

**ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

**ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)**

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FOR THE YEAR ENDED DECEMBER 31, 2020
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INDEPENDENT AUDITOR'S REPORT

**TO: THE SHAREHOLDERS OF
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)**

Report on the Audit of the Financial Statement

Opinion:

We have audited the financial statements of **ARRIYADH DEVELOPMENT COMPANY - A Saudi Joint Stock Company - (the "Company")**, which comprise of the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Revenue	
Refer to note (3) for the accounting policy related to revenue and note (19) for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>The company recognized revenue of SAR 237.7 million for the year ended December 31, 2020 (2019: SAR 249.7 million). Revenue mainly comprised of rental and operating revenue.</p> <p>We considered this as a key audit matter because of the significance of the amount and the inherent risk of recognizing revenue above or below its actual value.</p>	<p>We performed the following procedures in relation to revenue:</p> <ul style="list-style-type: none"> • Our audit procedures included considering the appropriateness of accounting policies to recording the Company's revenues and evaluating Compliance of these policies with IFRS. • Evaluating the design, implementation and testing of the efficiency of the company's control procedures. • We have performed test of details based on sampling to test the invoices and contracts for existence and recognition revenue. • We conducted an examination of the details on the basis of the sample to review the lease contracts concluded with the clients to assess whether the rental income is recorded in accordance with the terms of the contract and also to determine any unusual items and to assess the appropriateness of accounting for the rental income. • Assessed the completeness of rental income which is recorded during the year by comparing the data used in revenue recognition to rental contracts with customers. • We have performed detailed analytical procedures for the balances and transactions of rental income and the timing of their recording. <p>We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Real estate investments

Refer to note (3) for the accounting policy related to real estate investments and note (5) for related disclosures.

Key audit matter	How the matter was addressed in our audit
<p>Real estate investments represent a significant percentage of the total assets of the Company as at the date of the financial statements, amounting to SAR 1.395 million.</p> <p>Real estate investments are stated at cost less accumulated depreciation and impairment, if any. The Company's management determines the fair value of its properties for disclosure purpose and impairment testing at the financial statements date, the valuations are performed by an independent external evaluator assigned by the Company.</p> <p>The valuation of real estate investments based on estimates and assumptions such as rent value, occupancy rates, discount rates, market knowledge and historical transactions.</p> <p>We considered this as a key audit matter because of the importance and complexity of the Real estate investments valuation process and its dependency on a range of estimates and assumptions.</p>	<p>We performed the following procedures in relation to real estate investments:</p> <ul style="list-style-type: none"> • Assess the policies and the reasonability of the accounting estimates which were used by the company • Assess the accuracy of inputs used by the external evaluator. • Evaluate the qualification and competence of the external evaluator, as well as his independence. <p>We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

Key Audit Matters (continued)

Investment in an associate company	
Refer to note (3) for the accounting policy related to investment in an associate company and note (9) for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>Investment in an associate company represent a significant percentage of the total assets of the Company as at the date of the financial statements, amounting to SAR 472.2 million.</p> <p>The results of the associate are included in the financial statements using the equity method as significant influence is evident from the company's ability to make financial and operating decisions.</p> <p>We considered this as a key audit matter because of the importance of the balances related to it in the accompanying financial statements. In addition to that professional judgment have been exacted regarding the assessment of lack of control over the associate despite investment ratio exceeded 50%.</p>	<p>We performed the following procedures in relation to investment in an associate company:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the company's accounting policies to measure investments using the equity method to be in the line with the requirements of International Financial Reporting Standards. • We have obtained financial statements of the associate for the period ending 31 December 2020 and reviewed the profit or loss statement in addition to the statement of financial position and obtained sufficient evidence to validate the numbers of the financial statements. • Evaluate the extent of control exacted and ensured that the invested Company should be classified as an associate, as the investment by percentage exceeds 50%. • Review and verified the adjustments made during the year on the investment in an associate company. <p>We also reviewed the adequacy of the Company's disclosures included in the accompanying financial statements.</p>

Other Information

Management is responsible for the other information. Other information comprises the information included in the annual report other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing ("ISAs") as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ARRIYADH DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

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

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

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


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

Report on Other Legal and Regulatory Requirements

Paragraph (135) of the Companies Law requires the auditor to include in his report any violations of the Regulations for Companies and Company's By-laws. During our audit of the financial statements, we did not find that the Company is in violations of the Companies Regulations and the Company's Articles of Association.



AlAzem, AlSudairy, Al Shaikh & Partners
Certified Public Accountants



Abdullah M. AlAzem
License No. 335

26 Rajab 1442H (March 10, 2021)
Riyadh, Saudi Arabia

ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(Saudi Riyals)

	Note	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment, net	4	613,751	764,249	896,017
Real estate investments, net	5	1,395,041,268	1,421,017,061	1,334,622,509
Right of use Assets, net	6	58,480,338	63,096,151	-
Projects under constructions	7	7,420,519	5,610,581	74,019,863
Investments as at fair value through other comprehensive income	8	44,151,937	39,289,421	712,694,727
Investment in a associate company	9	472,160,536	555,007,577	-
Murabaha investment deposits	12	240,000,000	-	175,000,000
TOTAL NON-CURRENT ASSETS		2,217,868,349	2,084,785,040	2,297,233,116
CURRENT ASSETS				
Accounts receivable, prepayments and other assets, net	10	55,874,915	50,904,170	58,253,439
Due from related party	11	44,975,854	-	-
Murabaha investment deposits	12	-	175,000,000	25,000,000
Cash at banks		48,866,307	20,734,435	31,115,725
TOTAL CURRENT ASSETS		149,717,076	246,638,605	114,369,164
TOTAL ASSETS		2,367,585,425	2,331,423,645	2,411,602,280
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	13	1,777,777,770	1,777,777,770	1,333,333,330
Statutory reserve	14	66,060,909	43,268,366	271,132,685
Retained earnings		136,855,401	110,400,841	361,167,312
Revaluation reserve investments through OCI	8	400,974	(3,536,410)	98,180,074
TOTAL SHAREHOLDERS' EQUITY		1,981,095,054	1,927,910,567	2,063,813,401
NON-CURRENT LIABILITIES				
Lease obligations - non-current portion	6	52,019,147	54,967,678	-
Employee benefit obligations	15	11,916,334	10,589,236	10,194,439
TOTAL NON-CURRENT LIABILITIES		63,935,481	65,556,914	10,194,439
CURRENT LIABILITIES				
Accounts payable, accrued expenses and other payables	16	230,612,489	245,237,461	259,088,526
Lease obligations - current portion	6	5,980,261	12,395,373	-
Dividends payable	17	68,080,194	66,417,182	63,876,452
Provision for Zakat	18	17,881,946	13,906,148	14,629,462
TOTAL CURRENT LIABILITIES		322,554,890	337,956,164	337,594,440
TOTAL LIABILITIES		386,490,371	403,513,078	347,788,879
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,367,585,425	2,331,423,645	2,411,602,280

The attached notes (1) to (32) form an integral part of these financial statements.

ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

	<u>Note</u>	<u>2020</u>	<u>2019 (Restated)</u>
Revenue	19	237,730,535	249,697,110
Cost of revenue	20	(69,107,347)	(64,874,058)
Gross operating profit		168,623,188	184,823,052
General and administrative expenses	21	(22,041,652)	(29,986,154)
Net profit from main operations		146,581,536	154,836,898
Finance cost	6	(3,261,110)	(2,486,173)
Income from Murabha deposits		3,903,511	5,033,451
The company's share of the results of the business of the associate	9	87,196,979	(237,611)
The company's share of the accumulated net operating and management expenses of the fund on the closing date	9	-	(17,824,192)
Cash dividends investments as at fair value through OCI	8A	925,132	1,311,178
Other income	22	1,118,768	6,866,478
Net profit for the year before zakat		236,464,816	147,500,029
Estimated zakat	18-B	(8,539,385)	(4,563,588)
Net profit for the year		227,925,431	142,936,441
Other Comprehensive Income			
Items that cannot be reclassified to profit or loss			
Actuarial (losses) / profits for employee benefits obligations	15	(900,551)	654,986
The movement of fair value for investments through OCI - unrealized gain / (loss)	8	3,937,384	(101,716,484)
Total comprehensive income for the year		230,962,264	41,874,943
Earnings per share	26		
Basic and diluted earnings per share from main operations		<u>0.82</u>	<u>0.87</u>
Basic and diluted earnings per share from net profit for the year		<u>1.28</u>	<u>0.80</u>

The attached notes (1) to (32) form an integral part of these financial statements.

ARRIVADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2020
(Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Revaluation reserve investments through OCI	Total shareholders' equity
Balance as at 1 January 2019 (Restated)	1,333,333,330	271,132,685	361,167,312	98,180,074	2,063,813,401
Net profit for the year	-	-	142,936,441	-	142,936,441
Transferred to statutory reserve	-	16,580,121	(16,580,121)	-	-
Other comprehensive income	-	-	654,986	(101,716,484)	(101,061,498)
Dividends	-	-	(177,777,777)	-	(177,777,777)
Transfer from retained earnings to capital	200,000,000	-	(200,000,000)	-	-
Transfer from statutory reserve to capital	244,444,440	(244,444,440)	-	-	-
Balance as at 31 December 2019 (Restated)	1,777,777,770	43,268,366	110,400,841	(3,536,410)	1,927,910,567
Balance as at 1 January 2020	1,777,777,770	43,268,366	110,400,841	(3,536,410)	1,927,910,567
Net profit for the year	-	-	227,925,431	-	227,925,431
Transferred to statutory reserve	-	22,792,543	(22,792,543)	-	-
Other comprehensive income	-	-	(900,551)	3,937,384	3,036,833
Dividends distribution (Note 25)	-	-	(177,777,777)	-	(177,777,777)
Balance as at 31 December 2020	1,777,777,770	66,060,909	136,855,401	400,974	1,981,095,054

The attached notes (1) to (32) form an integral part of these financial statements.

ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

	2020	2019 (Restated)
OPERATING ACTIVITIES		
Net profit for the year	227,925,431	142,936,441
Adjustments to reconcile net profit with net cash provided from operating activities:		
Depreciation	37,121,393	32,300,525
Finance cost	3,261,110	2,486,173
Income from Murabaha deposits	(3,903,511)	(5,033,451)
(Reversal) / formed provision for expected credit loss	3,729,440	10,213,128
Impairment of prepared consultancy fees	(61,200)	-
The company's share in the associate's losses	(87,196,979)	237,611
The company's share of the accumulated net operating and management expenses of the fund on the closing date	-	17,824,192
Profit from sale of property, plant and equipment	(11,000)	-
Employee benefit obligations	1,234,945	1,727,971
Zakat formed	8,539,385	4,563,588
	190,639,014	207,256,178
Operating assets and liabilities:		
Accounts receivable, prepayments and other assets	(4,735,474)	(1,094,598)
Accounts payable, accrued expenses and other payables	(14,624,972)	(9,851,065)
Zakat paid	(4,563,587)	(5,286,902)
Paid employee benefit obligations	(808,398)	(678,188)
Net cash provided from operating activities	165,906,583	190,345,425
INVESTING ACTIVITIES		
Purchase of investments in an associate	-	(69,380)
Purchase of investments through OCI	(925,132)	(1,311,178)
Murabaha investment deposits	(65,000,000)	25,000,000
Purchase of investments through P & L	(197,047)	(409,383)
Proceeds from sale of property, plant and equipment	11,000	-
Proceeds from sale of real estate investments	(6,182,242)	(66,861)
Projects under construction addition	(1,809,938)	(44,408,113)
Net cash used in investing activities	(74,103,359)	(21,264,915)
FINANCING ACTIVITIES		
lease obligations Paid	(12,624,753)	(224,753)
Due from related party	125,068,166	-
Cash dividends paid	(176,114,765)	(179,237,047)
Net cash used in financing activities	(63,671,352)	(179,461,800)
Net decrease in cash at banks	28,131,872	(10,381,290)
cash at banks at beginning of the year	20,734,435	31,115,725
cash at banks at end of the year	48,866,307	20,734,435
Non-cash transactions		
Dividends payable	1,663,012	2,540,730
Finance cost charged to projects under construction	-	941,823
Depreciation expense charged for projects under construction	-	1,133,164
Transfer from investments in funds to investments in an associate	-	573,000,000
Transfer from retained earnings and statutory reserve to capital	-	444,444,440
Transfer from projects under construction to real estate investments	-	114,892,382
The movement of fair value for investments through OCI	3,936,833	(101,716,484)
Transfer from the investment in associate company balance to due from a related party balance (recovery of permanent financing exchange investment in associate company)	170,044,020	-

The attached notes (1) to (32) form an integral part of these financial statements.

**ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)**

1. ACTIVITIES

Arriyadh Development Co. is Saudi Joint Stock Company was founded according to the royal decree No. m/2 dated Safar 9, 1414H corresponding to July 28, 1993. The Company is registered in the Kingdom of Saudi Arabia under the Commercial Registration No. 1010124500, issued in Riyadh dated Thu Al-Qa'dah 29, 1414H (corresponding to May 10, 1994). The paid-up capital of the company 1,333,333,330 SR from 133,333,333 shares at a par value of 10 SR per share. During the year 2019, the company's capital was increased to SAR 1,777,777,770 from 177,777,777 shares, each valued at SAR 10.

The Company's Head Office is located at King Fahad Road Addira District, P.O. Box 7442, Riyadh 11462, Kingdom of Saudi Arabia.

The principle activities of general construction of residential buildings, general construction of non-residential buildings and includes (schools, hospitals, hotels, etc.), general construction of government buildings, construction of prefabricated buildings in locations, and renovations of residential and non-residential buildings.

2. BASIS OF PREPARATION FINANCIAL STATEMENTS

2-1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

2-2 Preparation the financial statements

The accompanying financial statements have been prepared on the basis of historical cost except investments in equity instruments by fair value and recognition of employee benefit obligations that are recognized at the present value of future liabilities using the expected credit unit method.

The financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency.

2-3 Going concern

The company's current liabilities are in excess of current assets by SR 172,837,814. However, the executive management of the company expects the company's ability to obtain sufficient cash flows to meet its continuing obligations. These financial statements have been prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by the company

Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of estimates and assumptions that may affect the value of restricted assets and liabilities, and disclosure of potential assets and liabilities in the date of the financial statements, and the value of revenue and expenses were disclosure to the period of the financial statement's preparation. Although these estimates and judgments are based on management's best knowledge and events available to the management in the date of the financial statements, it is possible that actual final results differ from these estimates. These estimates and assumptions are reviewed on a continual basis and effects resulting from these accounting changes will be disclosed in the year and future period which are affected by it.

The estimates and assumptions that are at significant risk that could significantly change the carrying amounts of assets and liabilities during the subsequent financial years are as follows:

ARRIYADH DEVELOPMENT COMPANY
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (continued)

A) Change in accounting estimates

In accordance with the company's policy, it reviews the estimated useful lives and operational efficiency of property, plants, equipment and real estate investments on an ongoing basis. This review indicated that the actual useful life of some buildings within the real estate investment was longer than the estimated useful lives used for depreciation purposes in the company's financial statements. As a result, as of January 1, 2020, the company has changed its estimates of useful lives of some buildings within real estate investment to better reflect the estimated periods during which these assets will remain in service. The effect of these changes on current and projected depreciation expenses, included in "revenue costs", is as follows:

(Decrease) increase in	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>After 2024</u>
depreciation expense	(5,937,851)	(5,937,851)	(5,937,851)	(5,937,851)	(5,937,851)	29,689,254

B) Impairment of Non-financial assets

The Company assesses at each reporting date whether there is an indication that the asset has been impaired. If any indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of the fair value of the asset less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows of the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of funds and the risks specific to the asset. When determining fair value less costs to sell, the latest market transactions are taken into consideration. If the recoverable amount of the asset is estimated at less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss. If a subsequent impairment loss is reversed, the carrying amount of the asset is increased to the revised value of its recoverable amount, but only to the extent that the carrying amount does not exceed the carrying amount that would have been determined in the event that there is no impairment loss on the asset previous years. An impairment loss is recognized directly in the statement of profit or loss.

