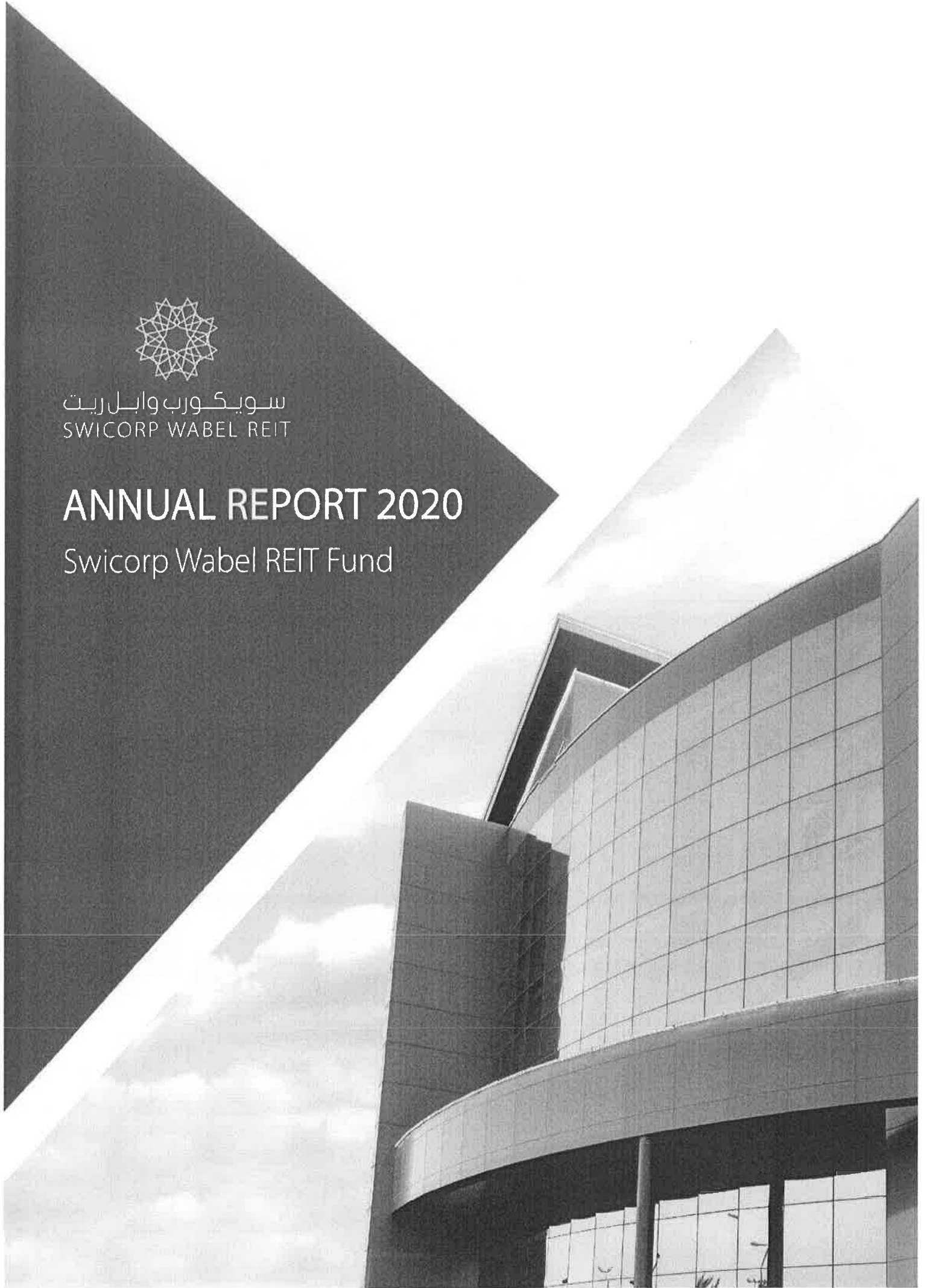


سویکورب وابل ریت
SWICORP WABEL REIT

ANNUAL REPORT 2020

Swicorp Wabel REIT Fund



AT A GLANCE

- ▶ Swicorp Wabel REIT is a closed-end, Shariah compliant Real Estate Investment Traded Fund, listed on the Saudi Stock Exchange “Tadawul” under ticker 4345 and licensed by the CMA.
- ▶ The Fund’s aim is to invest in real estate assets within the Kingdom of Saudi Arabia, and selectively abroad, and to distribute at least 90% of the fund’s net profit annually to unitholders.
- ▶ Swicorp Wabel REIT offers low management fees and low total fund fees.
- ▶ The Fund is invested in four recently-constructed Malls with high potential yields (once at optimal occupancy), at prime locations in cities and towns across the Kingdom that all have consistently healthy population growth and development potential.
- ▶ The Mall’s tenants represent a vast array of major local and international retailers, high quality speciality retailers, and national chain operators, modern entertainment areas, and fine restaurants and cafes.
- ▶ The Fund’s assets make it ideally placed to reap the rewards of the bounce-back in the retail and entertainment sectors following the Covid-19 pandemic, the predicted growth in household spending in 2021, significantly improved economic performance and recovering oil prices.
- ▶ In 2020, AMC completed the construction of cinema complexes at the Fund’s Malls in Riyadh and Hafr Albatin, with AMC constructing an additional cinema at the Fund’s Mall in Dawadmi - which was opened in April 2021. A cinema is also planned for Al Makan Mall Tabuk.
- ▶ Since 2018, the Saudi government has placed a strong emphasis on entertainment and cinema revenue has been booming in the Kingdom ever since. It is set to be worth \$1.5 billion by 2030¹. The brand-new cinemas at the Fund’s Malls will ensure it capitalises on this emerging trend.



¹ KSA's Cinema Revenue Is Projected to Hit a Staggering \$1.5 Billion by 2030. (2020). About Her.

