration risk	The fund is currently fully exposed to only single type of real estate sector which is Shopping Mall. In the presence of full concentration, the fund is exposed to any form of Systemic risk which can be offset by	As per the T&C, the fund manager is not restricted to property investment in specific real estate sector. Thus future acquisitions could be directed toward other sectors such as residential, industrial or hospitality.

	diversification.	
Liquidity risk	Loss of market value at the time of property sell off due to weak market liquidity	The fund manager has a detailed process and methodology in the Fund's operating manual to be used as a guidance in the event of asset liquidation or acquisition. Furthermore, the investment properties are tested for impairment at each reporting date to assess the recoverability of the asset carrying amount. When there is indication that the carrying amount exceeds the recoverable amount the asset will be impaired and loss will be recorded via the statement of comprehensive income.
Capital Funding Risk	Since the fund pay out ratio is 90% by regulations, the fund will always be seeking raising capital for expansion purpose. The threat of funding difficulty could curtail fund's performance and hence Swicorp's reputation.	Currently the fund manager has successfully secured a financing arrangement of SAR 1.4 Billion worth of credit line for the purpose of the asset acquisition.
Yield Risk	Deteriorating fund's yield can be a cause of internal or an external factors. Determining the factors can help explain the type of risk the fund is running into in general.	The fund manager quarterly assesses the fund's performance by carrying out a comparison analysis in relation to other fund's yield. The purpose of the analysis is to underline whether the fund deteriorating performance is due to systemic or idiosyncratic risks.
Development risk	There are development risks associated with real estate projects under development, which include (1) delays in the completion of work in a timely manner, (2) cost overruns, (3) inability to obtain rental contracts at targeted returns, and (4) force majeure resulting from factors outside the control of the Fund relating to the construction sector (including poor weather and environment conditions and shortage of building materials in the market) the matter which hinders the completion of development projects which may affect the profitability and/or financial viability of the project and lead to inability to meet the revenue expectations upon completion	As per the T&C the fund has to maintain at all time a minimum of 75% in the form of an already developed income generating properties out of the total asset pool. This will limit fund exposure to investing in asset which is underdevelopment, hence will mitigate the development risk. During 2019, the fund did not take on any development activities.
Interest Risk	Uncertainty of increase in cost of funding due to increase in interest rate volatility impacting the fund's net income	Upon acquiring new asset via debt financing, the fund manager will regularly perform a sensitivity analysis in order to highlight instances on which the fund's performance could have been negatively impacted by the increase in the cost of funding.

Inflation risk	Impaired fund performance as result of an increase in the general price level across the economy	Almost 30% of the tenants' contracts have an incremental rent pricing on annual basis. The rest of the contracts are constant, however on average the rent price per square meter for constant contracts is higher than the incremental one. Thus, the pricing mechanism for constant contracts takes into account potential future inflationary risk.
Tenant Credit risk	Impaired fund performance as result of tenants not meeting or paying rent by the time it is due	The fund adheres to IFRS for financial reporting purpose, accordingly provisioning will be computed as per IFRS 9 for any outstanding credit amount. Furthermore, the fund manager has developed a credit rating system to be used to provide more insight on the current tenant quality. Determining the quality of the tenant will further help to mitigate this risk by highlighting tenant which should be subject to eviction or retention. In addition, current agreement between fund manager and property manager dictates the maximum tolerable outstanding receivable amount at any point of time. In case the amount is breached the property manager must immediately work on reducing the receivables below the tolerable threshold.
Tenant Turnover risk	Weak Tenant retention which can cause variability in the rental income, thus negatively impacting fund's performance	The risk is under monitoring scope of the fund manager.
Lease vacancy risk	Loss due to the opportunity cost of a vacant leased area space for an extended period of time	An occupancy threshold between fund and property manager has been agreed upon and is part of the terms of the agreement. Accordingly, the Fund Manager monitors threshold on continuous basis.
Tenant Concentration risk by rental income	Rental income dependent on a single or few large tenants	The fund manager has devised a threshold for the purpose of monitoring and mitigating this should it occur.
Tenant default risk	Loss in rental income due to tenant inability to pay	The Fund Manager has specified in the agreement that overdue for greater than 90 days are automatically regarded as delinquent balances. This will automatically trigger a set of corrective actions. Among these actions are legal litigation in addition to the fact that the property manager may not be entitled to either part or whole compensations in case of failure to recover the dues.
Tenant downgrade risk	Based on an internal assessment of the fund manager, a tenant once downgraded increases chances of fund's specific risk	The fund manager has devised a threshold for the purpose of monitoring and mitigating this should it occur.
Counterparty	Fund's exposure to investments not under	To mitigate this risk, the fund manager adheres to fund's Terms and conditions

