

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

<u>Contents</u>	<u>Page</u>
Independent auditor's report	1 - 2
Consolidated statement of financial position	3
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6 - 7
Notes to the consolidated financial statements	8 - 50

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RETAL URBAN DEVELOPMENT COMPANY****Report on the Audit of the Consolidated Financial Statements*****Opinion***

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements and we have fulfilled our 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF RETAL URBAN DEVELOPMENT COMPANY**

Report on the Audit of the Consolidated Financial Statements (Continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar – Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
17 Ramadan 1442H
29 April 2021



RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 SR	2019 SR
ASSETS			
Current assets			
Cash on hand and at banks	6	64,980,903	9,637,394
Prepayments and other receivables	7	95,963,416	31,157,780
Accounts receivable	8	81,217,784	93,451,129
Inventories		22,253,953	4,366,698
Contract assets	24	203,751,210	150,459,348
Development properties - short-term	9	139,487,750	30,888,446
		<u>607,655,016</u>	<u>319,960,795</u>
Non-current assets			
Accounts receivable - long-term	8	2,869,455	1,226,846
Property and equipment	10	90,211,857	4,912,187
Right-of-use assets	11	14,915,574	20,464,296
Development properties - long-term	9	-	2,208,323
Investment properties	12	329,198,152	210,437,819
Intangible assets	13	3,499,266	3,726,787
Investment in associate	14	121,249,913	112,820,279
		<u>561,944,217</u>	<u>355,796,537</u>
TOTAL ASSETS		<u>1,169,599,233</u>	<u>675,757,332</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable - current	15	259,460,337	135,001,643
Accrued expenses and other payables	16	26,020,767	7,528,040
Lease liabilities - current portion	11	8,693,371	7,508,926
Contract liabilities	24	24,690,054	1,606,183
Refundable incentives	17	115,018,686	150,018,686
Short-term loan	18	50,000,000	-
Term-loans - current portion	18.1	83,733,333	-
Zakat payable	19	5,975,018	5,894,975
		<u>573,591,566</u>	<u>307,558,453</u>
Non-current liabilities			
Lease liabilities - non-current portion	11	3,073,311	10,271,061
Term-loans - non-current portion	18.1	64,666,667	-
Employee termination benefits	20	9,481,493	7,794,053
Accounts payable - non-current	15	-	3,966,687
		<u>77,221,471</u>	<u>22,031,801</u>
Total liabilities		<u>650,813,037</u>	<u>329,590,254</u>
Equity			
Capital	21, 23	375,000,000	250,000,000
Statutory reserve	22	18,832,565	8,969,214
Actuarial reserve	14, 20	(2,508,550)	(1,494,163)
Retained earnings		127,462,181	88,692,027
		<u>518,786,196</u>	<u>346,167,078</u>
Total equity		<u>518,786,196</u>	<u>346,167,078</u>
TOTAL LIABILITIES AND EQUITY		<u>1,169,599,233</u>	<u>675,757,332</u>

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 SR	2019 SR
Revenue	24, 30	587,450,646	456,535,749
Cost of revenue	25, 30	(463,142,384)	(379,133,918)
Gross profit		124,308,262	77,401,831
General and administrative expenses	26	(26,431,829)	(23,215,456)
Selling and marketing expenses	27	(7,701,933)	(6,316,848)
Operating profit		90,174,500	47,869,527
Finance costs	11, 18, 20, 30	(1,923,931)	(4,960,584)
Dividend income from investments at fair value through profit or loss		-	1,121,885
Share of results of associates	14	12,827,021	(3,063,604)
Gain on sale of investments at fair value through profit or loss	28	374,422	22,461,794
Other income, net		1,891,994	893,578
Profit before zakat		103,344,006	64,322,596
Zakat	19	(4,710,501)	(4,630,457)
PROFIT FOR THE YEAR		98,633,505	59,692,139
Other Comprehensive Income (OCI)			
<i>OCI that will not be reclassified to profit or loss in subsequent years:</i>			
Change in realized fair value of equity instruments at FVOCI		-	(1,031,226)
Remeasurements of defined benefit liability in associate	14	19,893	-
Remeasurements of defined benefit liability	20	(1,034,280)	(569,666)
Net OCI (loss) that will not be reclassified to profit or loss in subsequent years		(1,014,387)	(1,600,892)
Other comprehensive loss for the year		(1,014,387)	(1,600,892)
Total comprehensive income for the year		97,619,118	58,091,247
Earnings Per Share for the Year (Basic and Diluted)	35	3.90	34.64

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Capital		Statutory reserve	Contribution from a shareholder		Actuarial reserve		Fair value reserve of equity instruments at FVOCI		Retained earnings		Total	
	SR			SR		SR		SR		SR		SR	
For the year ended 31 December 2020:													
As at 1 January 2020	250,000,000		8,969,214	-		(1,494,163)	-			88,692,027		346,167,078	
Profit for the year	-		-	-		-	-			98,633,505		98,633,505	
Other comprehensive loss	-		-	-		(1,014,387)	-			-		(1,014,387)	
Total comprehensive income	-		-	-		(1,014,387)	-			98,633,505		97,619,118	
Transfer to statutory reserve (note 22)	-		9,863,351	-		-	-			(9,863,351)		-	
Contribution from shareholder (note 23)	-		-	125,000,000		-	-			-		125,000,000	
Increase in share capital (note 21)	125,000,000		-	(125,000,000)		-	-			-		-	
Dividends (note 34)	-		-	-		-	-			(50,000,000)		(50,000,000)	
Balance as at 31 December 2020	375,000,000		18,832,565	-		(2,508,550)	-			127,462,181		518,786,196	
For the year ended 31 December 2019:													
As at 1 January 2019	10,000,000		3,000,000	82,133,810		(924,497)	(2,774,332)			38,774,660		130,209,641	
Profit for the year	-		-	-		-	-			59,692,139		59,692,139	
Other comprehensive loss	-		-	-		(569,666)	(1,031,226)			-		(1,600,892)	
Total comprehensive income	-		-	-		(569,666)	(1,031,226)			59,692,139		58,091,247	
Transfer to statutory reserve (note 22)	-		5,969,214	-		-	-			(5,969,214)		-	
Increase in share capital (note 21)	240,000,000		-	(82,133,810)		-	-			-		157,866,190	
Utilization of reserve on sale of equity instruments at FVOCI	-		-	-		-	3,805,558			(3,805,558)		-	
Balance as at 31 December 2019	250,000,000		8,969,214	-		(1,494,163)	-			88,692,027		346,167,078	

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	SR	SR
OPERATING ACTIVITIES		
Profit before zakat	103,344,006	64,322,596
Adjustments for non-cash items:		
Depreciation and amortization	12,431,525	9,428,100
Gain on sale of investments at fair value through profit or loss	(374,422)	(22,461,794)
Employee termination benefits	1,905,143	1,654,619
Share of results of associates	(12,827,021)	3,063,604
Dividends income from investments at fair value through profit or loss	-	(1,121,885)
(Gain) loss from sale of property and equipment	(172,321)	27,311
	104,306,910	54,912,551
Changes in working capital:		
Development properties	(103,578,702)	56,547,459
Inventories	(17,887,255)	(911,643)
Contract assets	(53,291,862)	(75,642,567)
Accounts receivable	10,590,736	(60,702,951)
Prepayments and other receivables	(64,805,636)	(6,175,761)
Accounts payable	97,300,791	(65,918,767)
Accrued expenses and other payables	18,492,727	(4,077,630)
Contract liabilities	23,083,871	(3,223,921)
Net cash from (used in) operations	14,211,580	(105,193,230)
Employee termination benefits paid	(1,304,336)	(1,090,520)
Zakat paid	-	-
Net cash from (used in) operating activities	12,907,244	(106,283,750)
INVESTING ACTIVITIES		
Additions to investment properties	(183,401,965)	(55,250,625)
Proceeds from sale of investment properties	-	691,013
Purchase of property and equipment	(27,977,927)	(2,711,028)
Proceeds from sale of property and equipment	359,603	173,334
Additions to intangible assets	-	(59,800)
Dividends received from investment at fair value through profit or loss	-	1,121,885
Dividends received from associates	1,580,000	-
Proceeds from sale of equity instruments at FVPL net	374,422	22,461,794
Disposal / Redemption of investment in an associate	37,919,790	40,317,050
Proceeds from sale of equity instruments at FVOCI	-	36,076,367
Net cash (used in) from investing activities	(171,146,077)	42,819,990
FINANCING ACTIVITIES		
(Repayment) proceeds from refundable incentives	(35,000,000)	-
Proceeds of long-term loan	148,400,000	-
Proceeds from short term loan	50,000,000	-
Lease payments	(8,924,565)	(7,310,886)
Change in due to related parties	109,106,907	(4,643,014)
Dividend paid	(50,000,000)	-
Net cash from (used in) financing activities	213,582,342	(11,953,900)