C) Provisions

Provisions are recognized when the Company has contingent liabilities (legal or constructive) arising from past events and the payment of the liability is probable and can be reliably measured. The amount recognized as an allowance is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present liability, its carrying amount is the present value of those cash flows. If some or all of the economic benefits required to settle a provision from a third party are expected to be recovered, the amount due is recognized as an asset if the amount is certain to be recovered and the amount of the receivable can be reliably measured.

D) Useful lives for real estate investments & property, plant and equipment

The Company's management determines the estimated useful lives of property, property, plant and equipment for the purpose of calculating depreciation. This estimate is made after taking into account the expected use of the asset or the actual obsolescence. The management periodically reviews the estimated useful lives at least annually and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefits of the assets.

E) Assumptions of liabilities of employee's benefits

After-service benefits represent liabilities that will be settled in the future and require the use of assumptions against expected liabilities. IAS 19 "Employee Benefits" requires management to use more assumptions regarding variables such as discount rates, rate of compensation increases, return on original, mortality rates, turnover, and future health care costs. The Company's management leads an actuarial valuation of the liability account. Changes in key assumptions can have a significant impact on expected benefit liabilities and / or periodic employee benefit costs incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F) Zakat

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognized in the respective subsidiaries or in the statement of profit or loss in each period. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued by the General Authority of Zakat and Tax ("GAZT"). Any change in the estimate resulting from the final assessment is recognized in that period.

Real Estate Investments

A) Confession

Land and buildings owned by the company for purposes of generating rental income or for capital appreciation, or for both purposes, are classified as investment properties. Properties that are created or developed for future use as investment properties are also classified as investment properties.

B) Measurement

Investment properties are measured at cost, less accumulated depreciation, if any. As no land is accounted for depreciation. Building consumption is calculated according to the straight-line method on the basis of its useful life by adopting the following annual percentages:

Building	1.6% - 7%
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Investments land include lands fully owned to the company (except for what was mentioned in Note 5), and all recorded in the costs with addition to development expenses.

Real estate investments are stated at cost in accordance with IAS 40, the standard give choices for recording its investment properties are at cost or at fair value provided that there is no impediment to the ability to reliably determine the value of the investment. The management has chosen the cost model to record its investments.

Project Under Progress

Projects under construction consist of the amount spent on building or purchasing property, plant, equipment, or real estate investments. When the project is completed and as appropriate, it is converted into property, machinery, and equipment or real estate investments. The project is in progress at cost and any decrease in value is reviewed annually (if any).

Impairment

A) Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the company,

Economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

For available-for-sale equity instruments that cannot be reversed, they are recognized directly in the statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment (continued)

B) Non-financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss or reversal of impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified,

Corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in Condensed Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Derecognition

A financial asset is primarily derecognized when the contractual rights to receive cash flows from the asset have expired, or the Company 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 the Company has transferred substantially all the risks and rewards of the asset. Or the Company has neither transferred nor retained substantially all the risks and rewards of the asset. But has transferred control of the asset.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. The cost is including the expenses related to purchase the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Sold or disposed asset is deleted from the books at date of sale or disposal along with its accumulated depreciation.

The percentage rates of depreciation are as follow:

<u>Description</u>	<u>Percentage</u>
Machinery and equipment	25%
Furniture and fixtures	25%
Motor vehicles	25%

The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and period are commensurate with the expected economic benefits from property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right of use assets and lease obligations

The Company has recognized new assets and liabilities for its operating leases of operating leases of land. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in Condensed Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Investment in an associate company

Associated companies are those companies over which the company exercises significant influence. The major effect is the ability of the company to participate in the financial and operating decisions of the investee company but it is not a joint control or control of these policies.

The results, assets and liabilities of the associate are included in these financial statements using the equity method, whereby the investment in the associate is recorded at cost in the statement of financial position and the cost is adjusted thereafter so that the company's share of the profit or loss and other comprehensive income of the associate is recorded. When the company's share in the losses of the associate exceeds its ownership (which includes any long-term ownership that is part of the company's net investment in the associate) the company stops admitting its share of the additional losses and records the additional losses only to the extent that the company incurs legal or contractual obligations Or made payments on behalf of the associate. If the associate company subsequently records profits, the company will resume recording its share of these profits only when its share of the profits equals with its share of unrecorded losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate company (continued)

The company's investment in the associate is accounted for using the equity method from the date the investee becomes an associate. Upon acquisition of the investment in the associate, any increase in the investment cost over the company's share in the net fair value of the assets and liabilities identified for the investee company is recorded as goodwill and is included in the book value of the investment. Any increase in the company's share of the net fair value of the identifiable assets and liabilities of the associate over the cost of the investment immediately after the revaluation is recorded in the statement of profit or loss in the year in which the investment is acquired.

Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the Contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

First: Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated at FVTPL by the Company.

A financial asset is classified as held for trading if:

- It has been acquired principally for selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

First: Financial assets (continued)

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement Recognized in profit or loss. Dividends or interest earned on the financial asset are included in the 'other income / charges' line item in the statement of profit or loss.

B) Financial assets at fair value through other comprehensive income

The Listed shares which owned by the company and traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Company also has investments in unlisted shares that are not traded in active markets but are also classified as available-for-sale financial assets and are carried at fair value, in the belief that the fair value can be reliably measured. Gains and losses arising from changes in fair value are included in other comprehensive income and are added to the revaluation reserve under equity except for impairment losses that are recognized in profit or loss. If the investment is disposed of or is impaired, the cumulative gain or loss previously recognized in the revaluation reserve is included in other comprehensive income.

Any income from dividends related to the investments available of sale are recorded when the company have the rights to receive those dividends.

C) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Classification of financial assets

IFRS 9 includes three main classification categories for financial assets: financial assets that are measured at amortized cost, assets that are measured at fair value through other comprehensive income, and assets that are measured at fair value through the statement of profit or loss. This standard excludes the current IAS 39 categories of investments held to maturity, loans and receivables and investments available for sale.

Under IFRS 9, financial derivatives that are embedded in contracts in which the primary instrument is financial assets within the scope of the standard are not divided, but rather the mixed financial instrument as a whole is evaluated for the purpose of classification.

Impairment

IFRS (9) replaces the loss incurred model in IAS 39 with the expected future credit loss model. This requires a significant estimate of how economic factor changes affect the expected credit loss models that will be determined on the basis of the probability.

The new impairment model will be applied to financial assets measured at amortized cost or fair value through other comprehensive income, except for investments in equity instruments as well as on contract assets.

Under IFRS 9, provisions for loss will be measured according to one of the following bases:

- 1- The expected credit loss over 12 months. This expected credit loss is due to default and probable default events within 12 months after the reporting date.
- 2- The expected credit loss over the life of the financial instrument. The expected credit loss that results from all default events occurring over the expected life of the financial instrument.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment (continued)

With respect to the expected credit loss over the life span, the measurement is applied if the credit risk of the financial assets has increased significantly at the date of the report since its initial recognition, and the measurement of the expected credit loss over a 12-month period is applied. If these credit risks do not increase significantly, the enterprise may determine not to increase the risk Credit is significant if the instrument is exposed to low credit risk at the reporting date. However, the measurement of expected credit losses over the life course is always applied to trade receivables and contract assets without any significant financing components. The facility may also choose to apply this policy to trade receivables and contract assets with significant financing components.

Second: Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are initially and subsequently Measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

- Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification of financial liabilities

IFRS 9 closely preserves the current requirements in IAS 39 in order to classify financial liabilities. However, according to International Accounting Standard No. (39), all changes in the fair value of liabilities classified at fair value through the statement of profit or loss are recognized in the statement of profit or loss, while according to the International Financial Reporting Standard No. (9) The change in the fair value is presented. Related to changes in the credit risk of the liabilities in the statement of other comprehensive income while the remaining amount of the change in the fair value is shown in the statement of profit or loss.