risk	management of the fund manager	which specifies that the maximum exposure to such type of risk should be no greater than 25% out of the fund's gross asset.
Operating expense risk	An increase to the physical assets operating or running expenses will ultimately impact fund's bottom line, thus performance.	To mitigate this risk the Fund Manager and the Property manager have agreed on an operating expense ceiling. For Additional expense, the fund manager will not be obligated for reimbursement. However for future acquisitions, there is no guarantee that the fund manager will be able to secure the same term of business for the newly acquired property.
Compliance risk	Non adherence to the fund's regulatory framework as set forth by the Regulator can have different negative implications to the fund. Among these risks, disqualifying fund's issued traded units from trading on the exchange.	The fund manager has a dedicated compliance resource in addition to a controlling procedure to make sure the fund is in full adherence to the Terms and Conditions.
Acquisition risk	The uncertainty that the fund manager will be making the right acquisition which could undermine the unit holders return.	To add extra focus and mitigate this risk, the fund board is provided details of all due diligence conducted.
Property manager risk	The fund's physical asset is managed by a third party. In the event the property manager fails to carry out its responsibilities as set out in the agreement, it can lead to unnecessary distortion to the operation process of the fund's physical asset. Thus, impairing fund's performance.	The fund manager has devised a threshold for the purpose of monitoring and mitigating this risk should it occur. In addition the fund manager at his sole discretion can terminate the contractual relationship with the property manager at any time, provided a 90 days advance notice is issued advising the property manager by the same.
Process risk	Critical processes which the fund manager has to undertake regularly for the fund's smooth functioning	The fund Manager shares the list of processes with the Risk Management Office, hence the Risk Management prioritize these processes for review based on criticality. The review outcome will be a set of recommendation based on the following: 1-Data integrity and accuracy 2-Succession planning 3-Efficiency and productivity.
Expropriation risks	The risk that the government forcibly takes over the ownership of a privately owned property	This is an idiosyncratic risk which its outcome nor can be predicted neither its impact can be determined presently.
Absence of an authorized personnel risk	Absence of an authorized personnel risk	Fund manager is committed to an up to date succession planning which is regularly verified by the Internal Auditor
Location Concertation risks	Properties which are fully concentrated in a single location could be exposed to greater market risk	The fund's underlying asset exposure is well diversified across four different areas