FUND OVERVIEW

Fund Name | Swicorp Wabel REIT (“The Fund”)

FUND DESCRIPTION & OBJECTIVES

The Fund is a closed-end Sharia compliant Real Estate Investment Traded Fund, listed in the Saudi Stock Exchange “Tadawul” under ticker 4345, and established in Saudi Arabia. It adheres to the Real Estate Investment Funds Regulations (REIF) and Real Estate Investment Traded Funds Instruction (REITFI) as specified by the Capital Market Authority (CMA).

The Fund’s aim is to invest in real estate assets within the Kingdom of Saudi Arabia, and selectively abroad, and to distribute at least 90% of the fund’s net profit annually to unitholders. The Fund may invest in under-construction real estate assets, financial securities, and other assets, provided that at least 75% of the fund’s total assets value are invested in developed real estate qualified to generate periodic rental income. Further, the Fund will not invest in vacant land.

The Fund’s term of operation is 99 years, starting from the date of listing the Fund units in the Saudi Stock Exchange “Tadawul” and making it available for trading. This is extendable for similar periods at the discretion of the Fund Manager and after obtaining CMA approval.

REITs Explained

REITs are financial instruments listed in the Saudi Stock Exchange (Tadawul) that allow all types of investors to obtain investment exposure to the Real Estate Market – without having to buy, manage or finance properties themselves.

This is achieved through collective ownership of constructed developed real estate qualified to generate periodic rental income.

They are a great way to add both growth and income to your portfolio, together with diversification.

INVESTMENT OVERVIEW

The REIT was listed on Tadawul on 6 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 landowners.

The four shopping malls owned by the REIT are located in Riyadh, Tabuk, Hafr Al Batin, and Dawadmi. Each of these four malls is complete, operational, and generating periodic rental income.