Cash at banks balances

Cash at banks balances include bank balances, banking Murabhat and other investments which can be liquidated in three months or less.

Accounts Receivable

Accounts receivable balance appear in the original invoices amount after deduction of doubtful provision against any amount inapplicable to being collected. An estimate for the doubtful receivable is made when the company cannot collect the balances and doubtful receivables are written-off when incurred. The provisions appear in the statement of income. Any subsequent recovery in the accounts receivable previously written-off is added to the revenue.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the supplier or not. Trade payables are classified as current liabilities if the payment is due within one year or less, and if they are not, they are presented as non-current liabilities. Trade payables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest rate method.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat provision

Zakat is a company obligation and the estimated Zakat is provided within the accompanying financial statements and is charged to the statement of income, in accordance with Zakat standards issued by the Saudi Organization for Certified Public Accountants. As it is computed approximately in accordance with the accrual concept.

The zakat charge is computed at end of the year according to the actual Saudis ownership based on adjusted net income or zakat base, whichever is higher. Tax is computed at end of the year according to the actual non-Saudis ownership based on adjusted net income according to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Any difference in the estimate is recorded when the final assessment is provided.

Related party transactions

Related party

The related party is the person or entity associated with the company whose financial statements are prepared.

A) If the person or a member of his family is closely related to the company whose financial statements are prepared:

- 1) He has control or joint control of the company whose financial statements are prepared;
- 2) It has a material impact on the company whose financial statements are prepared. or
- 3) He is a member of the senior management of the company that prepares its financial statements or the parent company of the company that prepares its financial statements.

B) If the firm is linked to the company whose financial statements are prepared in the event that any of the following conditions is true:

- 1) The enterprise and the company whose financial statements are prepared are members of the same group (which means that both the parent company and its subsidiaries and associates are related to the other).
- 2) One of the two companies is an associate or a joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
- 3) Both companies are joint ventures of the same third party.
- 4) One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
- 5) A company is a post-employment benefit plan for employees of any of the companies whose financial reports are prepared or a company related to the company that prepares its financial statements. If the company that prepares its financial statements is the same one that prepares these plans, then the sponsors of the sponsoring work are also related to the company that prepares its financial statements.
- 6) The company is controlled or controlled jointly by a person specified in paragraph (a).
- 7) The person specified in Paragraph (a) (i) has a material impact on the company or is a member of the senior management of the company (or parent company).
- 8) The company or any member of a group of it provides part of the services of the employees of the higher management of the company that prepares its financial statements or to the parent company of the company that prepares its financial statements.

Employee benefits

- End-of-service indemnities

The end of service benefits provision, which is a defined benefit plan, is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

- Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Revenue

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties.

The Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: The Company identifies all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- The customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: The Company determines the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

The company's revenues are as follows:

A) Real estate sale income

Revenue from sale of investment lands intended for sale (developed or underdeveloped) is proven upon implementation and completion of the sale process and the transfer of significant property risks and privileges to the buyer, and revenue from the sale of land contributions (under development) is proven upon the conclusion of the sales contract and the issuance of a certificate of contribution to the new owner.

B) Leasing and operating revenues

Revenue from rental and operation of investment property is recognized upon contracting or upon service provision, and revenue is calculated for the period that relates to the financial period by a straight-line method over the lease term or operating period and other income is recognized when realized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses

Expenses by the company comprise of management and maintenance real estate expenses and their depreciations which are classified as direct costs, other expenses are classified as general and administrative expenses.

Provisions

Provisions are made when the Company has any present obligation (legal or constructive) as a result of past events for which the cost payment is probable.

Provisions are measured to the best of the expected fair value of the liability as at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. When an allowance is measured using estimated cash flows to settle the present obligation, the receivable is recognized as an asset if the receipt and replacement of the amount is confirmed and the amount can be measured reliably.

Segmental Reporting

An operating segment is a sum of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that are different from those of other operating segments and which are measured according to reports used by the chief executive officer and the chief decision maker.

The geographical segment is associated with the provision of products in a specific economic environment that are subject to risks and rewards that differ from those of business segments in economic environments.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset recognized amounts and there is an intention to settle on a net basis. To realize the assets and settle the liabilities simultaneously.

Earnings per share

Basic and diluted earnings per share was calculated based on the weighted average number of normal shares as at the end of the year.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

New standards, amendments to standards and interpretations

There are no new standards that have been issued, however, a number of amendments to the standards are effective from January 1, 2020 and are shown below, but they do not have a material impact on the financial statements of the company.

The following is a statement of the new standards and amendments to the applicable standards for years beginning on or after January 1, 2020:

Amendments to the IFRS 3 – Definition of Business Activity

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments to standards and interpretations (continued)

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- 1) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- 2) Clarify the explanation of the definition of essential;
- 3) incorporate some of the guidance in IAS 1 about immaterial information

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Statement of Profit or Loss.

Amendments to IFRS 16 "Leases" in response to the impacts of COVID-19 on tenants

Effective June 1, 2020, IFRS 16 has been amended to provide a practical way for tenants to calculate rental concessions that arise as a direct result of the COVID-19 pandemic and only if all of the following conditions are met:

- A) that the change in lease payments results in a modified lease compensation that is substantially the same as, or less than, the lease compensation immediately before the change;
- B) that any reduction in rental payments affects only payments due, beginning, on or before June 30, 2021, and
- C) There should not be any material change in the other terms and conditions of the lease agreement.

Rental concessions that meet these criteria may be counted according to practical terms, which means that the tenant does not need to assess whether the rental lien meets the definition of a rental adjustment. Lessees apply other requirements in IFRS 16 in concession account.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these Financial Statements.

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit 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. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, amendments to standards and interpretations (continued)

Annual Improvements to IFRSs 2018–2020 Cycle

These improvements are effective on or after 1 January 2021.

- IFRS 9, 'Financial Instruments' - Clarify the fees a company includes in performing the "10 per cent test" in order to assess whether to derecognize a financial liability.
- IFRS 16, 'Leases' - Remove the potential for confusion regarding lease incentives by amending an Illustrative Example 13 accompanying IFRS 16.

4. PROPERTY, PLANT AND EQUIPMENT, NET

	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
Cost				
The balance on 1 January 2020	10,418,780	4,825,564	1,532,620	16,776,964
Additions during to the year	127,067	8,430	61,550	197,047
Disposal during the year	-	-	(228,900)	(228,900)
The balance on 31 December 2020	10,545,847	4,833,994	1,365,270	16,745,111
Accumulated depreciation				
The balance on 1 January 2020	9,705,112	4,803,316	1,504,287	16,012,715
Charge for the year	310,894	15,110	21,541	347,545
Disposal during the year	-	-	(228,900)	(228,900)
The balance on 31 December 2020	10,016,006	4,818,426	1,296,928	16,131,360
Net book value				
December 31, 2020	529,841	15,568	68,342	613,751
December 31, 2019	713,668	22,248	28,333	764,249

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5. REAL ESTATE INVESTMENTS, NET

	Lands	Lands on which buildings are constructed	Buildings	Total
Cost				
The balance on 1 January 2020	211,190,203	401,428,705	1,148,253,311	1,760,872,219
Additions during the year	-	-	6,182,242	6,182,242
The balance on 31 December 2020	211,190,203	401,428,705	1,154,435,553	1,767,054,461
Accumulated depreciation				
The balance on 1 January 2020	-	-	339,855,158	339,855,158
Charge for the year	-	-	32,158,035	32,158,035
The balance on 31 December 2020	-	-	372,013,193	372,013,193
Net book value				
December 31, 2020	211,190,203	401,428,705	782,422,360	1,395,041,268

The fair value of the real estate investments amounted to 4,182,665,000 SR as at 31 December 2020 (31 December 2019: 3,811,768,491 SR) in accordance with the valuation process carried out by the property evaluator (BASMA Company and its partner) for real estate valuation License Holder No. 1210000448 (independent evaluator authorized by the Saudi Organization for authorized evaluators).