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	SR	SR
Net change in cash and cash equivalents	55,343,509	(75,417,660)
Cash and cash equivalents at the beginning of the year	4,112,430	85,055,054
Less: change in restricted bank balance (note 6, 17)	(49,480,532)	(5,524,964)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,975,407	4,112,430
<u>NON-CASH TRANSACTIONS:</u>		
Increase share capital through contribution from a shareholder (note 21, 23)	125,000,000	82,133,810
Additional capital transferred through shareholder (note 30)	-	157,866,190
Investment properties transferred from related parties (note 12)	-	79,296,255
Investment properties transferred through contribution from a shareholder (note 12)	17,560,000	-
Investment properties transferred from development properties (note 9, 12)	4,187,393	45,463,878
Change in fair value of equity instruments at FVOCI recognised on retained earnings (note 12)	-	3,805,558
Property and equipment transferred from development properties (note 9, 10)	225,128	-
Investment in associates transferred from a related party (note 14)	-	72,357,490
Investment in associates transferred through contribution from a shareholder (note 14)	107,440,000	-
Recognition of right -of- use assets (note 11)	2,615,222	27,840,873
Recognition of lease liabilities (note 11)	3,289,540	25,090,873
Development properties transferred from investment property (note 9, 12)	7,224,800	7,405,176
Investment in associate transferred to related party, net (note 14)	72,357,490	-
Property and equipment transferred from investment properties	57,074,033	-
Share of OCI in investment in associate (note 14)	19,893	-
Disposal of lease	98,012	-
Employee termination benefits transferred from a related party (note 20)	52,353	-
Zakat provision transferred to a related party (note 19)	4,630,458	10,855,459

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 GROUP INFORMATION

Retal Urban Development Company ("the Company") or ("the Parent Company") is a closed joint stock company (previously a limited liability company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Al Rawaby, King Faisal Str., Al Khobar, 31952, Kingdom of Saudi Arabia.

During the year 2020, the shareholders decided to convert the company from a limited liability Company to a closed joint stock company. The Company obtained ministerial approval for the official announcement of the conversion on 9 Muharram 1442 H, corresponding to 28 August 2020.

The Company's by-laws stipulate that the Company's first fiscal year starts from the date of ministerial approval of the official announcement to convert the company from a limited liability Company to a closed joint stock Company i.e. 28 August 2020 until 31 December of the following year. The Company's management believes that since the change in the legal form of the Company did not lead to any new accounting unit, these consolidated financial statements have been prepared for a full year from 1 January 2020 to 31 December 2020, to better reflect the Company's operations on a consistent and comparable basis.

The Company is principally engaged in:

- Purchase and sale of land and real estate, divide them, and sale on map activities;
- General construction of residential buildings;
- General construction of non-residential building, including (schools, hospitals, hotels ...etc).

The Company's By-laws includes the activity of acquisition of shares or shares in existing companies or merger with them.

The financial statements include the assets, liabilities, and the results of the Company and the following branch:

Branch	Date	Location	Registration certificate
Retal Urban Development Company branch	21 Dhu al-Qi'dah 1441	Riyadh	1010642508

The Ultimate Parent Company is Abdullatif and Mohammed Al Fozan Company.

These consolidated financial statements include the financial statements of the Company and the following subsidiaries (collectively referred to as "the group") that are 100% directly and indirectly owned and prepared by the management for the purposes of submitting them to GAZT in accordance with Ministerial Resolution No. 1005 that dated 28 Rabi` al-Thani 1428H.

	Effective ownership	
	2020	2019
	%	%
Tadbeir Limited Company ("Tadbeir")	100	100
Nesaj Urban Development Company ("Nesaj")	100	100
Building and Construction Company ("BCC")	100	100
Wejha United Real Estate Company ("Wejha")	100	-

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of Tadbeir is P.O. Box 38, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

Tadbeir is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 GROUP INFORMATION (Continued)

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). The registered address of Nesaj is P.O.Box 31059, Al Turki business park, Al-Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of the Nesaj are:

- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of BCC is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

Wejha

Wejha is a single person limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051232830 issued in Khobar dated 1 Rabi` Al-Thani 1442H (16 November 2020). The registered address of Wejha is P.O. Box 34421, Rawabi, Khobar, Kingdom of Saudi Arabia.

The principle activities of Al-Wejha company are general contracting of residential buildings.

The capital of A-Wejha company is SR 50,000 (2019: Nil). The procedures for updating the article of association of Al-Wejha have not been completed as at the end of the year, noting that the assets and liabilities of Al-Wejha company have been assigned to the parent company as a irreversible waiver. The total assets of Al-Wejha Company amounted to SR 135 million, which is a plot of land purchased through the parent company.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants. Details of the Group's significant accounting policies are disclosed in note 4.

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the Group disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management Note 32
- Sensitivity analysis disclosures Note 3, 20, 32

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Control over subsidiaries

The Group has entered into various investments. The Group determines whether or not to consolidate the investee entities, account for them using the equity method or designate them at fair value based on the Group assessment of whether it has control over these investments or not. In determining whether control or significant influence exists or not, management assesses whether the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing such power, indicators are analyzed in arriving to outcome of the control assessment made by Group, such as, among other factors, board representation, voting right and technical know-how.

Significant influence over an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Uncertain zakat position

The Group's current zakat payable of SR 5,975,018 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 19 describes the status of zakat and tax assessments.

Impairment of inventories

Inventories are stated at cost or net realizable value, which is lower. Once the inventories become old or obsolete, an estimate is made for their net realizable value. For each significant amount, an estimate is made individually for each amount. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance is provided based on the type, age or degree of obsolescence, based on expected selling prices.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets at each reporting date. The non-financial assets 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.

Estimated cost to complete

The Group uses the percentage-of-completion method ("POC") in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognised during the year ended 31 December 2020 would have decreased by SR 14.9 million. If the total estimated costs were 10% lesser than management's estimates, the amount of revenue recognised during the year ended 31 December 2020 would have increased by SR 17.2 million as well.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the trade receivables is disclosed in Notes 8 and 32.

Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Options for extending and terminating lease contracts

Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the Lessor.

When determining the tenancy contract duration, the Group's management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Lease Payments Discount

Rental payments are discounted using the Group's incremental borrowing rate (IBR). The Group's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

Backdrop of the Covid-19 pandemic

Group has reviewed the key sources of estimation uncertainties disclosed in the consolidated financial statements against the backdrop of the Covid-19 pandemic. Management believes that all sources of estimation uncertainty remain similar to those disclosed in the consolidated financial statements as of December 31, 2019. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****4 SIGNIFICANT ACCOUNTING POLICIES**

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020 and 2019 as disclosed in note 1. The following tables summarize the financial information of the subsidiaries as included in their financial statements:

a. Tadbeir Limited Company

The following table summarizes the financial information of Tadbeir company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Tadbeir.

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Total assets	25,307,313	15,373,717
Total Liabilities	(25,199,842)	(13,320,473)
Equity	<u>107,471</u>	<u>2,053,244</u>

The following is a summary of Tadbeir's statement of profit or loss and other comprehensive income for the year ended 31 December:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Revenue	31,015,531	28,941,803
(Loss) profit for the year	(1,596,266)	872,703
Total (loss) comprehensive income	(1,945,773)	752,279
Company's interest from total comprehensive income	<u>(1,945,773)</u>	<u>752,279</u>

b. Nesaj Urban Development Company

The following table summarizes the financial information of Nesaj company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Nesaj.

