

**RETAL URBAN DEVELOPMENT COMPANY**  
(A Saudi Limited Liability Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**RETAL URBAN DEVELOPMENT COMPANY**

(A Saudi Limited Liability Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

***Basis for Opinion***

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Bader Hatim Al Tamimi  
License No. 489  
5 Ramadhan 1441H  
28 April 2020



**RETAL URBAN DEVELOPMENT COMPANY**  
(A Saudi Limited Liability Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

	<i>Note</i>	<b>2019</b> <i>SR</i>	<b>2018</b> <i>SR</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	9,637,394	85,055,054
Equity instruments at FVOCI	7	-	37,107,593
Prepayments and other receivables	8	31,157,780	27,732,019
Accounts receivable	9	93,451,129	19,359,475
Inventories		4,366,698	3,455,055
Contract assets	24	150,459,348	74,816,781
Development properties	10	30,888,446	50,740,441
		<b>319,960,795</b>	<b>298,266,418</b>
<b>Non-current assets</b>			
Property and equipment	11	4,912,187	3,746,562
Right of use assets	12	20,464,296	-
Development properties	10	2,208,323	76,962,489
Investment properties	13	210,437,819	39,083,172
Intangible assets	14	3,726,787	3,813,830
Investment in associates	15	112,820,279	83,843,443
Accounts receivable	9	1,226,846	14,615,549
		<b>355,796,537</b>	<b>222,065,045</b>
<b>TOTAL ASSETS</b>		<b>675,757,332</b>	<b>520,331,463</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	16	135,001,643	82,960,570
Accrued expenses and other payables	17	7,528,040	11,605,670
Lease liabilities	12	7,508,926	-
Contract liabilities	24	1,606,183	4,830,104
Refundable incentives	18	150,018,686	150,018,686
Zakat payable	19	5,894,975	12,119,977
		<b>307,558,453</b>	<b>261,535,007</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	10,271,061	-
Employee termination benefits	20	7,794,053	6,660,288
Accounts payable	16	3,966,687	121,926,527
		<b>22,031,801</b>	<b>128,586,815</b>
<b>Total liabilities</b>		<b>329,590,254</b>	<b>390,121,822</b>
<b>Equity</b>			
Capital	21	250,000,000	10,000,000
Statutory reserve	22	8,969,214	3,000,000
Contribution from a shareholder	23	-	82,133,810
Actuarial reserve	20	(1,494,163)	(924,497)
Fair value reserve of equity instruments at FVOCI	15	-	(2,774,332)
Retained earnings		88,692,027	38,774,660
<b>Total equity</b>		<b>346,167,078</b>	<b>130,209,641</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>675,757,332</b>	<b>520,331,463</b>

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



**RETAL URBAN DEVELOPMENT COMPANY**

(A Saudi Limited Liability Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<i>Note</i>	<b>2019</b> <i>SR</i>	<b>2018</b> <i>SR</i>
Revenue from contracts with customers	24	<b>456,535,749</b>	209,009,823
Cost of revenue	25	<b>(379,133,918)</b>	(178,368,078)
<b>Gross profit</b>		<b>77,401,831</b>	30,641,745
General and administrative expenses	26	<b>(23,215,456)</b>	(20,969,340)
Selling and marketing expenses	27	<b>(6,316,848)</b>	(4,387,697)
<b>Operating profit</b>		<b>47,869,527</b>	5,284,708
Finance costs	16, 20, 30	<b>(4,960,584)</b>	(7,088,179)
Dividend income	15	<b>1,121,885</b>	4,665,727
Share of results of associates	15	<b>(3,063,604)</b>	(990,223)
Gain on sale of investments at fair value through profit or loss	28	<b>22,461,794</b>	-
Other income		<b>893,578</b>	4,178,087
<b>Profit before zakat</b>		<b>64,322,596</b>	6,050,120
Zakat	19	<b>(4,630,457)</b>	(3,311,400)
<b>PROFIT FOR THE YEAR</b>		<b>59,692,139</b>	2,738,720
<b>Other Comprehensive Income (OCI)</b>			
<i>OCI that will not be reclassified to profit or loss in subsequent years:</i>			
Change in fair value of equity instruments at FVOCI	7	-	(2,774,332)
Change in realized fair value of equity instruments at FVOCI	7	<b>(1,031,226)</b>	(1,717,177)
Remeasurements of defined benefit liability	20	<b>(569,666)</b>	(1,020,198)
<b>Net OCI that will not be reclassified to profit or loss in subsequent years</b>		<b>(1,600,892)</b>	(5,511,707)
<b>Other comprehensive loss for the year</b>		<b>(1,600,892)</b>	(5,511,707)
<b>Total comprehensive income (loss) for the year</b>		<b>58,091,247</b>	(2,772,987)

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

**RETAL URBAN DEVELOPMENT COMPANY**

(A Saudi Limited Liability Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<i>Capital</i>	<i>Statutory</i>	<i>Contribution</i>	<i>Actuarial</i>	<i>Fair value</i> <i>reserve of</i> <i>equity</i> <i>instruments at</i> <i>FVOCI</i>	<i>Retained</i> <i>earnings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>from a</i> <i>shareholder</i> <i>SR</i>	<i>reserve</i> <i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>For the year ended 31 December 2019:</b>							
As at 1 January 2019	10,000,000	3,000,000	82,133,810	(924,497)	(2,774,332)	38,774,660	130,209,641
Net profit for the year	-	-	-	-	-	59,692,139	59,692,139
Other comprehensive loss	-	-	-	(569,666)	(1,031,226)	-	(1,600,892)
Total comprehensive income	-	-	-	(569,666)	(1,031,226)	59,692,139	58,091,247
Transfer to statutory reserve	-	5,969,214	-	-	-	(5,969,214)	-
Increase in share capital (note 21)	240,000,000	-	(82,133,810)	-	-	-	157,866,190
Utilization of reserve on sale of equity instruments at FVOCI (note 7)	-	-	-	-	3,805,558	(3,805,558)	-
Balance as at 31 December 2019	250,000,000	8,969,214	-	(1,494,163)	-	88,692,027	346,167,078
<b>For the year ended 31 December 2018:</b>							
As at 1 January 2018	10,000,000	3,000,000	82,133,810	95,701	-	37,753,117	132,982,628
Net profit for the year	-	-	-	-	-	2,738,720	2,738,720
Other comprehensive loss	-	-	-	(1,020,198)	(4,491,509)	-	(5,511,707)
Total comprehensive loss	-	-	-	(1,020,198)	(4,491,509)	2,738,720	(2,772,987)
Utilization of reserve on sale of equity instruments at FVOCI (note 7)	-	-	-	-	1,717,177	(1,717,177)	-
Balance as at 31 December 2018	10,000,000	3,000,000	82,133,810	(924,497)	(2,774,332)	38,774,660	130,209,641