Real estate investments include buildings constructed on land leased from the Riyadh Municipality under 25-year lease from September 18, 1996, which are transferred to the Municipality at the end of the contract period. The net book value as at 31 December 2020 is zero SR.

Real estate investments include buildings constructed on land leased from the Riyadh Municipality under 23-year lease from March 30, 2011, which are transferred to the Municipality at the end of the contract. The net book value as at 31 December 2020 is 206.3 million SR.

Within the real estate investments there is lands totaling amounting 28,872,546 SR not registered in the name of the company as it was expropriated under Royal Decree No. 4 / B / 2732 dated 8/3/1412H. The owners did not submit their dues and transfer the land ownership to the company until 31 December 2020. (Note 16).

All real estate investments are located in the Kingdom of Saudi Arabia and are classified within the third level in the fair value hierarchy.

	Lands	Lands on which buildings are constructed	Buildings	Total
Cost				
The balance on 1 January 2019	211,123,342	401,428,705	1,033,360,929	1,645,912,976
Additions during the year	66,861	-	-	66,861
Transferred from project under construction (note7)	-	-	114,892,382	114,892,382
The balance on 31 December 2019	211,190,203	401,428,705	1,148,253,311	1,760,872,219
Accumulated depreciation				
The balance on 1 January 2019	-	-	311,290,467	311,290,467
Charge for the year	-	-	28,564,691	28,564,691
The balance on 31 December 2019	-	-	339,855,158	339,855,158
Net book value				
December 31, 2019	211,190,203	401,428,705	808,398,153	1,421,017,061

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6. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS, NET

The table below shows the right to use assets balance in and the depreciation charged as follows:

	Lands	Total
Cost		
The balance at beginning of the year	67,423,998	67,423,998
Additions during the year	-	-
The balance at end of the year	67,423,998	67,423,998
Accumulated depreciation		
The balance at beginning of the year	4,327,847	4,327,847
Charge for the year	4,615,813	4,615,813
The balance at end of the year	8,943,660	8,943,660
Net book value		
December 31, 2020	58,480,338	58,480,338
December 31, 2019	63,096,151	63,096,151

There are no additions to the right to use the assets during the year ended December 31, 2020.

The lease obligations as at the end of the year are as follows:

	31 December 2020	31 December 2019
Non-current lease obligations	52,019,147	54,967,678
Current lease obligations	5,980,261	12,395,373
Total lease obligations	57,999,408	67,363,051

The finance costs from the recognized lease obligations during the year ended December 31, 2019 and December 31, 2020 amounted, and they are classified as follows:

	2020	2019
Finance costs - statement of profit or loss and other comprehensive income	3,261,110	2,486,173
Financing costs - projects under construction - statement of financial position	-	941,823

7. PROJECTS UNDER CONSTRUCTION

	Ateeqa Market the (second phase)	Al-Zaheera development project	Other contracts & projects	Total
As of December 31, 2020				
Balance at beginning of the year	-	1,426,570	4,184,011	5,610,581
Additions during the year	1,281,288	-	528,650	1,809,938
Balance at end of the year	1,281,288	1,426,570	4,712,661	7,420,519
As of December 31, 2019				
Balance at beginning of the year	67,539,196	1,426,570	5,054,097	74,019,863
Additions during the year	46,243,100	-	240,000	46,483,100
Transfer to real estate investment	(113,782,296)	-	(1,110,086)	(114,892,382)
Balance at end of the year	-	1,426,570	4,184,011	5,610,581

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8. INVESTMENT AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2020	31 December 2019
Investments in traded shares (8-a)	41,717,739	37,252,421
Investments in non-traded shares (8-b)	2,434,198	2,037,000
Investments in real estate funds (8-c)	-	-
	44,151,937	39,289,421

The movement in the investment revaluation reserve at FVOCI was as follows:

	31 December 2020	31 December 2019
Beginning balance (at cost)	(3,536,410)	98,180,074
Unrealized gain from investment revaluation	3,937,384	5,766,856
Close unrealized gains on investment revaluation	-	(107,483,340)
	400,974	(3,536,410)

8-a) Investments in traded shares

	31 December 2020	31 December 2019
Beginning balance (at cost)	37,252,421	35,334,464
Addition during the year	925,132	1,311,178
Unrealized losses from investment revaluation	3,540,186	606,779
	41,717,739	37,252,421

8-b) Investments in non-traded shares

The board of directors decided at its meeting held on January 15, 2015 to enter as a partner founder in Saudi Hospitality Heritage company (Closed Saudi Joint Stock Company) located in Riyadh, with 2,000,000 shares at total value 20 million SR and 8% of the company's capital. The company paid 5,000,000 SR as a payment for its investment share and the full amount will be financed from the company's own resources. The investment is recorded at cost due to the difficulty in determining the fair value. The investment movement is as follows:

	31 December 2020	31 December 2019
Beginning balance	2,037,000	5,000,000
Unrealized gain (losses) from revaluation of investment	397,198	(2,963,000)
	2,434,198	2,037,000

The fair value of investments in equity instruments for companies not listed in the Saudi financial market amounted to SAR 2,434,198 as of December 31, 2020 (December 31, 2019: SAR 2,037,000) according to the evaluation study carried out by the evaluator Ahmed bin Mohammed Al Farraj Office for Economic Establishments Evaluation License holder No. 4112000053 (independent evaluator authorized by the Saudi Organization for authorized evaluators).

8-c) Investments in real estate funds

The board of directors decided at its meeting held on November 2, 2015 to participate in a real estate investment fund established according to the financial market organization and related executive regulations managed by Al Inmaa Investment Company licensed from the Capital Market Authority. At June 30, 2016, the fund took control over the full share of the Company's raw land located in north east of Riyadh, the Company owns 85% and Adeer Real Estate Company owns 15%, the Company's share value is 974,100,000 SR, the fund paid 401,100,000 SR to the Company and the remaining 573,000,000 SR represents the Company's contribution in Riyadh First Real Estate Development Fund.

On October 10, 2019, an agreement was concluded to end the first Riyadh Al-Taamir Real Estate Fund for the purpose of transferring its assets and liabilities to Tanal Investment and Real Estate Development Company, provided that the fund is liquidated on October 15, 2019.

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8. INVESTMENT AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

8-c) Investments in real estate funds (continued)

The market value of the fund's units, as at the closing date, amounted to 680,483,340 Saudi riyals, according to the data that we were provided with by the fund management as on June 30, 2019, and the investment movement is as follows:

	31 December 2020	31 December 2019
Beginning balance	-	573,000,000
Unrealized gain from investment revaluation	-	107,483,340
Close unrealized gains on investment revaluation	-	(107,483,340)
Closing the fund's cost	-	(573,000,000)
	-	-

9. INVESTMENT IN A ASSOCIATE COMPANY

The company has partnered with Sumou Holding Company, the owner of Adeer Real Estate Company, to establish the Tanal Company for Investment and Real Estate Development (a limited liability company) with a capital of SAR 100,000 with a share of 69.38% for Arriyadh Development Company and 30.62% for Sumou Holding Company, which are the same proportions both of them own in the first Riyadh Real Estate Development Fund, for the purpose of transferring the assets and liabilities of the first Riyadh Real Estate Development Fund, which was closed and transferred to Tanal for Investment and Real Estate Development and its subsidiary (Ruba Buildings Real Estate Company), which is owned by 100%, in order to complete the implementation of the remainder of the infrastructure works of the Al Thumama land, which has an area of 3 million square meters. A square that was fully completed by Sumou Real Estate Company - a Saudi Joint Stock Company (a related party) As at the end of the current period, the financial statements of Tanal Real Estate Investment and Development Company have not been consolidated due to the lack of control over the company because of its voting rights of 40% compared to 60 % To the other partner on the operational and administrative decisions and this was considered as a significant influence and thus the investment was treated using the equity method.

The address of the head office of the company is in Riyadh. The company is engaged in managing and leasing residential and non-residential properties that are owned or leased.

All shares of Ruba Buildings Real Estate Company have been completely assigned to the Tanal Investment and Real Estate Development Company, as Al-Thumama land is registered in the name of Ruba Buildings Real Estate Company.