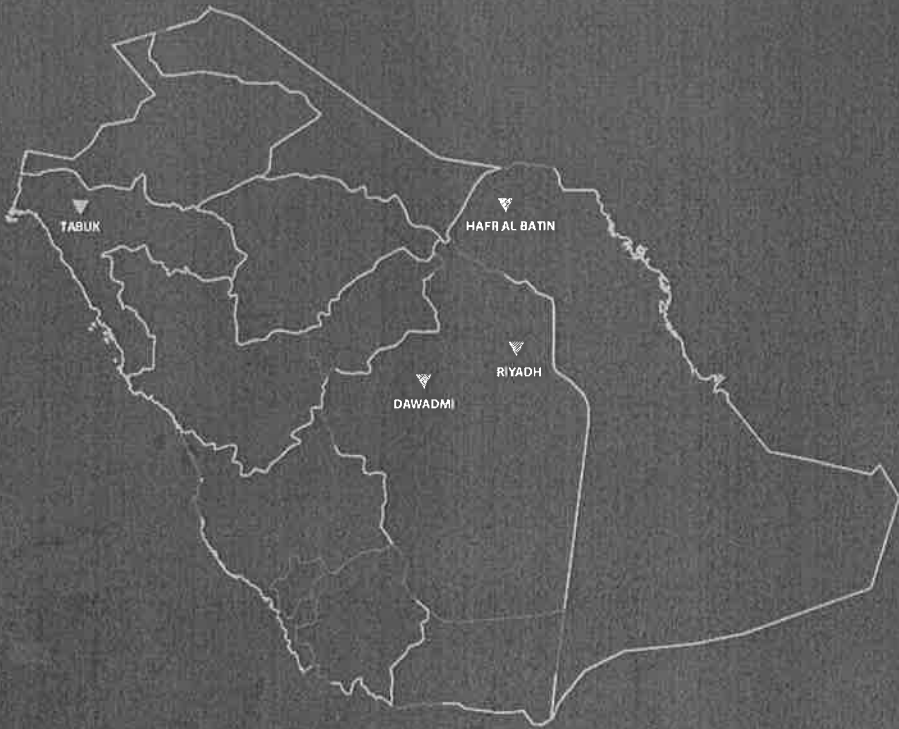
The Malls were all recently constructed to a high standard and are located within fast-growing cities. This ensures they have first-mover benefits and, in the case of Dawadmi, a monopoly as it is the only shopping mall in the town. All have the advantage of being sited in areas with high demand and limited supply, able to correspond their various goods and products to pressing consumer needs in their area.

Dividend declaration for 2020 has been deferred until H2-2021 as the Fund Manager is currently evaluating cash needs for the REIT for 2021 and collections of old receivables. The Fund achieved a yield of 4.3% in 2019 based on nominal value of SAR 10 per unit.

The Fund Manager has a healthy pipeline of potential deals to expand the portfolio 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.



THE FOLLOWING DIAGRAM HIGHLIGHTS
THE GEOGRAPHIC LOCATION OF THE FOUR
ASSETS ACROSS THE KINGDOM OF SAUDI ARABIA:



AL MAKAN MALL

HAFR ALBATIN



CITY OVERVIEW

- ▶ Located in the Eastern Province, within 430 km north of Riyadh, 94 km from Kuwait border and 74 km from the Iraqi border.
- ▶ Considered as a desert route for pilgrims to arrive to Makkah & Madina from neighboring GCC countries.
- ▶ Comprises more than 35 villages with a population of 359,000 in 2021^B - a 1.7% increase from 2020. The population has been growing by an average of nearly 2% a year for the past four years.

KEY DEMAND DRIVERS

- ▶ Hafr Al Batin attracts a high number of travellers from Iraq and Kuwait.
- ▶ Shopping is the key activity, as the town has limited entertainment options.
- ▶ Government investment in Hafr Al Batin by opening new industrial cities there will create employment opportunities & strong demand for retail.
- ▶ The nearby King Khalid Military City & Hafr Al Batin University attracts the surrounding residents and is a big driver of growth for mall traffic.

^B Hafr al-Batin, Saudi Arabia Metro Area Population 1950-2021. (2021). Macrotrends.