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

**RETAL URBAN DEVELOPMENT COMPANY**  
(A Saudi Limited Liability Company)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019	2018
	SR	SR
<b>OPERATING ACTIVITIES</b>		
Profit before zakat	64,322,596	6,050,120
Adjustments for non-cash items:		
Depreciation and amortization	9,428,100	1,729,726
Employee termination benefits	1,654,619	1,229,328
Loss on sale of property and equipment	-	4,992
Share of results of associates	3,063,604	990,223
Dividends income	(1,121,885)	(4,665,727)
	77,347,034	5,338,662
Changes in working capital:		
Development properties	56,547,459	(7,342,810)
Inventories	(911,643)	(314,741)
Contract assets	(75,642,567)	(73,962,902)
Accounts receivable	(60,702,951)	41,595,562
Prepayments and other receivables	(6,175,761)	(17,374,576)
Accounts payable	(65,918,767)	29,308,967
Accrued expenses and other payables	(4,077,630)	(3,775,127)
Contract liabilities	(3,223,921)	(9,697,651)
<b>Net cash generated from (used in) operations</b>	(82,758,747)	(36,224,616)
Employee termination benefits paid	(1,090,520)	(1,392,086)
Zakat paid	-	(390,529)
<b>Net cash from (used in) operating activities</b>	(83,849,267)	(38,007,231)
<b>INVESTING ACTIVITIES</b>		
Additions to investment properties	(55,250,625)	-
Proceeds from sale of investment properties	691,013	-
Purchase of property and equipment	(2,711,028)	(1,021,505)
Proceeds from sale of property and equipment	200,645	138,950
Additions to intangible assets	(59,800)	(66,225)
Dividends received	1,121,885	3,834,669
Disposal / Redemption of investment in an associate	40,317,050	14,580,661
Proceeds from sale of equity instruments at FVOCI	36,076,367	31,660,183
<b>Net cash from investing activities</b>	20,385,507	49,126,733
<b>FINANCING ACTIVITIES</b>		
Proceeds from refundable incentives	-	150,018,686
Repayments of long-term borrowings	-	(33,000,000)
Lease payments	(7,310,886)	-
Change in due to related parties	(4,643,014)	(45,507,831)
<b>Net cash (used in) from financing activities</b>	(11,953,900)	71,510,855
<b>Net change in cash and cash equivalents</b>	(75,417,660)	82,630,357
Cash and cash equivalents at the beginning of the year	85,055,054	2,424,697
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	9,637,394	85,055,054



**RETAL URBAN DEVELOPMENT COMPANY**

(A Saudi Limited Liability Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b>	2018
	<b>SR</b>	SR
<b><u>NON-CASH TRANSACTIONS:</u></b>		
Employee termination benefits transferred to a related party (note 20)	-	343,801
Additional capital transferred from Al Fozan Holding (Shareholder) (note 30)	<b>157,866,190</b>	-
Investment properties transferred from related parties (note 13)	<b>79,296,255</b>	-
Investment properties transferred of from development properties (note 13)	<b>45,463,878</b>	4,241,561
Change in fair value of equity instruments at FVOCI recognised on retained earnings (note 7)	<b>3,805,558</b>	1,717,177
Finance costs charged by a related party (note 30)	<b>4,167,049</b>	8,397,372
Investment in associates transferred from related party (note 15)	<b>72,357,490</b>	-
Recognition of right of use assets (note 12)	<b>27,840,873</b>	-
Recognition of lease liabilities (note 12)	<b>25,090,873</b>	-
Zakat provision transferred to Al Fozan Holding Company (Share holder) (note 19)	<b>10,855,459</b>	390,529

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

**RETAL URBAN DEVELOPMENT COMPANY**  
**(A Saudi Limited Liability Company)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1 COMPANY INFORMATION**

Retal Urban Development Company ("the Company") is a limited liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Prince Faisal Bin Fahad Bin Abdulazizi Avenue, Al Khobar, 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in:

- Purchase of land for construction, development, investment, sale or leasing purpose;
- Construction of buildings, dams, and tunnels;
- Management and operating of factories, industrial projects, malls, hotels, restaurants and supermarkets;
- Maintenance and repair of irrigation and drainage works, including airports, water facilities, sanitation, telephone networks and artesian wells.

The Company's Articles of Association includes the activity of acquisition of shares or shares in existing companies or merger with them.

As at 31 December 2018, the Parent Company had following branch:

<b>Commercial registration number</b>	<b>Date</b>	<b>Place of issue</b>	<b>Location</b>
2051065120	19 November 2017	Al Khobar	Al Khobar

The results, assets and liabilities of this branch are included in the accompanying financial statements, during the year 2019, the parent company canceled the commercial registration of this branch.

The shareholder is Al Fozan Holding Company.

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

These consolidated financial statements comprises the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	<b>Effective ownership</b>	
	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Tadbeir Real Estate Company ("Tadbeir")	<b>100</b>	100
Nesaj Urban Development Company ("Nesaj")	<b>100</b>	100
Building and Construction Company ("BCC")	<b>100</b>	100

**Tadbeir**

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

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

## RETAL URBAN DEVELOPMENT COMPANY

(A Saudi Limited Liability Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 COMPANY INFORMATION (Continued)

##### Nesaj

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

The principle activities of the Nesaj are:

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

##### BCC

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

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

#### 2 BASIS OF PREPARATION

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

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

#### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

- |   |         |
|---|---------|
| - Financial instruments risk management | Note 32 |
| - Sensitivity analysis disclosures      | Note 20 |

##### 3.1 Judgements

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

## RETAL URBAN DEVELOPMENT COMPANY

(A Saudi Limited Liability Company)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

### 3.1 Judgements (Continued)

#### *Control over subsidiaries*

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### *Significant influence over an associate*

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

### 3.2 Estimates and assumptions

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

#### *Uncertain zakat position*

The Group's current zakat payable of SR 5,894,975 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 19 describes the status of zakat and tax assessments.

#### *Impairment of non-financial assets*

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

**RETAL URBAN DEVELOPMENT COMPANY**

(A Saudi Limited Liability Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)****3.2 Estimates and assumptions (Continued)*****Estimated cost to complete***

The Group uses the percentage-of-completion method ("POC") in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost to complete a contract. If the total estimated costs were 10% higher than management's estimates, the amount of revenue recognised during the year ended 31 December 2019 would have decreased by SR 27,078,386. If the total estimated costs were 10% lesser than management's estimates, the amount of revenue recognised during the year ended 31 December 2019 would have increased by SR 33,062,969 as well.

***Impairment of trade receivables***

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the trade receivables is disclosed in note 9.

***Long-term assumptions for employees' benefits***

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

***Options for extending and terminating lease contracts***

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

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

***Lease Payments Discount***

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

## RETAL URBAN DEVELOPMENT COMPANY

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 4 SIGNIFICANT ACCOUNTING POLICIES

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

##### ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 as disclosed in note 1.

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

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

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

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

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

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

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

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

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

##### ***Business combinations and goodwill***

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Business combinations and goodwill (Continued)*

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

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

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

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

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

##### *Current versus non-current classification*

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Fair value measurement***

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

***Foreign currencies******Transactions and balances***

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

***Property and equipment***

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Property and equipment (Continued)***

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

Furniture, fixtures and office equipment	4 to 10 years
Machinery and equipment	4 years
Vehicles	5 years
Leasehold improvements	4 years

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

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

***Development properties***

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

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

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

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

***Investment properties***

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

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

***Intangible assets***

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Intangible assets (continued)***

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

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

***Borrowing costs***

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

***Leases***

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

***Group as a lessee***

***A- Right-of-use assets***

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

***B- Lease liabilities***

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Leases (Continued)******Group as a lessor***

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

***Investment in associates***

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

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

The Group's investments in associates are accounted for using the equity method.