Summary of the consolidated financial information of Tanal for Real Estate Investment and Development Company and its subsidiary (Ruba Buildings Real Estate Company)

The consolidated financial statements of this company and its subsidiary are prepared in accordance with International Financial Reporting Standards. The accounting policies used in preparing the consolidated financial statements of the associate are consistent with those of Arriyadh Development Company.

9-1 Summary of the consolidated statement of profit or loss and other comprehensive income

	31 December 2020	31 December 2019
Revenue	637,096,128	-
Profit (loss) from main operations	138,633,719	(578,496)
Net profit (loss) for the year / period	125,680,282	(342,484)
Other comprehensive income (loss) for the year / period	125,680,282	(342,484)
Company's share of the profit (loss) for the year / period	87,196,979	(237,611)
Company's share of total comprehensive income	87,196,979	(237,611)

The share in net profit and the share in other comprehensive income was calculated based on the consolidated financial statements of Tanal Investment and Real Estate Development Company.

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9. INVESTMENT IN A ASSOCIATE COMPANY (CONTINUED)

9-2 Summary of the consolidated statement of financial position

	31 December 2020	31 December 2019 (Restated)
Assets		
Non-current assets	1,099,785,895	1,568,378,058
Current assets	217,746,704	52,411,005
Total assets	1,317,532,599	1,620,789,063
Liabilities and owner's equity		
Non-current liability	512,945,409	800,000,000
Current liability	124,029,403	20,820,724
Total owner's equity	680,557,787	799,968,339
Total liabilities and owner's equity	1,317,532,599	1,620,789,063

9-3 The investment movement (book value settlement)

	31 December 2020	31 December 2019 (Restated)
Share at cost	69,380	69,380
Other owned component	555,175,808	573,000,000
The company's share of the accumulated net operating and management expenses of the fund on the closing date *	-	(17,824,192)
Other equity component recovery (Note 11)	(170,044,020)	-
Total share in equity	385,201,168	555,245,188
Share of loss accrued at beginning of the year	(237,611)	-
Share of profit (loss) during the year	87,196,979	(237,611)
The share of the accumulated profit (loss) at the end of the year	86,959,368	(237,611)
Book value of the investment	472,160,536	555,007,577

* The company's share of the net operating and management expenses accumulated for the fund at the closing date represents 69.38% of the total balance of these expenses over the life of the fund, amounting to 25,690,677 SAR, and the company bore the same percentage of ownership of the associate company.

10. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS, NET

	31 December 2020	31 December 2019
Accounts receivable	69,821,277	61,962,531
Less: provision for expected credit loss *	(22,579,283)	(18,911,043)
Accounts receivable, Net	47,241,994	43,051,488
Employees' custodies and loans	3,928,655	1,207,677
Advanced to supplier	2,870,135	1,897,370
Royalties	915,398	915,397
Insurance with others	335,193	335,193
Restricted bank balances for dividends distribution	189,833	208,355
Accrued revenues from Murabaha Deposit	130,791	1,929,764
Consultation fees (Note 21)	-	600,000
Others	262,916	758,926
	55,874,915	50,904,170

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10. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER ASSETS, NET (CONTINUED)

* The movement of Provision for expected credit loss during the year as follows:

	31 December 2020	31 December 2019
Balance at beginning of the year	18,911,043	8,697,915
Charge for the year	3,729,440	10,213,128
Revised during the year*	(61,200)	-
Balance at ending of the year	<u>22,579,283</u>	<u>18,911,043</u>

The aging for accounts receivable as follows:

	31 December 2020	31 December 2019
Form one day to 90 days	23,215,950	17,597,002
From 91 days to 180 days	13,949,538	17,420,184
From 181 days to 360 days	9,183,384	6,049,420
More than 360 days	23,472,405	20,895,925
	<u>69,821,277</u>	<u>61,962,531</u>

The total balances amounted to 15,991,777 SR are issued cases on the lessees, and was obtained Court ruling with amount 5,903,643 SAR and it is under implementation.

11. RELATED PARTY TRANSACTIONS

The related parties are represented in the dealings with the associate company, non-executive members of the board of directors, and senior management employees of the company, where the employees of the higher management are the persons who exercise authority and responsibility in planning, managing and monitoring the company's activities, directly or indirectly, including the managers.

During the normal course of its business, the company had the following important transactions with major related parties during the year ended on 31 December 2020 and 2019, as follows:

Name	Relationship
Tanal Investment and Real Estate Development Company	Associate company

- The transactions and amounts related thereto for the year ended on:

Description	Nature of the transaction	31 December 2020	31 December 2019
Tanal Investment and Real Estate Development Company	The company's share in the capital	-	69,380
	Paid expenses on behalf	-	17,025
	Permanent in-kind financing	-	573,000,000
	Recovering permanent financing against the investment in the associate *	170,044,020	-
Non-executive directors	Bonuses and allowances	3,500,000	3,000,000
Senior management personnel	Salaries, allowances and incentives	8,297,113	7,424,953

* The partners in Tanal Real Estate Investment and Development Company decided, on September 30, 2020, to recover part of the permanent financing in exchange for investment in the associate - Tanal Real Estate Development and Investment Company, in proportion to land sales, as the associate company does not need liquidity.

- Due from (to) a related party represent as of, the following:

	31 December 2020	31 December 2019
Tanal Investment and Real Estate Development Company	44,975,854	(52,355)
	<u>44,975,854</u>	<u>(52,355)</u>

12. MURABAHA INVESTMENT DEPOSITS

Murabaha investment deposits are cash deposits with a local bank due on the year 2020, and these murabaha deposits result in financial returns based on the commission rates agreed by the bank.

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13. SHARE CAPITAL

The capital consists of 1,777,777,770 Saudi Riyals fully paid, divided into 177,777,777 shares of 10 Saudi Riyals each.

The Extraordinary General Assembly, in its meeting held on 27/8/1440H corresponding to 2/5/2019, agreed to increase the company's capital by granting bonus shares to the company's shareholders by one share for each three shares, so that the increase in the capital will be in the amount of 444,444,440 SAR And by transferring the amount of 200,000,000 SAR from the retained earnings and the amount of 244,444,440 SAR from the statutory reserve.

14. STATUTORY RESERVE

The system of companies in the Kingdom of Saudi Arabia requires that 10% of the annual net profit be transferred to the statutory reserve and that this transfer continues until this reserve reaches 30% of the capital. This reserve is not available for distribution to shareholders

15. EMPLOYEE BENEFIT OBLIGATIONS

In accordance with International Accounting Standard (No. 19) "employee benefits", the administration conducted a test to assess the present value of its liabilities from the benefits identified in the history of the financial position, related to end-of-service benefits for employees in accordance with local rules and contractual arrangements. The following are the main actuarial assumptions used to calculate employee benefit obligations, as follows:

	31 December 2020	31 December 2019
Discount rate	2.84 %	3.51%
Salary growth rate	4.0%	4.0 %

The movement in employee benefit obligations is as follows:

	31 December 2020	31 December 2019
Beginning balance	10,589,236	10,194,439
Interest Cost	300,734	362,289
The current service cost	934,211	1,365,682
Actuarial losses (profits) for employee benefits obligations	900,551	(654,986)
Rewards paid during the year	(808,398)	(678,188)
	11,916,334	10,589,236

16. ACCOUNT PAYABLE, ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Amounts under settlement Al-Shorouq land (16A)	87,664,963	87,664,963	87,664,963
Deferred revenue (16B)	36,273,166	35,689,994	33,016,614
Payable from obtain real estate (16C)	28,872,546	28,872,546	29,104,800
Insurance for others	15,559,332	14,321,073	13,946,461
Provisions (16D)	14,142,172	14,142,172	14,142,172
Contractors retention	10,658,408	10,613,808	34,070,534
Accrued wages and other benefits	5,573,687	5,132,024	4,379,218
Accrued expenses against services	5,138,566	4,969,510	3,343,381
Share of profits	3,769,000	3,224,000	3,736,000
Advances from lessee	1,827,529	1,798,863	1,508,103
Accounts Payable	240,791	18,781,720	14,924,869
Due to related party (11)	-	52,355	-
Sundry payables	20,892,329	19,974,433	19,251,411
	230,612,489	245,237,461	259,088,526

A- The amount represents the value of the sale of Al-Shorouq lands, and the liquidation of the contribution after deducting all the remaining costs is deducted from the shareholders of Al-Shorouq land to the Company.