Litigation risk	Litigation risk is the possibility that legal action will be taken against the fund	This is an idiosyncratic risk that is difficult to assume and it also expected and accepted as part of the course of any business.
Zakat and Taxation risks	Zakat and Taxation risk is the chance that Zakat and Tax rules may change resulting in losses due to higher than expected taxes	The fund manager closely keeps track of major economic fiscal development and accordingly discount Zakat and Taxation relevant scenarios into the fund's annual budget.
Leasehold risk	Out of the four properties owned by the fund, one is a leasehold not a freehold. Chances of this leasehold not being renewed or renewed at relatively expensive terms could have a negative impact on the fund's performance	Unlike the other freehold properties which are depreciated over 25 years, the leasehold property is depreciated based on the remaining land lease period. The leasehold agreement is to expire in 17 years on December 2036. As such, in case of a non-renewal to the land lease. The concerned property will be fully depreciated. In the event the leasehold is renewed at an expensive terms, based on IFRS the fund manager will capitalize the value of the operating lease by calculating its present value. Thus an asset will be recognized at a higher value reflecting the new pricier lease terms.
Related party credit risk	Inability to collect dues from a related party	The fund has a credit exposure to Wabel Alarabia For Investment Company who is a related party by being a major unit holder and a service provider to the fund through its property management company Akeed. The credit exposure is due to Wabel Alarabia For investment Company collecting rents in its own account on behalf of Swicorp Wabel REIT. . As such the rent collected continue to be credited to the related party's bank account not the fund one. To mitigate this interim risk the fund manager seeks balance confirmation with the related party on a monthly basis to confirm the amount of collected rents. Furthermore, the Fund manager initiated the process of transferring the lease agreements to SWICORP WABEL REIT as of Q4 2019
Related party settlement risk	Related part failure to deliver or pay what is owed to the fund	As of this report's date, the related party exposure belonging to Wabel Investment Company as shown in the 31 December 2019 financials, has been totally settled.

13 MARKET OVERVIEW AND OUTLOOK

13.1 MACROECONOMIC OVERVIEW

Macroeconomic conditions in Saudi Arabia experienced a significant positive impact from the non-oil sector underpinned by the success of the Kingdom at achieving sustainable economic growth through the expansion of non-oil segments of the economy thanks to various economic and social reforms programs and initiatives led by the Government under the Kingdom's vision 2030.

Non-oil sector registered a growth of 2.5% during H1-2019 according to the Ministry of Finance of Saudi Arabia. However, this was partly off-set by negative impact of oil sector GDP contraction due to relatively low oil prices and softening of demand. The net impact of the above means overall GDP is forecast to register growth of -0.1% in 2019 (compared to +2.4% in 2018) as per Oxford Economics.

The increase in economic activity levels in the non-oil segments of the economy helped reduce the overall unemployment rate in the Kingdom slightly to around 5.8% in 2019. During 2019, overall inflation was negative (-1.4%) as impact of application of VAT and removal of government subsidies on various items subsided.

In the shadows of continued economic uncertainty, both globally and regionally, the Kingdom announced a budget of SAR 1.02 trillion for 2020 which is 2.7% lower from the estimates for 2019. Though the budget is marginally conservative, Government of the Kingdom remains committed to supporting implementation of the goals of Vision 2030 by achieving fiscal stability and socioeconomic development through expanded role of the private sector.

Overall macroeconomic conditions in the Kingdom remain challenging and it may take some time for the market to rebound to the buoyancy observed before 2014 oil price crash. However, despite the challenges and spending cuts by the Government, ongoing major developments are expected to have a significant positive impact on the economic performance of the Kingdom over the medium to long run.

13.2 REAL ESTATE MARKET OVERVIEW

Conditions in the real estate market across the Kingdom showed slight improvement during 2019 but remain challenging across all the sectors with continuing pressures on occupancy and average rents. As per the data published by the General Authority for Statistics of Saudi Arabia, the general real estate index for the Kingdom improved slightly from 80.4 at the end of 2018 to 80.8 at the end of 2019. This slight improvement was driven mainly by residential sector with residential real estate index improving from 82.7 to 83.3 while commercial real estate index dropped slightly from 74.7 to 74.6 during the same period.

As per the data published by the Ministry of Justice of Saudi Arabia, the total value of real estate transactions in 2019 increased to SAR 179.4 billion compared to SAR 142.9 billion in 2018 which is an increase of around 26%. The number of real estate transactions also increased from 213,666 in 2018 to 321,716 in 2019 which is an increase of around 50%. The average size of real estate transactions dropped from SAR 668,693 in 2018 to SAR 557,635 in 2019 which is a drop of around 17%.