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

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

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

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

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

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

***Inventories***

The cost of raw materials and spare parts are those expenditure incurred in bringing each item to its present location and condition. Inventories are priced by applying the weighted average method.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Impairment of non-financial assets***

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

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

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

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

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

***Financial assets******Initial recognition and measurement***

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

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

***Subsequent measurement***

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

***Financial assets at amortised cost***

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

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

***Equity instruments designated at fair value through OCI***

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

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Financial assets (Continued)*

##### *Derecognition*

A financial asset is primarily derecognised when:

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

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

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

##### *Impairment of financial assets*

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

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

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

##### *Cash and cash equivalents*

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

##### *Provisions*

##### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Provisions (Continued)***

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

***Onerous contracts***

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

***Employee termination benefits***

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

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

***Subsequent measurement***

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

***Financial liabilities at fair value through profit or loss***

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

***Loans and borrowings***

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

***Derecognition***

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

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Revenue from contracts with customers***

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

***Contract assets***

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

***Contract liabilities***

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

***Trade receivables***

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

***Expenses***

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

***Zakat***

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

***Uncertain zakat positions***

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

***Value added tax***

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

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

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended 31 December 2019 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standard effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases, the nature and effect of these changes are disclosed below.

**5.1 IFRS 16 'Leases'**

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

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17 except for classification of subleases which are now classified as finance leases.

The Group has adopted the simplified and permitted method under IFRS (16) at the first time adoption date 1 January 2019. under that method, the company adopting the standard retrospectively recording the accumulated impact at the first-time adoption date.

As a result of using the simplified approach, comparative figures are not restated.

**5.2 Effect of adoption of IFRS 16**

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	As at 31 December 2018	Effect of adoption	As at 1 January 2019
	SR	SR	SR
Prepayments	2,750,000	(2,750,000)	-
Right-of-use assets	-	27,840,873	27,840,873
	<b>2,750,000</b>	<b>25,090,873</b>	<b>27,840,873</b>
Lease liabilities	-	25,090,873	25,090,873
	-	<b>25,090,873</b>	<b>25,090,873</b>

The Group has lease contracts for ware houses and office buildings. Before the adoption of IFRS 16, the Group classified each of its leases (as a lessee) at the inception date as either a finance lease or an operating lease. In an operating lease, the leased property was not capitalized and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments and accrued expenses, respectively.

Upon adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The incremental borrowing rate used to discount lease payments on the date of initial application of 1 January 2019 was 4.5%.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**5 CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group has also utilized the following practical expedients:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at 1 January 2019
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- By class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component
- Measure right of use assets at the date of initial application at the present value of remaining lease payments

The new accounting policies in accordance with IFRS 16 are disclosed under note 4.

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**6 CASH AND CASH EQUIVALENTS**

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Cash on hand	<b>108,321</b>	192,000
Cash at banks	<b>9,529,073</b>	84,863,054
	<b><u>9,637,394</u></b>	<b><u>85,055,054</u></b>

As at 31 December 2019, cash at banks include bank balance of SR 5,524,964 (2018: SR 76,328,181) in a local bank in a restricted escrow accounts (note 18).

**7 EQUITY INSTRUMENTS AT FVOCI**

The movement in equity instruments at FVOCI is as follows:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
At 1 January	<b>37,107,593</b>	73,259,285
Remeasurement recognised in OCI	<b>(1,031,226)</b>	(4,491,509)
Disposal of units	<b>(36,076,367)</b>	(31,660,183)
Fair value as at 31 December	<b><u>-</u></b>	<b><u>37,107,593</u></b>

During the year 2017, the Group signed agreements ("the Agreements") with Derayah Financial Corporation Company ("the Manager") which acts as the fund manager of Derayah REIT, a Real Estate Investment Traded Fund ("the REIT") that operates in accordance with Real Estate Investment Funds Regulations and REIT Funds Instructions issued by the Capital Market Authority (CMA). According to the Agreement, the Group contributed various projects in exchange of monetary and in-kind consideration amounted to SR 137,650,000. During the year 2017, the Group received the in-kind portion of the consideration which represents 8,259,000 units in the fund (7.7% unitholding of the total units of the Fund). During the year the Group has sold all its investment in Derayah Shares.

**8 PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Advances to suppliers	<b>7,589,858</b>	10,522,049
Prepaid expenses (note 5)	<b>6,198,380</b>	8,868,732
Employee receivables	<b>3,396,402</b>	984,397
Value added tax	<b>11,476,227</b>	2,173,956
Others	<b>2,496,913</b>	5,182,885
	<b><u>31,157,780</u></b>	<b><u>27,732,019</u></b>

**RETAL URBAN DEVELOPMENT COMPANY**  
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**9 ACCOUNTS RECEIVABLE**

	<b>2019</b>	2018
	<i>SR</i>	<i>SR</i>
Accounts receivable - third parties	<b>83,745,711</b>	7,318,998
Accounts receivable - related parties (note 30)	<b>10,932,264</b>	26,656,026
	<b>94,677,975</b>	33,975,024

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

	<b>2019</b>	2018
	<i>SR</i>	<i>SR</i>
Current receivables	<b>93,451,129</b>	19,359,475
Non-current receivables	<b>1,226,846</b>	14,615,549
	<b>94,677,975</b>	33,975,024

As of the date of these consolidated financial statements, the Group's accounts receivable - third parties are concentrated in 5 major counter parties in an amount of SR 55,316,987 relating to Nesaj town project, which is equivalent to 65% of the total accounts receivable (31 December 2018: SR Nil).

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

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

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

<b>Neither past due nor impaired</b>		<b>Past due but not impaired</b>				<b>Total</b>
		<b>&lt; 180 days</b>	<b>181-365 days</b>	<b>366-730 days</b>	<b>&gt; 730 days</b>	
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>2019</b>	<b>32,104,131</b>	<b>46,722,803</b>	<b>4,918,777</b>	-	-	<b>83,745,711</b>
2018	6,833,349	248,789	208,933	21,227	6,700	7,318,998

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

**RETAL URBAN DEVELOPMENT COMPANY**  
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**FOR THE YEAR ENDED 31 DECEMBER 2019**

**10 DEVELOPMENT PROPERTIES**

	<i>Land</i>	<i>Building and development cost</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Long term:</b>			
At 1 January 2018	50,076,007	29,722,385	79,798,392
Additions	-	12,849,174	12,849,174
Transferred to investment properties (note 13)	(535,137)	(844,863)	(1,380,000)
Cost of units / projects sold	(3,745,959)	(10,559,118)	(14,305,077)
At 31 December 2018	45,794,911	31,167,578	76,962,489
<b>Additions</b>	<b>-</b>	<b>8,510,798</b>	<b>8,510,798</b>
<b>Transferred to investment properties (note 13)</b>	<b>(30,275,938)</b>	<b>(9,207,032)</b>	<b>(39,482,970)</b>
<b>Transferred to short term properties</b>	<b>(15,518,973)</b>	<b>(28,263,021)</b>	<b>(43,781,994)</b>
<b>At 31 December 2019</b>	<b>-</b>	<b>2,208,323</b>	<b>2,208,323</b>

Long term projects mainly represent development cost incurred by the Group for Nakheel towers and other projects.