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16. ACCOUNT PAYABLE, ACCRUED EXPENSES AND OTHER CREDITORS (CONTINUED)

- B- Deferred revenue is the revenue received and unreceived from the investment property lease contracts which are not for the year ended 31 December 2020.
- C- The amount represents the payable amounts to the owners of the properties that were expropriated under Royal Decree No. 4 / B / 2732 dated 8/3/1412 H. The owners did not submit their contributions until 31 December 2020.
- D- The amount of the provisions is the amount for the work of the implementation of a channel for the discharge of flood water and rain in the Shrouq land in Remal district.

17. ACCRUED DIVIDENDS

The balance remaining in the financial statements represents the amounts approved by the ordinary general assembly of the company for previous years. The shareholders did not submit until 31 December 2020 to receive them amounting to 68,080,194 SAR (31 December 2019: 66,417,182 SAR).

18. ZAKAT PROVISION

a) Assessment

The company submitted zakat declarations up to 2019, and during the year 2020 the company obtained a preliminary stipulation for previous years from 2015 to 2018, which resulted in a total zakat difference of 103,142,584 SAR. These differences have been objected and awaiting a response from the general authority for zakat and income, and based on the company's Zakat consultant opinion, it has not been evident that a provision should be made during the current period in exchange for the obligation.

b) Zakat Provision Movement

	31 December 2020	31 December 2019
The balance at beginning of the year	13,906,148	14,629,462
Charge for the year	8,539,385	4,563,588
Paid during the year	(4,563,587)	(5,286,902)
The balance at end of the year	17,881,946	13,906,148

c) Zakat base

Zakat provision is calculated based on the following:

	31 December 2020	31 December 2019
Shareholders' rights according to the General Authority of Zakat and Income	1,821,046,136	1,787,591,550
Provisions for the beginning of the period	52,176,613	27,556,726
Accrued dividends	68,080,194	66,417,182
Accounts payables	123,945,654	138,075,545
Lease obligations	57,999,408	67,363,051
Unearned revenue	13,937,495	17,158,160
Book value of long-term assets According to the General Authority of Zakat and Tax	(1,395,655,019)	(1,484,877,461)
Investments	(429,115,494)	(612,358,801)
Investments revaluation reserve	400,974	(3,536,410)
Projects under constructions	(7,420,519)	(5,610,581)
Dividends and rewards of B.O.D	(65,713,924)	-
The right to use the asset	(58,480,338)	-
Adjusted net profit for the year	154,232,222	182,543,509
Zakat base	335,433,402	180,322,470
Calculated Zakat	8,539,385	4,563,588

- Zakat is calculated on the basis of the adjusted net profit or the Zakat base, whichever is greater.
- Zakat is calculated from the adjusted net profit at a rate of 2.5%, while the zakat base is calculated from the zakat base minus the adjusted net profit by 2.5847% and 2.5% from the adjusted net profit

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18. ZAKAT PROVISION (CONTINUED)

d) Adjusted net profit for the year

	2020	2019
Net profit for the year	236,464,816	147,500,029
Provisions made during the year	4,964,385	11,941,099
Other adjustments	(87,196,979)	23,102,381
Adjusted net profit for the year	<u>154,232,222</u>	<u>182,543,509</u>

19. REVENUE

Revenue for the years ended December 31, represented as follows:

	2020	2019
Operational revenue	126,757,946	145,566,646
Rental revenue	110,972,589	104,130,464
	<u>237,730,535</u>	<u>249,697,110</u>

20. COST OF REVENUE

Cost of revenue for the years ended December 31, represented as follows:

	2020	2019
Operational costs	23,040,559	29,108,221
Rental costs	46,066,788	35,765,837
	<u>69,107,347</u>	<u>64,874,058</u>

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, represented as follows:

	2020	2019 (Restated)
Employees' salaries and benefits	11,775,272	14,198,539
Board of directors' attendance allowance	4,000,000	3,605,000
(Reversal) / formed provision for expected credit loss (Note 10)	3,729,440	10,213,128
Professional and consultation fees	861,988	734,180
Provision of Impairment of prepared consultancy fees (Note 10)	600,000	-
Maintenance & operation	258,236	319,332
Marketing and advertising	246,707	370,827
Service contracts	165,322	144,956
Bank charges	102,138	122,430
Depreciation	82,654	97,301
Electricity and water	27,634	28,889
Others	192,261	151,572
	<u>22,041,652</u>	<u>29,986,154</u>

22. OTHER INCOME

Other income for the years ended December 31, represented as follows:

	2020	2019
Provision no longer required	496,300	-
Revenue from Al-Adel project and Bin Haian building	378,145	624,106
Profit from sale of property, plant and equipment	11,000	-
Cancellation of amounts due from contractors from previous years for work that has not been done *	-	5,631,728
Others	233,323	610,644
	<u>1,118,768</u>	<u>6,866,478</u>

* The amounts due to contractors for previous years and for more than 20 years, which are works not performed by contractors, have been canceled according to a decision of the company's management.

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23. SEGMENT INFORMATION

The segment information is attributable to the Company's activities and business as approved by Company's management to be used as a basis for the financial reporting preparation and consistent with the internal reporting process. Transactions between the business segments are conducted as another parties' transaction.

Segments' assets, liabilities and the operational activities comprise items that are directly attributable to certain segment and items that can reasonably be allocated between various business segments. Unallocated items are included under joint assets and liabilities.

The following summary financial information sector in Saudi Riyal as of 31 December 2019, 2018 respectively according to the nature of the activity:

	Operating	Leasing	Sale of Contribution land	Joint assets and liabilities	Total
As of December 31, 2020:					
Total assets	311,088,124	1,214,456,391	23,046,050	818,994,860	2,367,585,425
Total liabilities	38,490,468	104,751,836	102,328,725	140,919,342	386,490,371
Revenue	126,757,946	110,972,589	-	-	237,730,535
Gross profit	103,717,388	64,905,800	-	-	168,623,188
As of December 31, 2019:					
Total assets	290,315,132	1,233,382,304	23,046,050	784,680,159	2,331,423,645
Total liabilities	38,550,944	130,075,964	102,328,725	132,557,445	403,513,078
Revenue	145,566,646	104,130,464	-	-	249,697,110
Gross profit	116,458,425	68,364,627	-	-	184,823,052

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The fair value of financial assets and financial liabilities includes financial assets, cash and cash equivalents, receivables and securities. Financial liabilities include payables, loans and other credit balances.

First level: market prices which stated in active markets for the same financial instruments.

Second level: Valuation techniques are based on inputs that effect on fair value and can be observable directly or indirectly in the market.

Third level: Valuation techniques are based on inputs that effect on fair value and cannot be observable directly or indirectly in the market.

	First level	Second level	Third level	Total
As of December 31, 2020:				
Investments as at fair value through other comprehensive income	41,717,739	-	2,434,198	44,151,937
	41,717,739	-	2,434,198	44,151,937
As of December 31, 2019:				
Investments as at fair value through other comprehensive income	37,252,421	-	2,037,000	39,289,421
	37,252,421	-	2,037,000	39,289,421

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital risk management

The company manages its capital to ensure that the company have ability to continue as a going concern, while achieving higher returns through optimizing debt and equity balances. The company's overall strategy for the year 2019 has not changed.

The capital structure of the Company includes the equity attributable to shareholders of the Company comprising capital, reserves, fair value reserve and retained earnings as included in the statement of changes in shareholders' equity.

Financial risk management

The Company's activities may be exposed to financial risks arising from the following

Currency risk

The Company is not exposed to significant risks associated with foreign currency exchange and therefore no effective management of such exposure is required

Interest rate risk

The financial instruments in the statement of financial position are not subject to interest rate risk.