As per the prime rental clock published by JLL in its KSA Real Estate Market Report for 2019, it is indicated that rents across all major real estate sectors (i.e. residential, retail, offices, and hotels) may be approaching bottom levels at the end of 2019 across the major cities including Riyadh, Jeddah, Makkah and Dammam/Khobar. The only exception to the above seems to be offices and hotel rents in Dammam/Khobar which seem to be still some way from the bottom and may face further downward pressures during 2020.

The Government is currently undertaking a number of measures to improve real estate market conditions across the Kingdom including:

- taking a leading role in development of several mega real estate projects in the Kingdom (e.g. Neom, Al Oula Project, Al Qiddiyya Project, The Red Sea Project etc.)
- promoting affordable housing developments across the Kingdom
- imposition of white land tax to encourage raw lands development in the municipal areas
- increasing loan to value ratio for home loans
- major initiatives to increase the number of religious tourists
- initiatives to promote domestic tourism with large number of events planned and organized under the Entertainment Authority

These initiatives along with projected improvements in macroeconomic conditions are expected to help improve real estate market conditions in the Kingdom going forward.

13.3 RETAIL MARKET OVERVIEW

Retail market in the Kingdom has been witnessing strong headwinds in recent years due to a combination of factors including supply outstripping demand in most major cities across the Kingdom, challenging macroeconomic conditions faced since oil price decline of 2014 and resulting decline in retail spending particularly by lower income households, departure of a large number of expatriate families due to the imposition of expatriate family levy, and increased operational costs due to regulatory changes among other factors.

These challenging conditions have resulted in decline in occupancy levels in the retail properties, decline in average rents, and collection issues due to the lower business volumes for retailers. This has also resulted in

slowing down development of major new retail malls across the Kingdom.

However, a bright spot in the retail sector of the Kingdom during recent years has been the return of cinemas in the Kingdom. With first cinemas opening in King Abdullah Financial District and Riyadh Park Mall, both in Riyadh, most big global names in the cinema business including AMC and Vox have entered into strong local partnerships with plans to open hundreds of cinemas across the Kingdom over the coming years. Majority of these planned developments are in major shopping malls across the Kingdom which is expected to drive up the footfall in those malls with resulting positive impact on the overall sales density of the malls and potential improvements in occupancy levels and average rents.

Year 2019 saw significant progress towards achievement of the expansion plans of various players in the cinemas sector with a total of 12 additional multiplexes opening in Riyadh, Jeddah, and Dammam by leading players including VOX Cinemas, AMC Cinemas, and MUVI Cinemas.

13.3.1 RETAIL MARKET - RIYADH

Retail market in Riyadh experienced significant supply expansion during the year 2019 with the addition of new destinations like Riyadh Front, Hammad Mall (LAVALLE), Shorofat Al Khair, Garden Wood and Mercato Strip Mall. These new developments added an additional 89,000 sqm of GLA to the retail supply in Riyadh taking the total retail space in the city to around 2.4 million sqm.

Depending on the progress of construction and development, another 230,000 sqm of retail space is scheduled for completion during 2020. Notable projects under development include Shorofat Al Nada Park, Wadi Qurtoba, Faisaliah Mall Extension.

Average occupancy rates for retail across the city declined from around 85% at the end of year 2018 to around 83% at the end of year 2019 with average rents also facing downward pressures particularly in regional and community malls driven probably by increased supply of retail space and lack of demand growth.

13.3.2 RETAIL MARKET - TABOUK

Retail market in Tabouk also remained challenging like across the Kingdom with pressures on occupancy levels and average rents as well as collections issues. The number of major malls in the city remained unchanged at four. The per capita malls GLA in Tabouk remains relatively low at around 0.2sqm/capita compared to more than 0.4sqm/capita in Riyadh and hence the challenges in retail market of Tabouk mainly relate to weaker demand rather than an over supply of retail space.