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Total assets	10,501,640	26,958,876
Total Liabilities	(3,727,563)	(15,225,833)
Equity	<u>6,774,077</u>	<u>11,733,043</u>

The following is a summary of Nesaj's statement of profit or loss and other comprehensive income for the year ended 31 December:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Revenue	17,043,434	33,032,765
Profit (loss) for the year	5,090,692	(5,463,951)
Total other comprehensive loss	(49,645)	(6,535,701)
Company's interest from total comprehensive income (comprehensive loss)	<u>5,041,047</u>	<u>(6,535,701)</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Basis of consolidation (Continued)*****c. Building and Construction Company**

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of BCC is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

The other partner waived his right in the investee company in favor of Retal Urban Development Company. The company obtained the waiver letter and agreed to the percentage of the interest that was waived.

The following table summarizes the financial information of Building and Construction Company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of BCC.

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Total assets	198,926,545	63,411,780
Total Liabilities	(166,663,424)	(41,534,732)
Goodwill	3,088,189	3,088,189
Equity	<u>35,351,310</u>	<u>24,965,237</u>

The following is a summary of BCC's statement of profit or loss and other comprehensive income for the year ended 31 December:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Revenue	288,215,902	158,976,631
Profit for the year	10,864,230	6,623,255
Total (comprehensive loss) comprehensive income	(478,097)	6,216,080
Company's interest from total comprehensive income	<u>10,386,133</u>	<u>6,216,080</u>

d. Wejha United Real Estate Company

The following table summarizes the financial information of Wejha United Real Estate Company as listed in its financial statements. The table also shows the summarized financial information along with the company's share in the book value of Wejha United Real Estate Company.

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Total assets	135,581,004	-
Total Liabilities	(135,531,004)	-
Equity	<u>50,000</u>	<u>-</u>

During the year 2020, Wejha company has no revenue and has not incurred any expenses.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of consolidated other comprehensive income ("OCI") are attributed to the shareholders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the profit or loss as a bargain purchase gain.

Susbequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments, such as financial derivatives, 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 by the Group.

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 non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	4 to 10 years
Machinery and equipment	5 years
Vehicles	4 to 5 years
Leasehold improvements	Lower of 4 years or lease period
Building	25 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work in progress

Assets in the course of construction or development are capitalized into a capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment or investment properties, once the asset is in the necessary location and / or condition in order for it to be operable in the manner intended by management. The cost of capital work-in-progress includes the purchase price, construction / development cost and any other cost directly related to the creation or purchase of an item of capital work-in-progress intended by management.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development properties

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties.

Investment properties

Investment properties are accounted for using the Cost Model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in profit or loss when it is incurred.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

The Group 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. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group 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 include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

Group as a lessor

Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue once they are earned.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in associates and subsidiaries which have not been consolidated are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates (Continued)

The consolidated statement of profit or loss and other Comprehensive income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate and subsidiaries is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after zakat in the subsidiaries and associates.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and subsidiaries is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as 'Share of profit of an associate in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

Inventories

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method. The inventory as at 31 December 2020 represents materials used in the development.

Impairment of non-financial assets

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

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

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

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

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets and trade receivables.

Equity instruments at fair value through other comprehensive income

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition

A financial asset is primarily derecognised when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset. The Group assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

General

Provisions are recognised when the Group 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

Employee termination benefits

short term employee benefit

The cost of short-term employee benefits (due within 12 months after the end of service, such as paid vacations, tickets, bonuses, and non-monetary benefits such as medical care) in respect of employee services is recognized until the end of the reporting period, and is measured in the undiscounted amounts expected to be paid upon settlement of the obligations.

Employees end of service benefits

The cost of benefits for employees under defined benefit programs is determined separately for each program using the planned unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated 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 settle the liabilities simultaneously.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Expenses

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****4 SIGNIFICANT ACCOUNTING POLICIES (Continued)****Zakat**

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the profit or loss. Zakat is submitted based on the consolidated declaration (note 19).

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the consolidated statement of financial position.

5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended 31 December 2020 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standard effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

6 CASH ON HAND AND AT BANKS

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Cash on hand	127,217	108,321
Cash at banks	64,853,686	9,529,073
	<u>64,980,903</u>	<u>9,637,394</u>

As at 31 December, cash and cash equivalents was as following:

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Cash on hand	127,217	108,321
Cash at banks	64,853,686	9,529,073
Minus: restricted bank balance	(55,005,496)	(5,524,964)
	<u>9,975,407</u>	<u>4,112,430</u>

As at 31 December 2020, cash at banks include bank balance of SR 55,005,496 (2019: SR 5,524,964) in a local bank in restricted escrow accounts (note 17).

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interests. The carrying amount of these assets is approximately equal to their fair value.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****7 PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Advances to suppliers	39,956,523	7,589,858
Prepaid expenses	7,026,194	6,198,380
Employee receivables	8,397,682	3,396,402
Value added tax	36,728,639	11,476,227
Others	3,854,378	2,496,913
	<u>95,963,416</u>	<u>31,157,780</u>

8 ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Accounts receivable - third parties	75,940,999	83,745,711
Accounts receivable - related parties (note 30)	8,146,240	10,932,264
	<u>84,087,239</u>	<u>94,677,975</u>

Accounts receivables are classified into current and non-current receivables as follows:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Current receivables	81,217,784	93,451,129
Non-current receivables	2,869,455	1,226,846
	<u>84,087,239</u>	<u>94,677,975</u>

As of 31 Decemeber 2020, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 67,098,234, which is equivalent to 81% of the total accounts receivable.

As of 31 Decemeber 2019, the Groups's accounts receivable - third parties are concentrated in 3 major counter parties in an amount of SR 55,316,987, which is equivalent to 65% of the total accounts receivable.

The non-current portion of accounts receivable represents balances that management estimates to be collected after one year from the date of the consolidated statement of financial position.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good. Moreover, all the related parties balances are guaranteed by Al Fozan Holding Company (shareholder).

An aged analysis of trade receivables - third parties as at 31 December is as follows:

	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>				<u>Total</u>
		<u>< 180 days</u>	<u>181-365 days</u>	<u>366-730 days</u>	<u>> 730 days</u>	
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
2020	60,553,444	6,129,387	5,356,195	3,901,973	-	75,940,999
2019	32,104,131	46,722,803	4,918,777	-	-	83,745,711

The Group measures the allowance for trade receivables at an amount equivalent to the expected lifetime credit loss. The expected credit losses from trade receivables are estimated using a matrix based on the experience of defaulting on the previous debtor's repayment and an analysis of the debtor's current financial position, adjusted for debtors' factors and the general economic conditions of the sector in which they work and assessing both the current trend and expectations for conditions in the history of the consolidated financial statements. No expected credit loss has been recorded as there has not been a significant change in credit quality.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 DEVELOPMENT PROPERTIES

Long-term:

	<i>Land</i>	<i>Building and development cost</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
1 January 2019	45,794,911	31,167,578	76,962,489
Additions	-	8,510,798	8,510,798
Transferred to investment properties (note 12)	(30,275,938)	(9,207,032)	(39,482,970)
Transferred to short term properties	(15,518,973)	(28,263,021)	(43,781,994)
31 December 2019	-	2,208,323	2,208,323
Transferred to short term development properties	-	(2,208,323)	(2,208,323)
31 December 2020	-	-	-

As of 31 December 2019, long term projects mainly represent development cost incurred by the Group for different projects.

Short-term:

	<i>Land</i>	<i>Building and development cost</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
1 January 2019	9,140,968	41,599,473	50,740,441
Additions	23,865,688	49,535,228	73,400,916
Transferred from investment properties (note 12)	7,405,176	-	7,405,176
Transferred from long term development properties	15,518,973	28,263,021	43,781,994
Transferred to investment properties (note 12)	(2,065,536)	(3,915,372)	(5,980,908)
Cost of units / projects sold	(45,730,825)	(87,483,507)	(133,214,332)
Cost of contracts	-	(5,244,841)	(5,244,841)
31 December 2019	8,134,444	22,754,002	30,888,446
Additions	68,047,787	481,501,302	549,549,089
Transferred from long term development properties	-	2,208,323	2,208,323
Transferred from investment properties (note 12)	2,629,516	4,595,284	7,224,800
Transferred to investment properties (note 12)	(1,185,623)	(3,001,770)	(4,187,393)
Cost of units / projects sold	(35,294,929)	(410,675,458)	(445,970,387)
Transferred to property and equipment (note 10)	-	(225,128)	(225,128)
31 December 2020	42,331,195	97,156,555	139,487,750

As of 31 December 2020, short-term projects represent mainly the cost of land and developments incurred by the Group toward the construction of Nesaj Town Khobar (Aziziah) and Nesaj Town 2 residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months.