Other Prices risk

The Company is exposed to price risk from its investments in the equity of other companies. The Company retains these investments for strategic purposes and not for trading purposes and the Company does not trade in those investments.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and accounts receivable as follows:

	31 December 2020	31 December 2019
Cash at banks	48,866,307	20,734,435
Accounts receivable, Net	47,241,994	43,051,488
	96,108,301	63,785,923

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

The company manages its liquidity risk by ensuring that the necessary funds are available when needed.

25. DIVIDENDS DISTRIBUTION AND BOARD OF DIRECTORS' REWARDS

The Extraordinary General Assembly, in its meeting held on 26 Sha'ban 1441H corresponding to 19 April 2020, approved the recommendation of the Board of Directors to distribute SAR 88,888,889, which represents 5% of the capital as cash dividends for the second half of 2019, with a distribution of 50 halalas per share.

The Board of Directors, in its meeting held on 1 Dhu al-Hijjah 1441H corresponding to 22 July 2020, approved the distribution of semi-annual profits for the first half of 2020 amounting to SAR 88,888,888 (at the rate of 50 halala per share).

Which was distributed as follows:

Description	The amount
Semi-annual dividends for the second half of 2019	88,888,889
Semi-annual dividends for the first half of 2020	88,888,888
Total dividends	177,777,777

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26. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2020 and ending 31 December 2019 was calculated by dividing the net profit from main operations and net profit for the year by the weighted average number of shares outstanding during the year amounting to 177,777,777 shares.

Diluted earnings per share for the year ended 31 December 2020 and ending 31 December 2019 was calculated by dividing the net profit from main operations and net profit for the year by the weighted average number of shares outstanding during the year adjusted for the potential reduction in ordinary shares. As there is no contingent liability for equity instruments, the diluted earnings per share are not different from basic earnings per share.

The weighted average number of shares for the two years ended December 31, 2020 and December 31, 2019 was reached by taking the effect of the capital increase from the beginning of the nearest offered period (January 1, 2019) to comply with the requirements of IAS 33.

27. CONTINGENT LIABILITIES

There is a legal suit on Al Shorouq land which is owned by the company based on the official deed at a book value of 30,726,121 SAR and the net book value of buildings constructed on it amounted to 40,278,837 SAR, such amounts are shown as a part of real estate investments. The judgment was issued to cancel the retention on the land, which gives the Company the right to sell. The Company is currently selling these lands and transferring the ownership based on this decision.

There is a fine and performance guarantee for the company according to its share in the capital of Tanal real estate investment and development company (an associate company) as collateral required to provide facilities for the benefit of the associate, and the value of the guarantee is 555 million SAR.

	<u>Million Saudi Riyal</u>	
	<u>2020</u>	<u>2019</u>
The amount paid	199	-
Due balance	356	555

28. IMPORTANT EVENTS

A) In view of the events that the world is going through about what the World Health Organization has announced that it considers the emerging corona virus that is spreading in various parts of the world as a "global epidemic" and this epidemic has resulted in disruptions in commercial and economic activities at the global level. The company would like to point out that the operating sector's revenues for the year ended December 31, 2020 were affected by approximately SAR 19 million due to the closure of two operational centers, namely the Public Transport Center and the International Car Construction Auction for a period of approximately three months, and even after those centers were restarted, this was according to The conditions and protocols of social distancing that greatly limited their activities, and given the inability to determine the expected extent of the end of this crisis and the consequences thereof, the company management was unable to determine the impact of this on the financial statements for the coming periods.

B) With reference to note No. (9), lands in the associate company were sold during the year ended on December 31, 2020, with a total value of SAR 637,096,128, and the legal procedures related to emptying the sukuk have been completed. For the buyers, and this resulted in a net profit for the year amounting to SAR 125,680,282, the share of Arriyadh Development Company from the profits of the associate company - Tenal for Investment and Real Estate Development Company for the year ended December 31, 2020, amounted to SAR 87,196,979.

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29. ADJUSTMENTS

The adjustments are as follows:

- Based on Board Decision No. 3/1/9/2020, Clause (3), dated 11 March 2020, approving the recommendation of the Nomination and Remuneration Committee regarding the bounces of the company's employees for the year 2019, an amount of SAR 1,618,578 was disbursed during the year 2020, in addition to what was charged for the year 2019 that was not recorded as accrued bonuses to employees for the ended 2019.
- In accordance with Article (44) Clause (3) of the Company's Articles of Association regarding the remuneration of members of the Board of Directors, the company deducts the remuneration of the members of the Board of Directors paid during the fiscal year for the preceding year from the account of the retained earnings. However, these payments must be classified within the expenses in the profit or loss statement, and the balances that have been modified are as follows:

<u>Description</u>	<u>Amount (Saudi Riyals)</u>
The balance paid during the year 2020, which was amended to become as accruals for the year 2019	3,422,000
The balance paid during the year 2019, which was amended to become as accruals for the year 2018	4,000,000

- During the current year an amount of SAR 264,000 was collected, which had previously been disbursed in excess to members of the Board of Directors as allowance for attending sessions for the years 2017 and 2018, in accordance with Paragraph (3) of Article (76) of the Companies Law, and this amount has been amended within the item of retained earnings in the years Mentioned.
- During the year 2019, the assets and liabilities of the First Real Estate Development Riyadh Fund were transferred to the Tanal Real Estate Investment and Development Company, as the total accumulated operating and management expenses of the fund as at the closing date amounted to SAR 25,690,677, and this amount was capitalized under the real estate investments under development in the financial statements of the associate company for the period ended at December 31, 2019, and the company's share of the net expenses of 69.38%, amounting to SAR 17,824,192 (note 9) to consider these amounts as expenses, and this amount has been amended under the investment in an associate company and the company's share of the accumulated net operating and management expenses of the fund on the closing date for the year ended December 31, 2019.

The impact of the above on the financial statements is as follows:

The impact of the amendment on the financial position as of December 31, 2019:

	<u>Amount recorded previously 31 December 2019</u>	<u>Adjustment effect</u>	<u>Balance after adjustment 31 December 2019</u>
Accounts payable, accrued expenses, and other payables	240,460,883	4,776,578	245,237,461
Investment in an associate company	572,831,769	(17,824,192)	555,007,577
Retained earnings	133,001,611	(22,600,770)	110,400,841

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29. ADJUSTMENTS (CONTINUED)

The effect of the amendment on the statement of profit or loss and other comprehensive income for the year ended December 31, 2019:

	Amount recorded previously 31 December 2019	Adjustment effect	Balance after adjustment 31 December 2019
General and administrative expenses	(24,945,576)	(5,040,578)	(29,986,154)
The company's share of the accumulated net operating and management expenses of the fund on the closing date	-	(17,824,192)	(17,824,192)
Basic and diluted earnings per share from main operations	0.90	(0.03)	0.87
Basic and diluted earnings per share from net profit for the year	0.93	(0.13)	0.80

The impact of the amendment on the balance sheet as of January 1, 2019:

	Amount recorded previously 31 December 2018	Adjustment effect	Balance after adjustment 1 January 2019
Accounts payable, accrued expenses, and other payables	255,352,526	3,736,000	259,088,526
Retained earnings	264,903,312	(3,736,000)	361,167,312

30. SUBSEQUENT EVANT

The Board of Directors recommended its meeting held on 16 Rajab 1441H corresponding to (11 March 2020) for the next general assembly, which will be determined later to distribute dividends for the second half of 2020 at 65 halala per share, which represents 6.5% of the nominal value of the share in the amount of SAR 115,555,555.

Except the above, in the opinion of the management, there were no significant subsequent events after December 31, 2020 until the date of approval of the financial statements by the Board of Directors, which may have a material impact on the financial statements as of December 31, 2020.

31. GENERAL

The figures in these financial statements are rounded to the nearest Saudi.

32. APPROVAL OF FINANCIAL STATEMENTS

The approval of the financial statements was approved by the Board of Directors on 26 Rajab 1442H (10 March. 2021).