	<i>Land</i>	<i>Building and development cost</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Short term:</b>			
At 1 January 2018	13,421,687	31,381,602	44,803,289
Additions	-	25,878,181	25,878,181
Transferred to investment properties (note 13)	(995,263)	(1,866,298)	(2,861,561)
Cost of units / projects sold	(3,285,456)	(13,794,012)	(17,079,468)
At 31 December 2018	9,140,968	41,599,473	50,740,441
<b>Additions</b>	<b>23,865,688</b>	<b>49,535,228</b>	<b>73,400,916</b>
<b>Transferred from investment properties (note 13)</b>	<b>7,405,176</b>	<b>-</b>	<b>7,405,176</b>
<b>Transferred from long term properties</b>	<b>15,518,973</b>	<b>28,263,021</b>	<b>43,781,994</b>
<b>Transferred to investment properties (note 13)</b>	<b>(2,065,536)</b>	<b>(3,915,372)</b>	<b>(5,980,908)</b>
<b>Cost of units / projects sold</b>	<b>(45,730,825)</b>	<b>(87,483,507)</b>	<b>(133,214,332)</b>
<b>Cost of contracts</b>	<b>-</b>	<b>(5,244,841)</b>	<b>(5,244,841)</b>
<b>At 31 December 2019</b>	<b>8,134,444</b>	<b>22,754,002</b>	<b>30,888,446</b>

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

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**11 PROPERTY AND EQUIPMENT**

	<i>Furniture, fixtures and office equipment</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Leasehold improvements</i>	<i>Capital work in progress</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Cost</b>						
At 1 January 2018	5,930,766	15,698,863	2,411,817	2,800,768	416,950	27,259,164
Additions	345,560	337,445	338,500	-	-	1,021,505
Disposals	-	-	(180,000)	-	-	(180,000)
Transfer to intangible assets (note 14)	-	-	-	-	(416,950)	(416,950)
At 31 December 2018	6,276,326	16,036,308	2,570,317	2,800,768	-	27,683,719
<b>Additions</b>	<b>1,005,076</b>	<b>845,885</b>	<b>860,067</b>	<b>-</b>	<b>-</b>	<b>2,711,028</b>
<b>Disposals</b>	<b>-</b>	<b>(616,747)</b>	<b>(344,992)</b>	<b>(408,865)</b>	<b>-</b>	<b>(1,370,604)</b>
<b>At 31 December 2019</b>	<b>7,281,402</b>	<b>16,265,446</b>	<b>3,085,392</b>	<b>2,391,903</b>	<b>-</b>	<b>29,024,143</b>
<b>Accumulated depreciation:</b>						
At 1 January 2018	4,199,811	14,418,021	1,423,226	2,634,564	-	22,675,622
Charge for the year	631,278	390,721	191,165	84,429	-	1,297,593
Disposal	-	-	(36,058)	-	-	(36,058)
At 31 December 2018	4,831,089	14,808,742	1,578,333	2,718,993	-	23,937,157
<b>Charge for the year</b>	<b>652,207</b>	<b>402,986</b>	<b>221,459</b>	<b>68,106</b>	<b>-</b>	<b>1,344,758</b>
<b>Disposals</b>	<b>-</b>	<b>(582,015)</b>	<b>(192,748)</b>	<b>(395,196)</b>	<b>-</b>	<b>(1,169,959)</b>
<b>At 31 December 2019</b>	<b>5,483,296</b>	<b>14,629,713</b>	<b>1,607,044</b>	<b>2,391,903</b>	<b>-</b>	<b>24,111,956</b>
<b>Net book values</b>						
<b>At 31 December 2019</b>	<b>1,798,106</b>	<b>1,635,733</b>	<b>1,478,348</b>	<b>-</b>	<b>-</b>	<b>4,912,187</b>
At 31 December 2018	1,445,237	1,227,566	991,984	81,775	-	3,746,562



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**12 RIGHT OF USE ASSETS**

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

	<u><i>Building</i></u> <i>SR</i>
<b>Cost:</b>	
At 1 January 2019 (note 5)	27,840,873
<b>At 31 December 2019</b>	<u><b>27,840,873</b></u>
<b>Accumulated depreciation:</b>	
At 1 January 2019	-
<b>Charge for the year</b>	7,376,577
<b>At 31 December 2019</b>	<u><b>7,376,577</b></u>
<b>Net book value as at 31 December 2019</b>	<u><b>20,464,296</b></u>

During the year the Group has applied IFRS 16 to recognise the right of use assets for its ware-houses and office buildings and depreciated at the term of lease period.

Lease liabilities as at year end are as follows:

	<u><b>31 December</b></u> <u><b>2019</b></u> <i>SR</i>
<b>Lease liabilities</b>	
At 1 January 2019 (note 5)	25,090,873
Payments during the year	<u><b>(7,310,886)</b></u>
<b>At 31 December 2019</b>	<u><b>17,779,987</b></u>
Current portion of lease liabilities	7,508,926
Non current portion of lease liabilities	<u><b>10,271,061</b></u>
<b>Total lease liabilities</b>	<u><b>17,779,987</b></u>

The total interest expense on lease liabilities recognized during the year ended 31 December 2019 is SR 694,167 (31 December 2018: SR nil).

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**13 INVESTMENT PROPERTIES**

	<i>Land</i>	<i>Building</i>	<i>Capital Work</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>in progress</i>	<i>SR</i>
<b>Cost:</b>				
At 1 January 2018	29,276,191	5,939,991	-	35,216,182
Transferred from development properties (note 10)	1,530,400	2,711,161	-	4,241,561
At 31 December 2018	30,806,591	8,651,152	-	39,457,743
<b>Additions</b>	<b>32,565,500</b>	<b>22,685,125</b>	<b>-</b>	<b>55,250,625</b>
Transferred from related parties properties (note 30)	79,296,255	-	-	79,296,255
Transferred from development properties (note 10)	32,341,474	5,529,122	7,593,282	45,463,878
Transferred to development properties (note 10)	(7,405,176)	-	-	(7,405,176)
<b>Disposals</b>	<b>(248,815)</b>	<b>(460,465)</b>	<b>-</b>	<b>(709,280)</b>
<b>At 31 December 2019</b>	<b>167,355,829</b>	<b>36,404,934</b>	<b>7,593,282</b>	<b>211,354,045</b>
<b>Accumulated depreciation:</b>				
At 1 January 2018	-	90,800	-	90,800
Charge for the year	-	283,771	-	283,771
At 31 December 2018	-	374,571	-	374,571
<b>Charge for the year</b>	<b>-</b>	<b>559,922</b>	<b>-</b>	<b>559,922</b>
<b>Disposal</b>	<b>-</b>	<b>(18,267)</b>	<b>-</b>	<b>(18,267)</b>
<b>At 31 December 2019</b>	<b>-</b>	<b>916,226</b>	<b>-</b>	<b>916,226</b>
<b>Net book value:</b>				
<b>At 31 December 2019</b>	<b>167,355,829</b>	<b>35,488,708</b>	<b>7,593,282</b>	<b>210,437,819</b>
At 31 December 2018	30,806,591	8,276,581	-	39,083,172

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

During the year Parent Company received land shares from share holder for purchase of land for future development, located in Al Khobar, Kingdom of Saudi Arabia amounting to SR 36,971,000 as of December 31, 2019 (2018: SR nil) (note 30). The company is in process to transfer the land deeds against these shares, however waiver letter was obtained from the share holder for transferring the right in these land shares to the Parent Company.