As of 31 December 2019, short-term projects represent mainly the cost of land and developments incurred by the Group toward the construction of Retal Square residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months.

The title deeds of Nassaj Town Riyadh project land amounted to SR 57.3 million are mortgaged against a term loan from a local commercial bank (note 18-b).

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020**

10 PROPERTY AND EQUIPMENT

	<i>Furniture, fixtures and office equipment</i>		<i>Machinery and equipment</i>		<i>Vehicles</i>		<i>Leasehold improvements</i>		<i>Building</i>		<i>Land</i>		<i>Capital work in progress</i>		<i>Total</i>		
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	
Cost																	
At 1 January 2019	6,276,326	16,036,308	2,570,317	2,800,768	-	-	-	-	-	-	-	-	-	-	-	-	27,683,719
Additions	1,005,076	845,885	860,067	-	-	-	-	-	-	-	-	-	-	-	-	-	2,711,028
Disposals	-	(616,747)	(344,992)	(408,865)	-	-	-	-	-	-	-	-	-	-	-	-	(1,370,604)
At 31 December 2019	7,281,402	16,265,446	3,085,392	2,391,903	-	-	-	-	-	-	-	-	-	-	-	-	29,024,143
Additions	1,602,795	2,166,598	722,624	1,145,287	-	-	-	-	-	-	-	-	-	-	-	-	27,977,927
Transferred from investment properties (note 12)	81,297	-	-	-	-	-	-	-	27,202,427	-	-	-	-	-	-	-	59,849,224
Transferred from development properties (note 9)	225,128	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	225,128
Disposals	(49,182)	(1,298,000)	(492,024)	(2,391,903)	-	-	-	-	-	-	-	-	-	-	-	-	(4,231,109)
At 31 December 2020	9,141,440	17,134,044	3,315,992	1,145,287	27,202,427	54,187,363	718,760	112,845,313	-	-	-	-	-	-	-	-	23,937,157
Accumulated depreciation:																	
At 1 January 2019	4,831,089	14,808,742	1,578,333	2,718,993	-	-	-	-	-	-	-	-	-	-	-	-	1,344,758
Charge for the year	652,207	402,986	221,459	68,106	-	-	-	-	-	-	-	-	-	-	-	-	(1,169,959)
Disposal	-	(582,015)	(192,748)	(395,196)	-	-	-	-	-	-	-	-	-	-	-	-	24,111,956
At 31 December 2019	5,483,296	14,629,713	1,607,044	2,391,903	-	-	-	-	-	-	-	-	-	-	-	-	2,565,327
Charge for the year	632,256	506,027	348,179	304,364	774,501	774,501	(2,391,903)	(4,043,827)	-	-	-	-	-	-	-	-	(4,043,827)
Disposals	(45,198)	(1,254,000)	(352,726)	(2,391,903)	-	-	-	-	-	-	-	-	-	-	-	-	22,633,456
At 31 December 2020	6,070,354	13,881,740	1,602,497	304,364	774,501	54,187,363	718,760	112,845,313	-	-	-	-	-	-	-	-	90,211,857
Net book values																	
At 31 December 2020	3,071,086	3,252,304	1,713,495	840,923	26,427,926	54,187,363	718,760	90,211,857	-	-	-	-	-	-	-	-	4,912,187
At 31 December 2019	1,798,106	1,635,733	1,478,348	-	-	-	-	-	-	-	-	-	-	-	-	-	-

As of 31 December 2020 capital work in progress represents additional construction on Retail Tower, expected to be completed during the year 2021. Part of the lands in the amount of SR 32.5 million are mortgaged against a term loan from a local commercial bank (note 18-c).

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****11 RIGHT -OF- USE ASSETS**

Right -of- use assets balances and depreciation charge are as follows:

<i>Building</i>	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Cost:		
1 January	27,840,873	27,840,873
Addition	2,615,222	-
Disposal	(770,153)	-
31 December	<u>29,685,942</u>	<u>27,840,873</u>
Accumulated depreciation:		
1 January	7,376,577	-
Charge for the year	7,883,676	7,376,577
Disposal	(489,885)	-
31 December	<u>14,770,368</u>	<u>7,376,577</u>
Net book value as at 31 December	<u>14,915,574</u>	<u>20,464,296</u>

Lease liabilities for the year ended 31 December are as follows:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Lease liabilities		
1 January	17,779,987	25,090,873
Addition	3,289,540	-
Disposal	(378,280)	-
Payments during the year	(8,924,565)	(7,310,886)
31 December	<u>11,766,682</u>	<u>17,779,987</u>
Current portion of lease liabilities	8,693,371	7,508,926
Non-current portion of lease liabilities	3,073,311	10,271,061
Total lease liabilities	<u>11,766,682</u>	<u>17,779,987</u>

The total interest expense on lease liabilities recognized during the year ended 31 December 2020 is SR 744,316 (31 December 2019: SR 694,167).

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 INVESTMENT PROPERTIES

	<i>Land</i>	<i>Building</i>	<i>Capital Work in progress ("CWIP")</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:				
At 1 January 2019	30,806,591	8,651,152	-	39,457,743
Additions	32,565,500	22,685,125	-	55,250,625
Transferred from related parties (note 30)	79,296,255	-	-	79,296,255
Transferred from development properties (note 9)	32,341,474	5,529,122	7,593,282	45,463,878
Transferred to development properties (note 9)	(7,405,176)	-	-	(7,405,176)
Disposals	(248,815)	(460,465)	-	(709,280)
At 31 December 2019	167,355,829	36,404,934	7,593,282	211,354,045
Additions (note 30)	159,862,630	3,653,033	19,886,302	183,401,965
Transferred from development properties (note 9)	1,185,623	3,001,770	-	4,187,393
Transfer from CWIP	-	195,860	(195,860)	-
Transferred to property and equipment (note 10)	(32,565,500)	-	(27,283,724)	(59,849,224)
Transferred to development properties (note 9)	(2,629,516)	(5,171,051)	-	(7,800,567)
At 31 December 2020	293,209,066	38,084,546	-	331,293,612
Accumulated depreciation:				
At 1 January 2019	-	374,571	-	374,571
Charge for the year	-	559,922	-	559,922
Disposal	-	(18,267)	-	(18,267)
At 31 December 2019	-	916,226	-	916,226
Charge for the year	-	1,755,001	-	1,755,001
Transferred to development properties (note 9)	-	(575,767)	-	(575,767)
At 31 December 2020	-	2,095,460	-	2,095,460
Net book value:				
At 31 December 2020	293,209,066	35,989,086	-	329,198,152
At 31 December 2019	167,355,829	35,488,708	7,593,282	210,437,819

During the year 2019, Parent Company received different lands, at their book values, from related parties for future appreciation, and/or development (note 30). A waiver letter was obtained from the related party for transferring the right in these lands to the Parent Company.

During the year 2019, Parent Company received land shares from shareholder for purchase of land for future development, located in Al Khobar, Kingdom of Saudi Arabia amounting to SR 36,971,000 as of December 31, 2019 (note 30). However, waiver letter was obtained from the shareholder for transferring the right in these land shares to the Parent Company during 2019, the Group has transferred the land deeds against these shares to title deeds during the year 2020.

Capital work in progress represents construction of Retal tower which was completed and transferred to property and equipment during the year.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****12 INVESTMENT PROPERTIES (Continued)**

As at 31 December 2020 and 2019, investment properties represent housing units held for the purpose of generating rental income. Investment properties include investment in land held for future appreciation, and/or development with value of SR 39.8 million (2019: SR 36.4 million).

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2020, the valuation of the above investment properties amounted to SR 377,667,385 (2019: SR 209,335,028).

Part of the lands in the amount of SR 22.5 million are mortgaged against a term loan from a local commercial bank (note 18-c).