13.3.3 RETAIL MARKET - HAFR AL BATIN

Due to the relatively small population of Hafr Al Batin town (around 270,000), the retail sector of the town relied, to a significant extent, on the presence of armed forces and their families in a nearby major military base. Due to the deployment of a large proportion of those armed forces toward the southern borders of the Kingdom, the retail sector has been experiencing declining sales densities. Additionally, a new major mall is nearing completion in the town which will almost double the retail mall space in the town and hence create further competitive pressures for the rest of the retail sector in the town.

13.3.4 RETAIL MARKET - DAWADMI

Dawadmi is a relatively small town of just over 50,000 population about two hours drive from Riyadh with only one major mall. There were no new developments during 2019 neither any seen in the pipeline. General conditions remained challenging for the retail sector in Dawadmi during 2019 like the rest of the Kingdom with pressures on occupancy rates, average rents, and collections due to relatively week sales densities.

13.4 MARKET OUTLOOK

Real estate market conditions across the Kingdom are expected to remain challenging during 2020 with additional pressure expected on average rents and possibly occupancy levels due to expected new supply during the year particularly in large cities like Riyadh.

Additionally, the outbreak of Covid-19 pandemic towards the end of 2019 is expected to have a significant negative impact on the retail sector in the Kingdom during 2020 with retail malls closed by the Government for around one and half month during March and April 2020 as a precautionary measure to stop the spread of the pandemic in the Kingdom. Additionally, even after the Government allowing the malls to open and start operations again, the prudence and precaution by shoppers may have a significant negative impact on footfalls and sales densities of retailers which in turn may put pressure on the mall owners to provide rental relief and discounts to tenants to retain occupancy levels.

However, such impact is expected to be temporary and market conditions are expected to normalize once the pandemic subsides and precautionary restrictions removed.

In the medium term, market conditions are expected to improve thanks to improving macroeconomics driven by expansion of non-oil sector, major government led real estate development projects which are expected to create large number of employment opportunities, and initiatives to promote domestic tourism with the aim to retain a significant portion of billions of dollars which the Saudi population spend every year abroad.

The number of REITs listed on Tadawul has been increasing gradually and the trend is expected to continue. This will mean increasing competition for quality real estate assets for acquisition and investment. Prudent planning, strong sourcing ability, careful transaction analysis, and thorough due diligence would be key to identify and capitalize on the attractive opportunities which may arise going forward. Particular attention will need to be paid towards targeting resilient sectors, sectoral diversity, geographic diversity, credit worthiness of counter parties, sustainable level of leverage, and appropriate lease structures to minimize earnings volatility risk and improve distribution yield for the investors.

Sources: (i) The KSA Real Estate Market – A Year in Review 2019 by JLL, (ii) Saudi General Authority of Statistics, (iii) Saudi Ministry of Justice

14 AUDITED FINANCIAL STATEMENTS

**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)**

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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.



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

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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.



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INDEPENDENT AUDITOR'S REPORT
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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".



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

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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)**

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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
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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)**

Alluhaid & Alyahya Chartered Accountants
(License No. 735)
6733 Abu Bakr Al Siddiq Road, At Tazawun District
#O. Box 85453, Riyadh 11691 Kingdom of Saudi Arabia
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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

	Note	31 December 2019 SR	31 December 2018 SR
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>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>
INCOME			
Rental income from investment properties	5.10	91,684,951	70,046,156
TOTAL INCOME		<u>91,684,951</u>	<u>70,046,156</u>
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		<u>(89,139,099)</u>	<u>(44,963,323)</u>
OPERATING PROFIT		<u>2,545,852</u>	<u>25,082,833</u>
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		<u>14,392,406</u>	<u>25,309,165</u>
Impairment reversal (loss) on investment properties	6	46,880,973	(83,233,546)
PROFIT (LOSS) FOR THE YEAR / PERIOD AFTER IMPAIRMENT AND BEFORE ZAKAT		<u>61,273,379</u>	<u>(57,924,381)</u>
Zakat	14	(1,980,825)	-
PROFIT (LOSS) FOR THE YEAR / PERIOD AFTER ZAKAT		<u>59,292,554</u>	<u>(57,924,381)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR / PERIOD		<u>59,292,554</u>	<u>(57,924,381)</u>