Capital work in progress represents construction of Retal tower (note 31).

As at 31 December 2019, investment properties represent apartments held for the purpose of generating rental income. Investment properties include investment in land held for future appreciation, and/or development with value of SR 38.4 million (2018: SR 29.4 million).

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001"). As at 31 December 2019, the valuation of the above investment properties amounted to SR 209,335,028 (2018: SR 53,908,405).

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**14 INTANGIBLE ASSETS**

	<i>Goodwill</i>	<i>Software and ERP systems</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Cost:</b>			
At 1 January 2018	3,088,189	809,130	3,897,319
Additions	-	66,225	66,225
Transfer from capital work in progress (note 11)	-	416,950	416,950
At 31 December 2018	3,088,189	1,292,305	4,380,494
<b>Additions</b>	<b>-</b>	<b>59,800</b>	<b>59,800</b>
<b>At 31 December 2019</b>	<b>3,088,189</b>	<b>1,352,105</b>	<b>4,440,294</b>
<b>Accumulated amortization:</b>			
At 1 January 2018	-	418,302	418,302
Charge for the year	-	148,362	148,362
At 31 December 2018	-	566,664	566,664
<b>Charge for the year</b>	<b>-</b>	<b>146,843</b>	<b>146,843</b>
<b>At 31 December 2019</b>	<b>-</b>	<b>713,507</b>	<b>713,507</b>
<b>Net book values:</b>			
<b>At 31 December 2019</b>	<b>3,088,189</b>	<b>638,598</b>	<b>3,726,787</b>
At 31 December 2018	3,088,189	725,641	3,813,830
<b>Useful life</b>		<b>3 - 4 years</b>	

The Group performed its annual goodwill impairment test for its subsidiaries at 31 December 2019 and 2018. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2019, the market capitalisation of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

**15 INVESTMENT IN ASSOCIATES**

The Group's investment in associates comprise the following:

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<i>SR</i>	<i>SR</i>
Ewan Al Maali Real Estate Fund	A	<b>40,462,789</b>	39,885,854
Ewan Al-Qayrawan Real Estate Fund	B	-	43,957,589
Nesaj Residential Compound Real Estate Company	C	<b>72,357,490</b>	-
<b>Total investment in associates</b>		<b>112,820,279</b>	<b>83,843,443</b>
<b>Ownership</b>			
		<b>2019</b>	<b>2018</b>
		<i>%</i>	<i>%</i>
Ewan Al Maali Real Estate Fund		<b>54.17</b>	54.17
Ewan Al-Qayrawan Real Estate Fund		-	57.03
Nesaj Residential Compound Real Estate Company		<b>45.00</b>	-

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

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
At 1 January	<b>83,843,443</b>	99,414,327
Transfer from Shareholder (note 30)	<b>72,357,490</b>	-
Disposals / units redemption	<b>(40,317,050)</b>	(14,580,661)
Share of results, net	<b>(3,063,604)</b>	(990,223)
At 31 December	<b><u>112,820,279</u></b>	<b><u>83,843,443</u></b>

**A. Ewan Al Maali Real Estate Fund**

As at 31 December 2019 and 2018, the Group's investment in Ewan Al Maali represents the Group's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Group owns 412,900 units out of 762,500 units at par value of SR 100 for each.

The following table summarizes the financial information of Ewan Al Maali as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Ewan Al Maali.

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Total assets	<b>76,935,508</b>	146,463,990
Total liabilities	<b>(2,233,565)</b>	(72,827,092)
Equity	<b><u>74,701,943</u></b>	<u>73,636,898</u>
Group's share in equity	<b><u>40,462,789</u></b>	<b><u>39,885,854</u></b>

Summarised statement of profit or loss and other comprehensive income of Ewan Al Maali for the year ended 31 December:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Revenue	<b>71,443,748</b>	18,061,150
Profit (loss) for the year	<b>1,065,045</b>	(639,479)
Total comprehensive income (loss)	<b>1,065,045</b>	(639,479)
Group's share of total comprehensive income (loss)	<b><u>576,935</u></b>	<b><u>(346,361)</u></b>

The movement in the interest in Ewan Al Maali is as follows:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
At 1 January	<b>39,885,854</b>	40,232,215
Share of profit (loss)	<b>576,935</b>	(346,361)
At 31 December	<b><u>40,462,789</u></b>	<b><u>39,885,854</u></b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****15 INVESTMENT IN ASSOCIATES (Continued)****B. Ewan Al-Qayrawan Real Estate Fund**

In 2015, the Group sold a land with a book value of SR 91.7 million to Ewan Al-Qayrawan real estate fund managed by SWICORP for SR 96.5 million. The Group received SR 32.6 million in cash and SR 63.9 million in the form of 57.03% investment share in 6.4 million units out of total fund units of 11.2 million that have a par value of SR 10 for each.

During the year the Group sold its entire investment in Ewan Al-Qayrawan fund against the purchase of 44 villas of Ewan Al-Qayrawan project 2.

The following table summarizes the financial information of Ewan Al-Qayrawan as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Ewan Al-Qayrawan.

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Total assets	-	77,851,130
Total liabilities	-	(778,216)
Equity	-	77,072,914
Group's share in equity	<u>43,957,589</u>	<u>43,957,589</u>

Summarised statement of profit or loss and other comprehensive income of Ewan Al-Qayrawan for the year ended 31 December:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Revenue	-	6,060,250
Loss for the year	-	(684,553)
Total comprehensive loss	-	(684,553)
Group's share of total comprehensive loss	<u>-</u>	<u>(390,440)</u>

The movement in the interest in Ewan Al-Qayrawan is as follows:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
At 1 January	43,957,589	46,903,229
Share of loss	(3,640,539)	(390,440)
Disposals	<u>(40,317,050)</u>	<u>(2,555,200)</u>
At 31 December	<u>-</u>	<u>43,957,589</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****15 INVESTMENT IN ASSOCIATES (Continued)****C. Nesaj Residential Compound Real Estate Company**

Nesaj Residential Compound Real Estate Company is a Saudi limited liability company registered on 21 Jumada II 1435H (21 April 2014) in Al-Khobar, Kingdom of Saudi Arabia, under commercial registration number 2051057194. The authorized, issued and paid up share capital of the Company is SR 165 million divided into 1,650,000 shares of SR 100 each as at December 31, 2019 and 2018.