13 INTANGIBLE ASSETS

	<i>Goodwill</i>	<i>Software and ERP systems</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:			
At 1 January 2019	3,088,189	1,292,305	4,380,494
Additions	-	59,800	59,800
At 31 December 2019	3,088,189	1,352,105	4,440,294
Asset disposal	-	(327,245)	(327,245)
At 31 December 2020	3,088,189	1,024,860	4,113,049
Accumulated amortization:			
At 1 January 2019	-	566,664	566,664
Charge for the year	-	146,843	146,843
At 31 December 2019	-	713,507	713,507
Charge for the year	-	227,521	227,521
Asset disposal	-	(327,245)	(327,245)
At 31 December 2020	-	613,783	613,783
Net book values:			
At 31 December 2020	3,088,189	411,077	3,499,266
At 31 December 2019	3,088,189	638,598	3,726,787
Useful life		4 years	

The Group performed its annual goodwill impairment test to one of its subsidiaries at 31 December 2020 and 2019. The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020 and 2019, the market capitalization of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****14 INVESTMENT IN ASSOCIATE**

The Group's investment in associates comprise the following:

	Note	2020 SR	2019 SR
Ewan Al Mali Real Estate Fund	A	-	40,462,789
Saudi Tharwa Company	B	121,249,913	-
Nesaj Residential Compound Real Estate Company	C	-	72,357,490
Total investment in associates		121,249,913	112,820,279
		Ownership	
		2020	2019
		%	%
Ewan Al Maali Real Estate Fund		-	54.17
Saudi Tharwa Company		39.50	-
Nesaj Residential Compound Real Estate Company		-	45.00

The movement of investment in associates during the years ended 31 December is as follows:

	2020 SR	2019 SR
1 January	112,820,279	83,843,443
Transfer from Shareholder (note 30)	107,440,000	72,357,490
Dividend	(1,580,000)	-
Share of OCI	19,893	-
Transfer to Shareholder (note 30)	(72,357,490)	-
Disposals / 'Units redemption	(37,919,790)	(40,317,050)
Share of results, net	12,827,021	(3,063,604)
31 December	121,249,913	112,820,279

A. Ewan Al Maali Real Estate Fund

As at 31 December 2019, the Group's investment in Ewan Al Maali Real Estate Fund represents the Group's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Group owns 412,900 units out of 762,500 units at par value of SR 100 for each.

During the year, the Group's entire investment has been redeemed in Ewan Al Maali Real Estate Fund.

The following table summarizes the financial information of Ewan Al Maali Real Estate Fund as included in its financial statements as of 31 December 2019, in addition to the Group's interest in this investment.

	2019 SR
Total assets	76,935,508
Total liabilities	(2,233,565)
Equity	74,701,943
Group's share in equity	40,462,789

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****14 INVESTMENT IN ASSOCIATES (Continued)****A. Ewan Al Maali Real Estate Fund (Continued)**

Summarized statement of profit or loss and other comprehensive income of Ewan Al Maali Real Estate Fund for the year ended 31 December 2019:

	<u>2019</u>
	SR
Revenue	71,443,748
Profit for the year	1,065,045
Total comprehensive income	<u>1,065,045</u>
Group's share of results	<u>576,935</u>

The movement of the Group's interest in Ewan Al Maali Real Estate Fund is as follows:

	<u>2020</u>	<u>2019</u>
	SR	SR
1 January	40,462,789	39,885,854
Share of results	(2,542,999)	576,935
Disposal	(37,919,790)	-
At 31 December	<u>-</u>	<u>40,462,789</u>

B. Saudi Tharwa Company

Saudi Tharwa Company ("Tharwa") is a limited liability company registered in AL Khobar city, Kingdom of Saudi Arabia under commercial registration number 2051057188 dated 21 Jumada' II 1435H (corresponding to 21 April 2014). Tharwa was previously registered in Dammam city under commercial registration number 2050057685 dated 22 Dhu Al-Hijjah 1428H (corresponding to 1 January 2008). During 2014, the partners of Tharwa resolved to change its head office location from Dammam to AL Khobar. Accordingly, the previous commercial registration was canceled on 20 Jumada' II 1435H (corresponding to 20 April 2014).

As at 31 December 2020, the Group's investment in Saudi Tharwa Company represents 39.5%. The Group owns 15,800 shares out of 40,000 shares at par value of SR 1000 for each.

This investment has been transferred from Al Fozan Holding Company ('Shareholder') effective 1 January 2020 for which all agreements and contracts impact was transferred at that date. However, the legal formalities have been completed during the year 2020.

The results of Tharwa Company have been included in the consolidated financial statements effective January 1, 2020. During the year, Tharwa Company distributed dividends, of which the group's share was SR 1,580,000.

The following table summarizes the financial information of Tharwa Saudi Company as included in its financial statements, in addition to the Group's interest in this investment.

	<u>2020</u>
	SR
Total assets	566,076,517
Total liabilities	(467,775,742)
Goodwill	<u>82,421,107</u>
Equity	<u>98,300,775</u>
Group's share in equity	<u>121,249,913</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****14 INVESTMENT IN ASSOCIATES (Continued)****B. Saudi Tharwa Company (Continued)**

Summarized statement of profit or loss and other comprehensive income of Saudi Tharwa Company for the year ended 31 December 2020:

	<u>2020</u>
	SR
Revenue	39,723,563
Profit for the year	38,911,445
Total comprehensive profit	<u>38,961,806</u>
Group's share of results	<u>15,389,913</u>
Group's share of other comprehensive income	<u>19,893</u>

The movement of the Group's interest in Saudi Tharwa Company is as follows:

	<u>2020</u>
	SR
1 January	-
Transferred from Shareholder (note 30)	107,440,000
Dividend	(1,580,000)
Share of results	15,370,020
Share of OCI	19,893
31 December	<u>121,249,913</u>

C. Nesaj Residential Compound Real Estate Company

Nesaj Residential Compound Real Estate Company is a Saudi limited liability company registered on 21 Jumada II, 1435H (April 21, 2014) in Al-Khobar, Kingdom of Saudi Arabia, under commercial registration number 2051057194. The authorized, issued and paid up share capital of the Company is SR 165 million divided into 1,650,000 shares of SR 100 each as at December 31, 2019.

As at 31 December 2019, the Group's investment in Nesaj Residential Compound represents 45%. The Group owns 745,000 shares out of 1,650,000 shares at par value of SR 100 for each.

This investment has been transferred from Al Fozan Holding Company ('Share holder') during the year 2019 for which all the legal requirement were completed during the year 2019 (note 30). However, it was agreed that the transfer effective date is 31 December 2019.

During the year, the Group transferred the investment in Nesaj Residential Compound Real Estate Company to Al Fozan Holding Company effective 1 January 2020.

The following table summarizes the financial information of Nesaj Residential Compound Real Estate Company as included in its financial statements, in addition to the Group's interest in this investment.

	<u>2019</u>
	SR
Total assets	688,692,790
Total liabilities	<u>(527,898,367)</u>
Equity	<u>160,794,423</u>
Group's share in equity	<u>72,357,490</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****14 INVESTMENT IN ASSOCIATES (Continued)****C. Nesaj Residential Compound Real Estate Company (Continued)**

Summarized statement of profit or loss and other comprehensive income of Nesaj Residential Compound Real Estate Company for the year ended 31 December 2019:

	<u>2019</u>
	<i>SR</i>
Revenue	14,855,830
Loss for the year	(36,994,634)
Total comprehensive loss	<u>(37,030,570)</u>

This investment has been transferred to the Group starting from 31 December 2019, and therefore there is no share of the results of this Company during the year 2019.

The Group's share in Nesaj Residential Compound Real Estate Company has been transferred to a related party effective 1 January 2020 according to what was agreed upon, hence, there is no share in result for this Company during the year 2020.

The movement of the Group's interest in Nesaj Residential Compound Real Estate Company is as follows:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
1 January	72,357,490	-
Transferred from Shareholder (note 30)	-	72,357,490
Transferred to Shareholder (note 30)	(72,357,490)	-
31 December	<u>-</u>	<u>72,357,490</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****15 ACCOUNTS PAYABLE**

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Accounts payable	121,752,375	32,070,076
Retention payable	13,748,228	8,141,593
Accounts payable to related parties (note 30)	123,959,734	98,756,661
	<u>259,460,337</u>	<u>138,968,330</u>

Accounts payable are classified into current and non-current payable as follows:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Current payables	259,460,337	135,001,643
Non-current payables	-	3,966,687
	<u>259,460,337</u>	<u>138,968,330</u>

The non-current portion of accounts payable represents long-term retention balances that management estimates it will pay after twelve months from the date of the consolidated statement of financial position.