AL MAKAN MALL

 RIYADH



CITY OVERVIEW

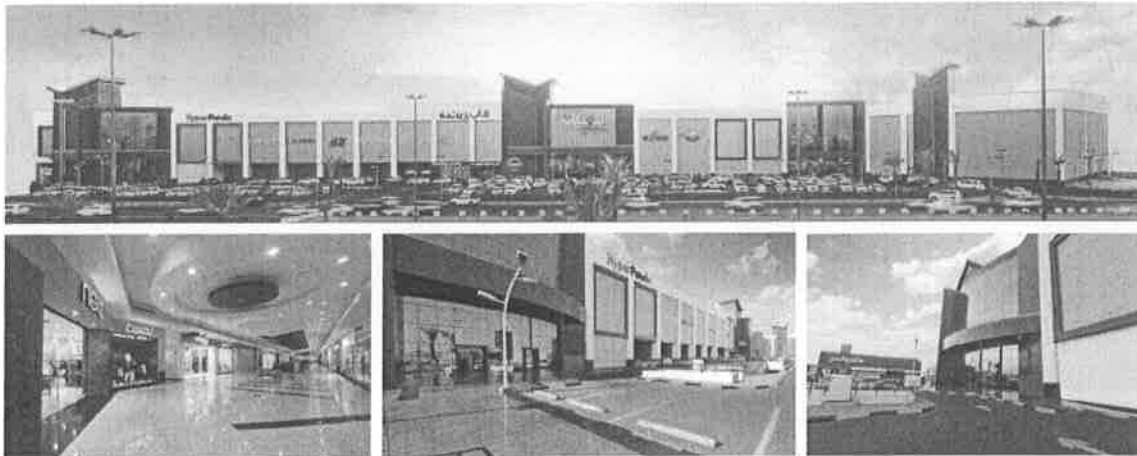
- ▶ Located in the Central Province, Riyadh is the capital and most populated city in Saudi Arabia.
- ▶ Current population is 7.3 million in 2021⁹ – an increase of 2.17% from 2020. Riyadh's population has been growing by an average of over 2.5% a year for the past four years.
- ▶ Headquarters of major companies and banks are based in Riyadh, making it the Kingdom's first destination for job seekers.

KEY DEMAND DRIVERS

- ▶ The Mall is located in a populated area in the north of Riyadh, close to the King Abdullah Financial District.
- ▶ The area is an upcoming district of Riyadh, mainly comprised of residential villa communities and vacant lands.
- ▶ There is a lack of globally recognized entertainment coupled with a severe hot climate, making indoor entertainment facilities a popular leisure destination.

⁹Riyadh, Saudi Arabia Metro Area Population 1950-2021. (2021). Macrotrends.

AL MAKAN MALL



CITY OVERVIEW

- ▶ Located in Northwest of the Kingdom, Tabuk region is close to the Jordan-Saudi Arabia border.
- ▶ The Kingdom aims to revitalize the province with the newly announced “Neom” city (approx. 180 Km from Tabuk City) which is considered to be one of the key projects of the government’s Vision 2030.
- ▶ The city hosts the largest air force base in KSA.
- ▶ The population as of 2021 is 667,000 – an increase of 1.52% from 2020¹⁰. Tabuk’s population has been growing by an average of 1.8% for the last four years.

KEY DEMAND DRIVERS

- ▶ Attracts a high number of travellers to Jordan by road.
- ▶ Shopping is a major activity as the town lacks entertainment options.
- ▶ Lack of large grocery stores in the city such as Carrefour, Danube and Hyper Panda.
- ▶ High volume of tourists in Tabuk, due to its rich historical sites.
- ▶ Tourists are a major demand driver for Retail.
- ▶ The new city of “Neom” with an estimated investment of \$500 billion is expected to significantly increase retail demand in the area.

¹⁰ Tabuk, Saudi Arabia Metro Area Population 1950-2021. (2021). Macrotrends.

AL MAKAN MALL



DAWADMI



CITY OVERVIEW

- ▶ Dawadmi is a small town in Riyadh Province. It is located on top of Najd Hill which is the central area of Saudi Arabia, located 200 km West of Riyadh.
- ▶ Dawadmi has a population of over 61,000 ¹¹.
- ▶ In 2003, the Dawadmi domestic airport was inaugurated which is located 30 km west of Dawadmi.
- ▶ There are many colleges affiliated to “Shagra” University in Dawadmi.

KEY DEMAND DRIVERS

- ▶ With virtually no competition, Al Makan Mall is the only shopping mall in Dawadmi.
- ▶ Shopping is a major activity as the town lacks entertainment options.
- ▶ International affordable brands are gaining popularity.
- ▶ The mall is located on King Abdul Aziz Road, the main road in the town and the central area of activity.
- ▶ The mall attracts consumers from nearby cities such as “Sajir city” where Dawadmi is considered as its main shopping destination.