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

This investment has been transferred from Al Fozan Holding Company ('Shareholder') for which all the legal requirement was completed in this year (note 30). However, the shareholder decided the effective date of transfer as 31 December 2019.

The following table summarizes the financial information of Nesaj Residential Compound as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Nesaj Residential Compound.

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Total assets	<b>688,692,790</b>	-
Total liabilities	<b>(527,898,367)</b>	-
Equity	<b>160,794,423</b>	-
Group's share in equity	<b>72,357,490</b>	-

Summarised statement of profit or loss and other comprehensive income of Nesaj Residential Compound for the year ended 31 December:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Revenue	<b>14,855,830</b>	-
Loss for the year	<b>(36,994,634)</b>	-
Total comprehensive loss	<b>(37,030,570)</b>	-

The movement in the interest in Nesaj Residential Compound is as follows:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Transferred from a shareholder (note 30)	<b>72,357,490</b>	-
At 31 December	<b>72,357,490</b>	-

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**16 ACCOUNTS PAYABLE**

	<u>2019</u>	<u>2018</u>
	<i>SR</i>	<i>SR</i>
Accounts payable	32,070,076	14,395,913
Retention payable	8,141,593	4,980,956
Accounts payable to related parties (note 30)	98,756,661	185,510,228
	<u>138,968,330</u>	<u>204,887,097</u>

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

	<u>2019</u>	<u>2018</u>
	<i>SR</i>	<i>SR</i>
Current payables	135,001,643	82,960,570
Non-current payables	3,966,687	121,926,527
	<u>138,968,330</u>	<u>204,887,097</u>

As at 31 December 2019 and 2018 the non-current portion of accounts payable include long term retention balances that management estimates it will pay after one year from the date of the consolidated statement of financial position.

As at 31 December 2018, the non-current portion of accounts payable include payable to related parties amount to SR 120,000,000 (note 30).

**17 ACCRUED EXPENSES AND OTHER PAYABLES**

	<u>2019</u>	<u>2018</u>
	<i>SR</i>	<i>SR</i>
Advances from customers	2,577,928	7,174,934
Advance from a related party (note 30)	-	22,933
Unearned revenue	95,399	1,194,383
Provision for contingencies	52,821	83,819
Employees' accruals	1,661,511	1,044,537
Others	3,140,381	2,085,064
	<u>7,528,040</u>	<u>11,605,670</u>

**18 REFUNDABLE INCENTIVES**

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



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****19 ZAKAT PAYABLE****Basis for Zakat:**

The Group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets. Zakat is calculated at the Group's zakat base. However, starting from 2016 zakat return is filed with GAZT at Al Fozan Holding Company level (the shareholder) as a consolidated filing.

**The movement in the zakat payable is as follows:**

	<u>2019</u>	<u>2018</u>
	<i>SR</i>	<i>SR</i>
1 January	12,119,977	9,199,106
Charge for the year	4,630,457	3,311,400
Transferred to Al Fozan Holding Company (note 30)	<u>(10,855,459)</u>	<u>(390,529)</u>
31 December	<u><u>5,894,975</u></u>	<u><u>12,119,977</u></u>

**Status of certificates and assessments:**

Retal Urban Development Company has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2018 is still under review by the GAZT.

Nesaj received final zakat and income tax certificates for the years up to 2018. The assessments for the years from inception to 31 December 2018 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. The company received final assessment from GAZT until 2010. Zakat assessment for the years 2011 to 2018 is still under review by the GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2018 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2018 is still under review by the GAZT.

**20 EMPLOYEE TERMINATION BENEFITS**

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

	<u>2019</u>	<u>2018</u>
	<i>SR</i>	<i>SR</i>
1 January	6,660,288	5,459,047
Expense charged to profit or loss	1,654,619	1,229,328
Actuarial remeasurement charged to OCI	569,666	1,020,198
Payments	<u>(1,090,520)</u>	<u>(1,392,086)</u>
Net transferred to a related party (note 30)	<u>-</u>	<u>343,801</u>
31 December	<u><u>7,794,053</u></u>	<u><u>6,660,288</u></u>

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**20 EMPLOYEE TERMINATION BENEFITS (Continued)**

The expense charged to profit or loss comprise of:

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Current service cost	<b>282,030</b>	183,306
Interest cost	<b>52,585</b>	21,177
Cost recognized in profit or loss	<b>334,615</b>	204,483

**Significant actuarial assumptions**

	<u>As at 31 December</u>	
	<u>2019</u>	<u>2018</u>
Discount factor used	<b>2.85%</b>	4.15%
Salary increase rate	<b>2.85%</b>	4.15%
Mortality Rate	<b>SA 16 - 75%</b>	SA 16 - 75%
Rates of employee turnover	<b>Heavy</b>	Heavy

**Sensitivity analysis of key actuarial assumptions are as follows:**

	<u>31 December 2019</u>		<u>31 December 2018</u>	
	<u>%</u>	<u>SR</u>	<u>%</u>	<u>SR</u>
<b>Discount rate</b>				
Increase	<b>+ 0.5%</b>	<b>7,504,351</b>	+ 0.5%	6,425,897
Decrease	<b>- 0.5%</b>	<b>8,104,487</b>	- 0.5%	6,910,817
<b>Salary growth rate</b>				
Increase	<b>+ 0.5%</b>	<b>8,047,738</b>	+ 0.5%	6,839,255
Decrease	<b>- 0.5%</b>	<b>7,554,459</b>	- 0.5%	6,490,574

**21 CAPITAL**

During the year, the shareholders of the Company resolved to increase the share capital of the Company by SR 240 million by transferring all the contribution from shareholders amounting to SR 82,133,810 (note 23) to share capital and transferring SR 157,866,190 as additional capital from Al Fozan Holding Company ('Shareholder') (note 30). The legal formalities related to the increase in share capital have been completed during the year. The new share capital of the Company became SR 250 million divided into 250,000 shares of SR 1,000 per share.

The shareholders of the Parent Company and their respective shareholding as of December 31, 2019 and 2018 are as follows

<u>Name</u>	<u>Share Capital</u>		<u>Ownership %</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>		
Al Fozan Holding Company	<b>247,500,000</b>	9,900,000	<b>99%</b>	99%
Al Fozan Investment Company	<b>2,500,000</b>	100,000	<b>1%</b>	1%
	<b>250,000,000</b>	10,000,000	<b>100%</b>	100%

**22 STATUTORY RESERVE**

In accordance with Regulations for Companies and the Company's Articles of Association, the Company is establishing a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****23 CONTRIBUTION FROM A SHAREHOLDER**

During the year, the shareholders of the Company resolved to increase the share capital of the Company by SR 240 million by transferring all the contribution from share holders amounting to SR 82,133,810 to share capital and transferring SR 157,866,190 as additional capital through Al Fozan Holding Company ("Shareholder").