16 ACCRUED EXPENSES AND OTHER PAYABLES

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Advances from customers	13,478,166	2,577,928
Employees' accruals	6,644,671	1,661,511
Unearned revenue	2,608,047	95,399
Others	3,289,883	3,193,202
	<u>26,020,767</u>	<u>7,528,040</u>

17 REFUNDABLE INCENTIVES

During the year 2018, the Group signed an agreement for the development, marketing and construction of Nesaj Town Project (the "Project") with Ministry of Housing (MOH) to build 674 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable MOH Incentive represents funds received from MOH to support the Group in financing the project. The incentive amount was deposited in an escrow bank account where withdrawals were restricted to project related expenditure. However, last year the Group has utilized all the balance in escrow account for project related expenses (note 6). Upon completing the construction work during the year 2020, MOH started the withdrawal of the incentive balance from the sale proceeds deposited in the escrow bank account which is amounted to SR 35 million during the year 2020, remaining balance is expected to be settled in 2021. Further, the MOH is committed to buy the remaining unsold residential units by the time of completing the construction. Settlement related to this commitment will be through offsetting the refundable incentive balance. During 2020, the project has been totally sold, and the incentives will be paid to the MOH in total.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****18 LOANS**

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Short-term loan (A)	50,000,000	-
Term-loan (B)	97,000,000	-
Term-loan (C)	51,400,000	-
	<u>198,400,000</u>	<u>-</u>

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Term-loan (B)	97,000,000	-
Term-loan (C)	51,400,000	-
Less term loans - current portion	<u>(83,733,333)</u>	-
Term loans - non-current portion	<u>64,666,667</u>	<u>-</u>

The repayment schedule for term loans as December 31, is as follows:

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Within one year	133,733,333	-
More than one years	64,666,667	-
	<u>198,400,000</u>	<u>-</u>

During the year the Group engaged into the following term loan transactions:

- A. The Group obtained short-term loan facility from a local commercial bank of SR 50 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.5%. The loans are repayable in one installment on 6 September 2021. The loan is guaranteed by shareholders guarantee.
- B. The Group obtained term loan facility from a local commercial bank of SR 97 million bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.65%. The loan is repayable in six equal quarterly installments commencing from 31 August 2021. The loan is guaranteed by pledge of lands deeds amounted to SR 57.3 million (note 9) and shareholders guarantee.
- C. The Group obtained term loan facility from a local commercial bank of SR 141 million, of which SR 51.4 million has been utilized up to 31 December 2020, bearing financial charges at Saudi Arabia Interbank Offered Rate ("SIBOR") plus a fixed margin of 1.50%. The loan is repayable to be paid out from Nesaj Town Riyadh South Marcia project collections over three years max. The loan is guaranteed by pledge of land deeds only amounted to SR 55 million (note 10, 12).

19 ZAKAT PAYABLE**Basis for Zakat:**

The group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted net profit. The significant components of the Zakat base according to the zakat and income regulations principally comprise shareholders' equity, provisions at the beginning of the year and adjusted net profit minus the net book value of non-current assets. Starting from the year 2020, zakat was calculated according to the Group's zakat base, and the Zakat return is filed up to GAZT at the level of the Parent Company, Retal Urban Development Company. Noting that, from the year 2016 to 2019, Zakat return was filed up with GAZT at the level of Al Fozan Holding Company (shareholder) as part of the consolidated return.

Wujha United Real Estate Company (a wholly owned subsidiary) submit its zakat return independently.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****19 ZAKAT PAYABLE (Continued)****The movement in the zakat payable is as follows:**

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
1 January	5,894,975	12,119,977
Charge for the year	4,710,501	4,630,457
Transferred to a related party (note 30)	(4,630,458)	(10,855,459)
31 December	<u>5,975,018</u>	<u>5,894,975</u>

Status of certificates and assessments:

The Parent Company has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. The Parent Company received final assessment from GAZT for the year 2018. During the subsequent period, the Company obtained the final receipt for the year 2015. Zakat assessment for the period from inception until the year 2014 and for the years 2016 until the year 2019 are still under review by the GAZT.

Nesaj has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment for the years from inception to 31 December 2019 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. The Company received final assessments from GAZT until the year 2010 and for the year 2018. The assessments for the years from 2011 to 2017 and for the year 2019 are still under review by GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2019 is still under review by the GAZT.

Wejha United Real Estate Company did not book any zakat provision for the period ending 31 December 2020, as it has not completed 12 months since its establishment.

20 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
1 January	7,794,053	6,660,288
Expense charged to profit or loss	1,905,143	1,654,619
Actuarial remeasurement charged to OCI	1,034,280	569,666
Payments	(1,304,336)	(1,090,520)
Net transferred from a related party (note 30)	52,353	-
31 December	<u>9,481,493</u>	<u>7,794,053</u>

The expense charged to profit or loss comprise of:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Current service cost	1,670,968	1,363,965
Interest cost	234,175	290,654
Cost recognized in profit or loss	<u>1,905,143</u>	<u>1,654,619</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 EMPLOYEE TERMINATION BENEFITS (Continued)

Significant actuarial assumptions

	As at 31 December	
	2020	2019
Discount factor used	1.65%	2.85%
Salary increase rate	1.65%	2.85%
Mortality rate	SA 16 - 75%	SA 16 - 75%
Rates of employee turnover	Heavy	Heavy

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2020		31 December 2019	
	%	SR	%	SR
Discount rate				
Increase	+ 0.5%	9,118,464	+ 0.5%	7,504,351
Decrease	- 0.5%	9,871,295	- 0.5%	8,104,487
Salary growth rate				
Increase	+ 0.5%	9,845,135	+ 0.5%	8,047,738
Decrease	- 0.5%	9,139,236	- 0.5%	7,554,459

21 CAPITAL

During the year 2019, the shareholders of the Company resolved to increase the share capital of the Parent Company by SR 240 million by transferring all the contribution from shareholders amounting to SR 82,133,810 (note 23) to share capital and transferring an amount of SR 157,866,190 as additional capital from Al Fozan Holding Company ('Shareholder') (note 30). The legal formalities related to the increase in share capital have been completed during the year 2019. The new share capital of the Company became SR 250 million as of 31 December 2019 divided into 25 million shares of SR 10 per share.

During the year 2019, the shareholders of the company decided to increase the Company's capital by an amount of SR 240 million by transferring the entire balance of the contributions from the shareholders amounting to SR 82 million, and transferring an amount of SR 158 million through Al-Fawzan Holding Company ("shareholder").

During the year 2020, the shareholders of the Company resolved, through the decision of the extraordinary general assembly on December 24, 2020, to increase the share capital of the Company from SR 250,000,000 to SR 375,000,000 through contribution from shareholders divided into 37.5 million shares of SR 10 per share. The legal formalities for issuing the Company's Bylaw were completed in the subsequent period, (Note 23).

The shareholders of the Company and their respective shareholding as of December 31 are as follows:

Name	Share Capital		Ownership %	
	2020	2019	2020	2019
	SR	SR		
Al Fozan Holding Company	356,250,000	247,500,000	95%	99%
Al Fozan Investment Company	-	2,500,000	-	1%
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	18,750,000	-	5%	-
	375,000,000	250,000,000	100%	100%

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

22 STATUTORY RESERVE

In accordance with Regulations for Companies and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of net income and the Company may stop creating this reserve when it reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

23 CONTRIBUTION FROM A SHAREHOLDER

Contributions from a shareholder represent amounts, investments and real estate provided to the Company to increase the capital. These contributions are not subject to interest, have no specific repayment schedule, and do not bear any financial interest, and there is no current financial obligation on the Group to pay this balance to the shareholder.

During the year 2019, the shareholders of the company decided to increase the Company's capital by an amount of SR 240 million by transferring the entire balance of the contributions from the shareholders amounting to SR 82 million, and transferring an amount of SR 158 million through Al-Fawzan Holding Company ("shareholder").