¹¹ General Authority for Statistics - (2010) - Population and Housing Census - Gstat

TOTAL RETURNS – 1, 3, 5 YEARS

The following table provides an overview of the key financial metrics for the REIT, based on audited financials and performance for 2020, and compares this with 2019.

PARAMETERS	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPTION
Based on book value of NAV per unit	-17.56%	N.A	N.A	-19.70%
Based on fair value of NAV per unit	-18.56%	N.A	N.A	-19.70%

ANNUAL RETURNS – SINCE INCEPTION

The following table summarises the total annual returns of the REIT for the last ten years or since inception.

YEAR	BASED ON BOOK VALUE OF NAV PER UNIT	BASED ON FAIR VALUE OF NAV PER UNIT
2018	-4.90%	-4.90%
2019	2.42%	3.68%
2020	-17.56%	-18.56%
Since Inception	-19.70%	-19.70%

FUND PROSPECTS

- ▶ The growth prospects for the fund in the future are promising. As discussed earlier, the Covid-19 crisis is steadily being brought under control. As of March 2021, the Kingdom has administered over 4 million vaccine doses and has begun the steady return to normality, with malls and cinemas reopening.
- ▶ In 2021, Household spending is predicted to increase by 2.7% and disposable income is forecast to rise by 6.4% year on year, which can be beneficial across the Fund's assets.
- ▶ Some economists predict the Kingdom's economy will grow by 3.1% in 2021, with others even more bullish - estimating growth of 3.7%¹² in 2021. Growth estimates for 2022 are as high as 4%¹³. Such strong growth rates would provide the basis for sustained increases in consumer spending.
- ▶ There are of course downside risks, such as an unexpectedly negative development in the Covid-19 pandemic, more restricted public spending, potentially volatile oil prices, the impact of rising inflation (predicted to reach 3.7% in 2021)¹⁴ and the repercussions from the hike in VAT from 5% to 15% in July 2020 which are projected to linger well into 2021-22.
- ▶ The Fund is well-placed to take advantage of the growing entertainment sector. By the end of Q2-2021, three of the Fund's malls will have a brand-new cinema. Cinema ticket revenue is projected to grow by 27.6% annually from 2021-2024. Ticket sales in 2021 are projected to be worth \$48 million and it is estimated that cinema revenue in the Kingdom will be worth \$1.5 billion by 2030¹⁵. The multiplier effect this could have on footfall, with the cinema acting as a magnet for new customers at the shops and restaurants in the malls, cannot be overstated.
- ▶ The Fund's plans to bring on a new property manager, along with hiring personnel who can improve the performance of the Fund's assets, is likely to have a positive effect on the portfolio over time. Combine this with the acquisition of new assets to diversify and strengthen the foundations of the Fund, and we would expect the yield to increase significantly along with the security of the Fund's revenue streams.



¹² Saudi Arabia Economic Outlook. (2020, November). Focus Economics.

¹³ The economic context of Saudi Arabia. (2021, March). Nordea Trade.

¹⁴ Ibid.

¹⁵ KSA's Cinema Revenue Is Projected to Hit a Staggering \$1.5 Billion by 2030. (2020). About Her.

- On 04th June 2020 (corresponding to 12/10/1441H), the REIT announced the latest developments on temporary lockdown of malls (gradually reopened).
- On 05th July 2020 (corresponding to 14/11/1441H), the REIT announced the availability of the Annual Report of Swicorp Wabel REIT for the period ending 31 December 2019.
- On 13th July 2020 (corresponding to 22/11/1441H), the following resignation of the board members of the REIT was announced:
 - ▶ Mr. Abdullah Saud Al-Kulaibi (Non-independent member)
- Also, on 13th July 2020 (corresponding to 22/11/1441H), the appointment of the following two new board members of the REIT was announced:
 - ▶ Mr. Kwok Hansim (Non-Independent Member)
 - ▶ Mr. Majed Kareem (Independent Member)
- On 14th July 2020 (corresponding to 23/11/1441H), the REIT announced the availability of the quarterly statement for the period ending on 30 June 2020.
- On 14th July 2020 (corresponding to 23/11/1441H), the REIT announced an update to the Fund's Terms and Conditions.
- On 20th July 2020 (corresponding to 29/11/1441H), the REIT announced the availability of the semi-annual assets' valuation reports for the first half of 2020 for the public.
- On 16th August 2020 (corresponding to 26/12/1441H), the REIT announced the occurrence of a specific event to Swicorp Wabel REIT Fund "The opening of a cinema in Almakam Mall Hafar Al-Batin".
- On 24th August 2020 (corresponding to 05/02/1442H), the REIT announced the availability of the Interim Financial Report of Swicorp Wabel REIT Fund for the period ending on 30 June 2020.
- On 26th August 2020 (corresponding to 07/02/1442H), the REIT announced the occurrence of specific event to Swicorp Wabel REIT Fund "The opening of a cinema in Almakam Mall Riyadh".
- On 14th October 2020 (corresponding to 27/02/1442H), the REIT announced the availability of the quarterly statement for the period ending on 30 September 2020.