**24 REVENUE FROM CONTRACTS WITH CUSTOMERS****24.1 DISAGGREGATED REVENUE INFORMATION**

<u>Segments</u>	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
<b>Type of goods or service:</b>		
Revenue from sale of real estate units (note 10,13)	143,024,237	29,014,662
Construction contracts revenue (note 30)	275,644,685	164,365,599
Facility management revenue	28,941,803	12,211,739
Rent contracts revenue	2,719,638	2,021,662
Other revenue	6,205,386	1,396,161
<b>Total revenue from contracts with customers</b>	<b>456,535,749</b>	<b>209,009,823</b>
<b>Type of customer:</b>		
Government and quasi-government customers	237,154,637	60,141,908
Corporate customers	73,637,237	117,831,591
Individual customers	145,743,875	31,036,324
<b>Total revenue from contracts with customers</b>	<b>456,535,749</b>	<b>209,009,823</b>
<b>Credit terms:</b>		
Cash sales	145,743,875	31,036,324
Credit sales	310,791,874	177,973,499
<b>Total revenue from contracts with customers</b>	<b>456,535,749</b>	<b>209,009,823</b>

**24.2 CONTRACT BALANCES**

	<u>2019</u>	<u>2018</u>
	<u>SR</u>	<u>SR</u>
Accounts receivable (note 9)	94,677,975	33,975,024
Contract assets (see note (a) below)	150,459,348	74,816,781
Contract liabilities (see note (b) below)	1,606,183	4,830,104

**a) Contract assets:**

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at 31 December 2019, the Group's contract assets are concentrated in one major party in an amount of SR 139,181,218, which is equivalent to 96% of the total contract assets (SR 60,660,984 which is equivalent to 82% of the total contract assets as of 31 December 2018).

**b) Contract liabilities:**

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****24 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)****24.3 PERFORMANCE OBLIGATIONS****Revenue from sale of investment properties and real estate units:**

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

**Construction contracts:**

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

**25 COST OF REVENUE**

	2019	2018
	SR	SR
Cost of sale of real estate units / projects (note 10,13)	133,905,345	26,427,769
Cost of construction contracts	212,267,740	131,167,073
Cost of facility management	23,246,400	10,638,091
Cost of rent contracts	4,706,393	7,500,762
Others	5,008,040	2,634,383
	<u>379,133,918</u>	<u>178,368,078</u>

**26 GENERAL AND ADMINISTRATIVE EXPENSES**

	2019	2018
	SR	SR
Employees' salaries and related benefits	12,057,037	10,992,023
Depreciation	5,326,956	593,515
Rent	1,494,644	6,398,927
Utilities	566,885	515,868
Hospitality expenses	511,708	329,394
Professional fees	332,012	215,458
Travel expenses	307,205	127,098
Others	2,619,009	1,797,057
	<u>23,215,456</u>	<u>20,969,340</u>

**27 SELLING AND MARKETING EXPENSES**

	2019	2018
	SR	SR
Marketing and advertising	1,036,994	936,185
Maintenance and after sales expenses	2,137,585	777,751
Employees' salaries and related benefits	1,803,655	1,504,234
Rent	528,814	469,191
Depreciation and amortization	131,165	84,322
Others	678,635	616,014
	<u>6,316,848</u>	<u>4,387,697</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****28 GAIN ON SALE OF INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

During the year the company has earned a gain of SR 22 million from purchase and sale within the year of 3.4 million shares in a listed entity in KSA market.

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

	2019	2018
	SR	SR
<b>Included in cost of sales:</b>		
Employee benefits	38,402,418	23,163,322
Depreciation of right of use assets	2,714,819	-
Depreciation and amortization	1,255,160	1,051,889
<b>Included in general and administrative expenses:</b>		
Employee benefits	12,057,037	10,992,023
Depreciation of right of use assets	4,661,758	-
Depreciation and amortization	665,198	593,515
<b>Included in selling and marketing expenses:</b>		
Employee benefits	1,803,655	1,504,234
Depreciation and amortization	131,165	84,322

**30 RELATED PARTIES TRANSACTIONS AND BALANCES**

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

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

Name	Relationship
Al Fozan Holding Company	Shareholder
Abdullatif and Mohammed Al Fozan Company	Ultimate Parent
Ajwad Holding Company	Affiliate
Al Fozan Askan Company	Affiliate
Al Maali Holding Company	Affiliate
Amjal Property Development Company	Affiliate
ARAC Engineering Consultants	Affiliate
Arnon Plastic Company	Affiliate
Bawan Metal Industries Company	Affiliate
Bina for Ready-mix Products Company	Affiliate
Ewan Al Maali Real Estate Fund	Associate
Ewan Al Qayrawan Real Estate Fund	Associate
Kayan International Real Estate Development Company	Affiliate
Midad Chemical Factory	Affiliate
Nesaj Residential Compound Real Estate Company	Associate
United Homeware Company - (NICE)	Affiliate
Madar Building Materials Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)**

	2019	2018
	SR	SR
a) <i>Revenue (note 24)</i>		
Al Maali Holding Company	6,950,996	-
United Homeware Company - (NICE)	3,080,792	2,007,128
Nesaj Real Estate Residential Compound Company□	2,874,819	48,499,263
Ajwad Holding Company	2,364,275	1,502,937
Al Fozan Holding Company	60,000	6,355,679
b) <i>Purchases</i>		
Madar Building Materials Company	8,081,768	7,435,607
Madar Electrical Materials Company	5,576,358	2,068,945
Madar Hardware Company	542,497	309,331
Bina for Ready-mix Products Company	5,662,989	6,287,068
Bawan Metal Industries Company	4,000,344	4,341,835
c) <i>Investment properties transferred from related parties (note 13)</i>		
Al Fozan Holding Company	79,296,255	-
d) <i>Investment in associate transferred from related parties (note 15)</i>		
Al Fozan Holding Company	72,357,490	-
e) <i>Capital transferred from share holder (note 21)</i>		
Al Fozan Holding Company	157,866,190	-
f) <i>Finance charges</i>		
Al Fozan Holding Company	4,167,049	8,397,372
g) <i>Zakat provision transferred (note 19)</i>		
Al Fozan Holding Company	10,855,459	390,529
h) <i>End of service indemnity transferred to a related party (note 20)</i>		
Al Fozan Holding Company	-	343,801

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

	2019	2018
	SR	SR
Nesaj Residential Compound Real Estate Company	3,695,197	8,870,556
Ewan Al Maali Real Estate Fund	2,435,347	1,081,525
Al Maali Holding Company	2,408,697	1,633,972
ARAC Engineering Consultants	2,104,823	1,083,850
United Hardware Company	288,200	381,337
Abdullatif and Mohammed Al Fozan Company	-	11,984,758
Ewan Al Qayrawan Real Estate Fund	-	1,576,369
Midad Chemical Factory	-	43,659
	10,932,264	26,656,026
Less:		
Non-current portion	-	(11,984,758)
	10,932,264	14,671,268

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****30 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)***Due from related parties (Continued)*

As of 31 December 2019, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule. (31 December 2018: the same)

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

	<b>2019</b>	2018
	<b>SR</b>	<b>SR</b>
Al Fozan Holding Company	<b>88,724,538</b>	173,465,770
United Homeware Company - (NICE)	<b>2,750,000</b>	-
Madar Building Materials Company	<b>1,716,330</b>	4,616,200
Bina for Ready-mix Products Company	<b>1,631,949</b>	3,971,031
Madar Electrical Materials Company	<b>1,586,193</b>	724,799
Bawan Metal Industries Company	<b>1,227,320</b>	1,797,056
Ajwad Holding Company	<b>575,839</b>	708,286
Madar Hardware Company	<b>406,825</b>	89,419
Arnon Plastic Company	<b>137,667</b>	137,667
	<b>98,756,661</b>	185,510,228
Less: Non-current portion	-	(120,000,000)
	<b>98,756,661</b>	65,510,228

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

As of December 31, 2018 the Group believes that some of balance due to related parties amounted to SR 120,000,000 are not expected to be settled within twelve months from the statement of financial position and will not be claimed before at least one year. Therefore this balance is classified as non-current liabilities.