During the year 2020, a contribution was made from the shareholders in the amount of SR 125 million, including an amount of SR 107.4 million representing 15,800 shares or 39.5% of the capital of Saudi Tharwa Company (an associate company), and an amount of SR 17.6 million consisting of plots of land in Durrat Al-Nakheel Scheme No. 741 received from the shareholder to increase the capital.

On December 24, 2020, the extraordinary general assembly decided to increase the Company's capital with the total contribution balance of SR 125 million through the issuance of new shares for subscription by the shareholders registered in the Company's records, and accordingly, the entire balance was transferred to the company's capital account. The legal procedures for issuing the articles of association of the Company have been completed in the subsequent period.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

24 REVENUE FROM CONTRACTS WITH CUSTOMERS

24.1 DISAGGREGATED REVENUE INFORMATION

Segments	2020	2019
	SR	SR
Type of goods or service:		
Revenue from sale of real estate units / projects	146,270,379	138,735,432
Construction contracts revenue	404,982,820	284,465,328
Facility management revenue	28,744,253	24,409,964
Rent contracts revenue	5,833,590	2,719,639
Other revenue	1,619,604	6,205,386
Total revenue from contracts with customers	587,450,646	456,535,749
Type of customer:		
Government and quasi-government customers	75,352,821	246,137,970
Corporate customers	51,199,543	67,736,852
Individual customers	460,898,282	142,660,927
Total revenue from contracts with customers	587,450,646	456,535,749
Credit terms:		
Cash sales	152,746,075	144,273,403
Credit sales	434,704,571	312,262,346
Total revenue from contracts with customers	587,450,646	456,535,749

24.2 CONTRACT BALANCES

	2020	2019
	SR	SR
Accounts receivable (note 8)	84,087,239	94,677,975
Contract assets (see note (a) below)	203,751,210	150,459,348
Contract liabilities (see note (b) below)	24,690,054	1,606,183

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****24 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)****24.3 PERFORMANCE OBLIGATIONS****Revenue from sale of investment properties and real estate units:**

Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

Construction contracts:

Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Payments terms comprise a long-term advance, progress payments and payment of retentions one or two years after completion of the project. The duration of each project depends on the size and complexity of customer design and normally span for more than one year.

25 COST OF REVENUE

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Cost of sale of real estate units / projects	113,775,594	128,847,745
Cost of construction contracts	316,041,605	217,901,421
Cost of facility management	27,412,437	22,770,210
Cost of rent contracts	4,691,337	4,582,287
Others	1,221,411	5,032,255
	<u>463,142,384</u>	<u>379,133,918</u>

26 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Employees salaries and related benefits	12,285,108	12,220,039
Depreciation of right -of- use assets	4,909,420	4,661,758
Depreciation	1,538,854	592,156
Rent	984,222	1,529,644
Utilities	986,056	421,952
Hospitality	222,618	281,285
Professional fees	623,814	318,450
Business trips	385,144	422,026
Amortization	159,448	73,042
Corporate events	355,628	140,494
Fee and permits	114,612	35,109
IT charges	564,501	163,631
Maintenance and other benefits	900,507	218,531
Management fee	300,000	-
Office stationary	221,616	39,557
Others	1,880,281	2,097,782
	<u>26,431,829</u>	<u>23,215,456</u>

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****27 SELLING AND MARKETING EXPENSES**

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Marketing and advertising	1,266,771	983,253
Maintenance and after sales expenses	3,966,911	2,202,133
Employees' salaries and related benefits	1,053,546	1,984,529
Rent	300,416	528,814
Depreciation	68,267	62,392
Amortization	68,073	68,772
Business trips	17,036	4,098
Corporate events	266,534	6,329
Fee and permits	6,974	1,426
Hospitality	153,057	228,550
IT Charges	19,606	29,210
Office stationary	17,164	25,521
Utilities	57,957	66,076
Others	439,621	125,745
	<u>7,701,933</u>	<u>6,316,848</u>

28 GAIN ON SALE OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year, the Group has earned a gain of SR 374 thousand (2019: SR 22.5 million) from purchase and sale of shares in a listed entity in KSA market.

29 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OCI

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Included in cost of sales:		
Employee benefits	52,524,416	38,402,418
Depreciation of right of use assets	2,974,256	2,714,819
Depreciation and amortization	2,713,207	1,255,161
Included in general and administrative expenses:		
Employee benefits	12,285,108	12,220,039
Depreciation of right -of- use assets	4,909,420	4,661,758
Depreciation and amortization	1,698,302	665,198
Included in selling and marketing expenses:		
Employee benefits	1,053,546	1,984,529
Depreciation and amortization	136,340	131,164

30 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-group rates approved by Al Fozan group management.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)**

During the year, the Group transacted with the following related parties:

Name	Relationship
Al Fozan Holding Company	Shareholder
Mr. Abdullah Faisal Abdul Aziz Al-Braikan	Shareholder
Abdullatif and Mohammed Al Fozan Company	Ultimate parent company
Ajwad Holding Company	Affiliate
Al Fozan Askan Company	Affiliate
Al Maali Holding Company	Affiliate
Amjal Property Development Company	Affiliate
ARAC Engineering Consultants	Affiliate
Arnon Plastic Company	Affiliate
Bawan Metal Industries Company	Affiliate
Bina for Ready-mix Products Company	Affiliate
Ewan Al Maali Real Estate Fund	(Previously) associate
Ewan Al Qyrawan Real Estate Fund	(Previously) associate
Kayan International Real Estate Development Company	Affiliate
Al Fozan Autism Center	Affiliate
Tadbier Al Sharq Real Estate Company	Affiliate
United Hardware Company	Affiliate
Abdullatif Ali Al Fozan	Related party
Midad Chemical Factory	Affiliate
Nesaj Residential Compound Real Estate Company	Affiliate/ (previously) associate
United Homeware Company - (NICE)	Affiliate
Madar Building Materials Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate
United Electronics ("Extra")	Affiliate
Tharwa Saudi Company	Associate

The significant transactions and the related approximate amounts are as follows:

	2020	2019
	SR	SR
a) <i>Revenue (note 24)</i>		
Al Maali Holding Company	4,499,930	6,950,996
United Homeware Company - (NICE)	3,208,333	3,080,792
Nesaj Real Estate Resedintial Compound Company	157,500	2,874,819
Ajwad Holding Company	2,064,717	2,364,275
United Hardware Company	138,040	-
Al Fozan Holding Company	2,892,224	60,000
Abdullatif Ali Al Fozan	1,365,000	-

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020
30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The significant transactions and the related approximate amounts are as follows (Continued):

	2020	2019
	SR	SR
b) <i>Purchases and service</i>		
Madar Building Materials Company	36,560,162	8,081,768
Madar Electrical Materials Company	3,026,731	5,576,358
Madar Hardware Company	1,688,849	542,497
Bina for Ready-mix Products Company	3,786,210	5,662,989
Bawan Metal Industries Company	5,310,740	4,000,344
ARAC Engineering Consultants	3,992,345	-
Tharwa Saudi Company	11,353,712	-
c) <i>Investment properties transferred from related parties (note 12)</i>		
Al Fozan Holding Company	-	79,296,255
d) <i>Investment in associate transferred through a contribution (note 14)</i>		
Al Fozan Holding Company	107,440,000	-
e) <i>Investment in associate transferred (to) / from related parties (note 14)</i>		
Al Fozan Holding Company	(72,357,490)	72,357,490
f) <i>Investment properties transferred through a contribution (note 12)</i>		
Al Fozan Holding Company	17,560,000	-
g) <i>Capital transferred from a shareholder (note 21)</i>		
Al Fozan Holding Company	-	157,866,190
h) <i>Finance charges</i>		
Al Fozan Holding Company	954,269	4,167,049
i) <i>Zakat provision transferred to a related party (note 19)</i>		
Al Fozan Holding Company	4,630,458	10,855,459
j) <i>End of service indemnity transferred from a related party (note 20)</i>		
Al Fozan Holding Company	52,353	-
k) <i>Payments on behalf of related parties</i>		
Tadbier Al Sharq Real Estate Company	668,909	-
Al Fozan Autism Center	26,285	-
ARAC Engineering Consultants	-	2,104,823

As at 31 December due from related parties includes the following:

	2020	2019
	SR	SR
Al Maali Holding Company	4,751,999	2,408,697
Tadbier AlSharq for Real Estate	668,909	-
United Homeware Company - (NICE)	589,809	-
Ajwad Holding Company	377,298	-
United Electronics ("Extra")	215,310	-
Nesaj Residential Compound Real Estate Company	148,000	3,695,197
Al Fozan Autism Center	26,285	-
ARAC Engineering Consultants	-	2,104,823
Ewan Al Maali Real Estate Fund	-	2,435,347
United Hardware Company	-	288,200
Others	1,368,630	-
	8,146,240	10,932,264

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020****30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)**

As of 31 December 2020 and 2019, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule.