FUND BOARD REPORT

Board of Directors of the REIT – Summary of meetings held, and resolutions approved during the year 2020

The Board of Directors of the REIT (“Board”) met twice during the year 2020 and following topics were discussed:

- SWR FS Highlights & Performance
- Wabel Relationship & PM Transition Status
- Amendment to T&Cs & Unitholder Meeting
- Investment Strategy
- Overview of Acquisition Targets
- SWR Debt Financing
- Corporate Governance Charter
- Amendment to T&Cs & Unitholder Meeting

Following table lists down and summarizes the resolutions approved by the Board of Directors of the REIT during the year 2020:

RESOLUTION NUMBER	RESOLUTION DATE	BRIEF DESCRIPTION
No. 09-2020	03/06/2020	<ul style="list-style-type: none"> • The appointment of Mr. Hammad Mughal instead of Mr. Abdullah Saud Al Kulaibi as (“Issuer Representative”)
No. 10-2020	17/08/2020	<ul style="list-style-type: none"> • Approving and certifying the Interim Financial Report for the Fund for the period ending on June 30, 2020
No. 11-2020	17/08/2020	<ul style="list-style-type: none"> • Approval of Board Charter • Authorizing the Fund Manager to finalize the new terms of financing with the National Commercial Bank (NCB) or any other lender • Approve the acquisitions and investments strategy and delegates to the Investment Committee and Fund Manager to negotiate, perform due diligence and close the transactions subject to the limits of the Board Charter
No. 12-2020	18/08/2020	<ul style="list-style-type: none"> • Approving the changes to the Terms and Conditions, that include the following fundamental changes: <ul style="list-style-type: none"> - Changing the cap on property management fees from 3.0% to 10.0% (whether the new fees are fixed or a percentage of revenue) - Ensuring appropriate definition for operating expenses and removing the cap of 17.0% of revenues - Introducing a real estate brokerage fee of up to 2.5% of the purchase price - Introducing a leasing fee or leasing advisory fee, as a percentage of the leasing revenue of the first year or over the contract period. The Leasing advisory fee to be for a temporary period maximum of 6 months till a new property manager (and/or leasing manager) is in place. • Approves the selection process (including the regulatory step of CMA submission) of the appointment of a new property manager (and/or leasing manager) to replace the current property manager

POTENTIAL RISKS	DESCRIPTION	MITIGATION MEASURES
Capital Funding risk	Since the fund pay-out ratio is 90% by regulations, the fund will be always seeking liquidity funding for expansion purpose. In the absence of capital expansion may be curtailed affecting the fund performance and reputation.	The fund does not have a financing agreement in place as we speak, however once the appropriate asset for acquisition is determined, financing arrangement can be secured.
Yield risk	Deteriorating fund's yield can be a cause of internal or an external factor. Determining the factors can help explain the type of risk the fund is running into in general.	The fund manager semi-annually 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.
Real Estate 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. Furthermore, the fund manager focused is on developed asset.
Interest Risk	Uncertainty of increase in cost of funding due to increase in interest rate volatility impacting the fund's net income	As we speak this risk is not applicable due to absence of debt financing. However, the risk will be relevant when a debt financing is used.
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.
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 a Risk Management resource for the purpose of monitoring and reporting this risk independently.