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

As at 31 December 2018, advance from related party represents advance from Nesaj Residential Compound Real Estate Company.

Compensation of key management personnel of the Company

	<b>2019</b>	2018
	<b>SR</b>	<b>SR</b>
Short term employee benefits	<b>5,883,575</b>	5,991,829

**31 CONTINGENCIES AND COMMITMENTS****Guarantees:**

The Group is contingently liable for bank guarantees issued in the normal course of business amounting SR 75 million as at 31 December 2019 (2018: SR 75 million).

**CAPITAL COMMITMENTS**

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

	<b>2019</b>	2018
	<b>SR</b>	<b>SR</b>
Capital commitments for construction contracts	<b>106,023,601</b>	470,923,910

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS****32.1 Fair value measurements of financial instruments**

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

31 December 2019						
	Carrying amount		Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3
	SR	SR	SR	SR	SR	SR
<b>Financial assets</b>						
Accounts receivable	-	94,677,975	94,677,975	-	-	-
	-	94,677,975	94,677,975	-	-	-
<b>Financial liabilities</b>						
Refundable incentives	-	150,018,686	150,018,686	-	-	-
Accounts payable	-	138,968,330	138,968,330	-	-	-
Accrued expenses and other payables	-	7,528,040	7,528,040	-	-	-
	-	296,515,056	296,515,056	-	-	-



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)****32.1 Fair value measurements of financial instruments (Continued)**

		31 December 2018					
		Carrying amount		Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
<b>Financial assets</b>							
Equity instruments at FVOCI	37,107,593	-	37,107,593	37,107,593	-	-	37,107,593
Accounts receivable	-	33,975,024	33,975,024	-	-	-	-
	<u>37,107,593</u>	<u>33,975,024</u>	<u>71,082,617</u>	<u>37,107,593</u>	<u>-</u>	<u>-</u>	<u>37,107,593</u>
<b>Financial liabilities</b>							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	204,887,097	204,887,097	-	-	-	-
Accrued expenses and other payables	-	11,605,670	11,605,670	-	-	-	-
	<u>-</u>	<u>366,511,453</u>	<u>366,511,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS****32.2 Risk Management of Financial Instruments**

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

**Credit Risk:**

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its contract assets, accounts receivables and bank balances as follows.

	2019	2018
	SR	SR
Contract assets	150,459,348	74,816,781
Accounts receivable	94,677,975	33,975,024
Cash and cash equivalents	9,637,394	85,055,054
	<u>254,774,717</u>	<u>193,846,859</u>

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

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

Bank balances are held with banks with sound credit ratings.

**Liquidity Risk:**

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

	31 December 2019			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
<b>Financial Liabilities</b>				
Refundable incentives	150,018,686	150,018,686	-	-
Accounts payable	138,968,330	135,001,643	3,966,687	-
Accrued expenses and other payables	7,528,040	7,528,040	-	-
	<u>296,515,056</u>	<u>292,548,369</u>	<u>3,966,687</u>	<u>-</u>
	31 December 2018			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
<b>Financial liabilities</b>				
Refundable incentives	150,018,686	150,018,686	-	-
Accounts payable	204,887,097	82,960,570	121,926,527	-
Accrued expenses and other payables	11,605,670	11,605,670	-	-
	<u>366,511,453</u>	<u>244,584,926</u>	<u>121,926,527</u>	<u>-</u>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****32 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS****32.2 Risk Management of Financial Instruments (Continued)**

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

**Market Risk:**

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

**Currency Risk:**

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

**Interest Rate Risk**

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at 31 December 2019 amounted to SR Nil (2018: SR Nil).

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

**33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)****33.1 New and amended IFRS applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation and Modification of financial liabilities</i>	1 January 2019
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	
The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)****33.1 New and amended IFRS applied with no material effect on the financial statements (Continued)**

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Annual Improvements to IFRSs 2015-2017 <i>Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i> The Annual Improvements include amendments to four Standards.	1 January 2019
IAS 12 <i>Income Taxes</i> The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	1 January 2019
IAS 23 <i>Borrowing costs</i> The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	1 January 2019
IFRS 3 <i>Business Combinations</i> The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 <i>Joint Arrangements</i> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	1 January 2019
Amendments to IAS 19 <i>Employee Benefits Plan Amendment, Curtailment or Settlement</i> The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.	1 January 2019

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)****33.2 New and amended IFRS applied with no material effect on the financial statements (Continued)**

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<p><i>IFRIC 23 Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>- Whether tax treatments should be considered collectively;</li> <li>- Assumptions for taxation authorities' examinations;</li> <li>- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> </ul> <p>The effect of changes in facts and circumstances.</p>	1 January 2019
<p><i>Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i></p> <p>The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'</p>	1 January 2020
<p><i>Definition of a Business – Amendments to IFRS 3 Business Combinations</i></p> <p>The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'</p>	1 January 2020
<p><i>Amendments to References to the Conceptual Framework in IFRS Standards</i></p> <p>Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.</p>	1 January 2020
<p><i>IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments</i></p> <p>Amendments regarding pre-replacement issues in the context of the IBOR reform</p>	1 January 2020

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FOR THE YEAR ENDED 31 DECEMBER 2019****33 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)****33.2 New and amended IFRS applied with no material effect on the financial statements (Continued)**

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 17 <i>Insurance Contracts</i>	1 January 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as at 1 January 2023.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Group in the period of initial application.

**34 SUBSEQUENT EVENTS**

The existence of novel Coronavirus disease (COVID-19) was confirmed in early 2020 and has spread globally causing disruptions to businesses and economic activity. Management considers this outbreak to be a non-adjusting event after the reporting period. As the situation is fluid and rapidly evolving, management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group as of the date of issuance of the consolidated financial statements.

Management will continue to monitor the impact of COVID-19 and in case of any significant changes in the current circumstances, additional disclosures will be addressed in the subsequent year consolidated financial statements.

There were no other events subsequent to the reporting date and occurring before the date of the approval of the consolidated financial statements that are required to make amendment or disclosure in these consolidated financial statements.

**35 COMPARATIVE FIGURES**

Certain figures for the year 2018 have been reclassified to conform with the presentation of the current year.

**36 DATE OF AUTHORIZATION**

These consolidated financial statements were authorized for issue by Board of Directors on 5 Ramadhan 1441H corresponding to 28 April 2020.