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

		For the year ended 31 December 2019	For the period from 6 August 2018 to 31 December 2018
	Note	SR	SR
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	-
		69,887,563	45,591,548
<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
Cash flows from operating activities		3,886,005	30,000,000
Zakat paid	14	-	-
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	-
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)	-
Net cash flows (used in) from financing activities		(32,510,000)	389,400,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		333,756	-
Cash and cash equivalents at the beginning of the year / period		-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR / PERIOD	11	333,756	-
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
(Managed by SWICORP Company)

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
Lease liabilities as on 1 January 2019	8,594,560

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

Description	Cost SR	Accumulated depreciation SR	Impairment (note 6.3.5) SR	Net book value SR
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

Description	Cost SR	Accumulated depreciation SR	Impairment (note 6.3.5) SR	Net book value SR
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.

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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

	Discount	Exit yield	Capitalization	Escalation
	%	%	%	%
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

	Discount	Exit yield	Capitalization	Escalation
	%	%	%	%
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:

	Appraiser 1 SR	Appraiser 2 SR	Average 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
	<u>1,093,080,000</u>	<u>1,111,673,364</u>	<u>1,102,376,683</u>
31 December 2018			
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
	<u>1,065,291,012</u>	<u>1,087,224,465</u>	<u>1,076,257,739</u>

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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 SR	2018 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 SR	2018 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 SR	2018 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:

	Number of units	Unit value at 31 December 2018 SR	Net book value SR
31 December 2018			
Money market securities	195,569	154.56	30,226,332

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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>For the year ended 31 December 2019</i>	<i>For the period from 6 August 2018 to 31 December 2018</i>
	<i>SR</i>	<i>SR</i>
<i>Financial asset</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	199,315	-

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	55,159,227	18,124,541
Less: Allowance for doubtful debts	(17,959,611)	-
	37,199,616	18,124,541

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	-
	55,159,227	18,124,541

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

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

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:

Related parties	Nature of relationship	Nature of transactions	For the year ended	For the period from 6
			31 December 2019	August 2018 to 31
			SR	December 2018
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:

	2019	2018
Amounts due from a related party	SR	SR
Wabel Al Arabia for Investment Company	52,283,998	24,188,228

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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>	<i>2019 SR</i>	<i>2018 SR</i>
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:

	<i>2019 Units</i>	<i>2018 Units</i>
Wabel Al Arabia for Investment Company	62,960,000	62,960,000
SWICORP Company	<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:

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

13 ACCRUED EXPENSES

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

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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 SR	2018 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>	-
Zakat base before adjusted net income for the Georgian year	51,115,306	-
Adjusted net income the year / period	<u>32,352,017</u>	-
Zakat base	<u>83,467,323</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 31 December 2019	For the period from 6 August 2018 to 31 December 2018
Income before zakat	61,273,379	-
Add: Provisions charged during the year / period	<u>17,959,611</u>	-
Adjusted net income for the year / period	<u>79,232,990</u>	-

14.3 Zakat provision

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

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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
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 <i>SR</i>	<i>For the period from</i> 6 August 2018 to 31 December 2018 <i>SR</i>
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
	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.

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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).

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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.

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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:

	Expected credit loss rate %
31 December 2019	
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
31 December 2018	
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:

	On demand SR	Less than 3 months SR	Total SR
31 December 2019			
Unearned income	-	25,837,783	25,837,783
Amounts due to related parties	-	125,749	125,749
Accrued expenses	-	918,294	918,294
	-	26,881,826	26,881,826
31 December 2018			
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
	-	26,721,221	26,721,221

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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).