POTENTIAL RISKS	DESCRIPTION	MITIGATION MEASURES
Location Concentration 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. For the year 2021 no additional Zakat and Taxation risks have been discounted.
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 15 years in December 2036. As such, in case of a non-renewal to the leasehold. The property lost due to the non-renewal will be fully provided against. In the event the leasehold is renewed at an expensive term, 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.
Rental Discount risk	Rental discount is a strategic tool used for tenant retention to improve occupancy and fund's performance. However, excessive discount can have opposite impact on performance as well.	The fund Manager exercises the following to mitigate this risk: 1- Impact Analysis. 2- Assessing Tenant credit worthiness. 3- No rental discount is availed unless all historical dues are totally settled.
Property Manager Performance 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 agreed on set of KPIs with the Property Manager. In the event of non-achievement of KPIs, the Fund Manager can exercise the following: 1-Make KPIs deductions. 2- Refuse to accept any subsequent performance of the Services which the Property Manager attempts to make. 3-The Property Manager will be obligated to arrange for substitute service from elsewhere. 4-Hold the Property Manager accountable for any loss and additional cost incurred. 5-Terminate the agreement and have all sums previously paid by Fund Manager to the Property Manager refunded by Property the Manager.

FINANCIAL STATEMENT

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

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

Key Audit Matters (continued)

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

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

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

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

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

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

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

For Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid
Certified Public Accountant
Registration No. 438

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



SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

STATEMENT OF COMPREHENSIVE INCOME

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

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)
STATEMENT OF CHANGES IN NET ASSETS

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

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

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

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

3 BASIS OF PREPARATION (continued)

3.4 Comparative information

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Useful lives of investment properties

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

4.2 Impairment of investment properties

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

4.3 Impairment of financial assets held at amortised cost

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

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

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

4.4 Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

31 December 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

5.1.1 Initial recognition and measurement

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

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

Financial assets measured at amortised cost

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

Financial asset at fair value through profit or loss

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

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- Or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell;
- Or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

5.1.2 Subsequent measurement

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

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

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

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

Financial assets at fair value through profit or loss:

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

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.9 Receivables

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

5.10 Cash and cash equivalents

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

5.11 Unearned income

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

5.12 Provision

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

5.13 Accrued expenses and other liabilities

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

5.14 Management fees, custodian fees and other expenses

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

5.15 Revenue recognition

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

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

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

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

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

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

31 December 2020

6 RIGHT-OF-USE ASSETS

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

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

7 INVESTMENT PROPERTIES

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

31 December 2020

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

31 December 2019

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

10 RENTAL INCOME RECEIVABLE

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

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

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

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

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

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

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

11 RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Management fee

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

b) Board of Directors remuneration

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

SWICORP WABEL REIT FUND
(Managed by SWICORP Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2020

12 CASH AND CASH EQUIVALENTS

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

13 UNEARNED INCOME

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

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

14 ACCRUED EXPENSES

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

15 ZAKAT

15.1 Charge for the year

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

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

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

SWICORP WABEL REIT FUND
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

17 RENTAL INCOME FROM INVESTMENT PROPERTIES (continued)

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

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

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

18 GENERAL AND ADMINISTRATIVE EXPENSES

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

19 FAIR VALUE MEASUREMENT

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

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

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

The fair value hierarchy has the following levels:

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

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

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

31 December 2020

21 FINANCIAL RISK MANAGEMENT

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

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

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

21.1 Market risk

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

21.2 Credit risk

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

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

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

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

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

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

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

31 December 2020

22 OPERATING SEGMENT

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

23 COMPARATIVE FIGURES AND DISCLOSURES

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

24 DIVIDENDS DISTRIBUTION

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

25 CHANGES IN FUND'S TERMS AND CONDITIONS

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

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

26 EVENTS AFTER THE END OF THE REPORTING DATE

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

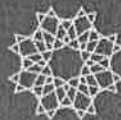
- Agreeing to add real estate brokerage fees to a maximum of 2.5% of any real estate investment acquired.
- Agreeing to remove the cap of 17% for operating expenses on the current property management agreement effective retrospectively from 1 January 2020.
- Agreeing to allow property management fee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

27 LAST VALUATION DAY

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

28 APPROVAL OF THE FINANCIAL STATEMENTS

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



سویک ورپ وابل ریت
SWICORP WABEL REIT