As at 31 December due to related parties includes the following:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Al Fozan Holding Company	111,915,754	88,724,538
United Homeware Company - (NICE)	-	2,750,000
ARAC Engineering Consultants	3,992,345	-
Madar Building Materials Company	654,198	1,716,330
Bina for Ready-mix Products Company	2,415,149	1,631,949
Madar Electrical Materials Company	2,109,850	1,586,193
Bawan Metal Industries Company	1,615,751	1,227,320
Ajwad Holding Company	217,741	575,839
Madar Hardware Company	901,279	406,825
Arnon Plastic Company	137,667	137,667
	<u>123,959,734</u>	<u>98,756,661</u>

As of December 31, 2020 and 2019 the Group believes that due to relate parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

The balances of the related party other than Al Fozan Holding Company are free of interest.

Some of the Parent Company's operational activities are funded through the cash transferred from Al Fozan Holding Company ("Shareholder"). This account carries finance charges at commercial rates and the terms were approved by management.

Compensation of key management personnel of the Company

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Board of Directors compensation	300,000	-
Short term employee benefits	10,149,774	5,883,575

31 CONTINGENCIES AND COMMITMENTS**Guarantees:**

The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 110 million as at 31 December 2020 (2019: SR 75 million).

CAPITAL COMMITMENTS

At 31 December, the Group had the following capital commitments:

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Capital commitments for construction contracts	<u>924,610,272</u>	<u>106,023,601</u>

As of 31 December 2020, the Group has a contractual construction commitment of SR 924,610,272 against housing projects for local customers. The collection from these housing projects (which have been financed through facilities agreement signed between the bank, Company and local customers) will be used to finance these commitments payment of the housing projects.

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

32.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2020					
	Carrying amount		Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3
SR	SR	SR	SR	SR	SR	SR
Financial assets						
Cash on hand and at banks	-	64,980,903	64,980,903	-	-	-
Accounts receivable	-	84,087,239	84,087,239	-	-	-
Contract assets	-	203,751,210	203,751,210	-	-	-
	-	352,819,352	352,819,352	-	-	-
Financial liabilities						
Refundable incentives	-	115,018,686	115,018,686	-	-	-
Accounts payable	-	259,460,337	259,460,337	-	-	-
Accrued expenses and other payables	-	26,020,767	26,020,767	-	-	-
Short-term loan	-	50,000,000	50,000,000	-	-	-
Term-loans	-	148,400,000	148,400,000	-	-	-
Lease liabilities	-	11,766,682	11,766,682	-	-	-
	-	610,666,472	610,666,472	-	-	-

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.1 Fair value measurements of financial instruments (Continued)

	31 December 2019						
	Carrying amount		Fair value				
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
SR	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Cash on hand and at banks	-	9,637,394	9,637,394	-	-	-	-
Accounts receivable	-	94,677,975	94,677,975	-	-	-	-
Contract assets	-	150,459,348	150,459,348	-	-	-	-
	-	254,774,717	254,774,717	-	-	-	-
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	138,968,330	138,968,330	-	-	-	-
Accrued expenses and other payables	-	7,528,040	7,528,040	-	-	-	-
Lease liabilities	-	17,779,987	17,779,987	-	-	-	-
	-	314,295,043	314,295,043	-	-	-	-

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)****32.2 Risk Management of Financial Instruments**

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk, currency risk, and interest rate risk.

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 Group is exposed to credit risk on its contract assets, accounts receivables, and cash on hand and at banks as follows.

	<u>2020</u>	<u>2019</u>
	<i>SR</i>	<i>SR</i>
Contract assets	203,751,210	150,459,348
Accounts receivable	84,087,239	94,677,975
Cash on hand and at banks	64,980,903	9,637,394
	<u>352,819,352</u>	<u>254,774,717</u>

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

The Group seeks to limit its credit risk with respect to contract assets and accounts receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

As of 31 December 2020, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 67,098,234, which is equivalent to 81% of the total accounts receivable. As of 31 December 2019, the Groups's accounts receivable - third parties are concentrated in 3 major counter parties in an amount of SR 55,316,987, which is equivalent to 65% of the total accounts receivable.

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good. Moreover, all the related parties balances are guaranteed by Al Fozan Holding Company (shareholder).

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2020			
	<u>Carrying</u>	<u>Less than 1</u>	<u>1 year to 5</u>	<u>More than 5</u>
	<u>amount</u>	<u>year</u>	<u>years</u>	<u>years</u>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Financial Liabilities				
Refundable incentives	115,018,686	115,018,686	-	-
Accounts payable	259,460,337	259,460,337	-	-
Accrued expenses and other payables	26,020,767	26,020,767	-	-
Lease liabilities	11,766,682	8,693,371	3,073,311	-
Short-term loan	50,000,000	50,000,000	-	-
Term-loans	148,400,000	83,733,333	64,666,667	-
Contract liabilities	24,690,054	24,690,054	-	-
	<u>635,356,526</u>	<u>567,616,548</u>	<u>67,739,978</u>	<u>-</u>

RETAL URBAN DEVELOPMENT COMPANY
(A Closed Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

32.2 Risk Management of Financial Instruments (Continued)

Liquidity Risk (Continued):

	31 December 2019			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Refundable incentives	150,018,686	150,018,686	-	-
Accounts payable	138,968,330	135,001,643	3,966,687	-
Lease liabilities	17,779,987	7,508,926	10,271,061	-
Accrued expenses and other payables	7,528,040	7,528,040	-	-
Contract liabilities	1,606,183	1,606,183	-	-
	<u>315,901,226</u>	<u>301,663,478</u>	<u>14,237,748</u>	<u>-</u>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's consolidated financial position and cash flows. The Group's exposure to commission rate risk is mainly on medium term loans, and due to related parties . The Group pays floating interest rates on its debts.

Management monitors the changes in interest rates and manages its impact on the consolidated financial statements accordingly.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020****33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****33.1 New and revised IFRSs applied with no material effect on the consolidated financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

33.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	Effective for annual periods
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	1-Jan-23
IFRS 17 <i>Insurance Contracts</i> establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 <i>Insurance Contracts</i> .	1-Jan-23
Amendments IFRS 3 <i>Business Combination</i> updating a reference to the Conceptual Framework	1-Jan-22
Amendments to IAS 16 <i>Property, Plant and Equipment</i> prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1-Jan-22
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> regarding the costs to include when assessing whether a contract is onerous	1-Jan-22
Amendments to IFRS 4 <i>Insurance Contracts</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 9 <i>Financial Instruments</i> and IFRS 16 <i>Leases</i> regarding replacement issues in the context of the IBOR reform	1-Jan-21
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1-Jan-22

Management expects to apply these new standards and interpretations in the Group's consolidated financial statements for the initial application period, and the adoption of these new standards, interpretations and amendments may not have a material impact on the Group's consolidated financial statements in the initial application period.

RETAL URBAN DEVELOPMENT COMPANY

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2020**

34 DIVIDENDS

During the year ended on 31 December, 2020 shareholders distributed dividends in the total amount of SR 50 million (2019: nil).

35 EARNINGS PER SHARE FOR THE YEAR (BASIC AND DILUTED)

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Profit for the year	<u>98,633,505</u>	<u>59,692,139</u>
	Share	Share
Weighted average number of shares	<u>25,273,973</u>	<u>1,723,288</u>
	SR / Share	SR / Share
Earnings per share for the year (basic and diluted)	<u>3.90</u>	<u>34.64</u>

36 COMPARATIVE FIGURES

Certain figures for the year 2019 have been reclassified to conform with the presentation of the current year.

37 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by Board of Directors on 13 Ramadan 1442H corresponding to 25 April 2021.