ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
Together with the
INDEPENDENT AUDITOR'S REPORT

KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport road
P. O. Box 92876, Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa
License No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Al-Andalus Property Company (Saudi Joint stock Company)

Opinion

We have audited the consolidated financial statements of **Al-Andalus Property Company** (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Al-Andalus Property Company (Saudi Joint stock Company) (continued)

Key Audit Matters (continued)

Valuation of investment properties	
See note 8 to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2020, the carrying value of Group's investment properties aggregated to SR 990.4 million (31 December 2019: SR 757 million) and the fair values of these properties amounted to SR 1.8 billion (31 December 2019: SR 1.6 billion). The investment properties are stated at cost less accumulated depreciation and impairment losses, (if any). However, the fair value of the investment properties is disclosed in the notes to the consolidated financial statements. The Group uses the valuation reports from the independent valuers engaged by the management to evaluate the fair values of properties at the reporting date. We considered this as a key audit matter since the valuation of investment properties requires significant judgments that could result in material misstatements of the disclosure of investment properties in the consolidated financial statements.	Our audit procedures, with assistance by our own property valuation specialist in this area included, among others: - Understanding of the valuation approach, adopted by management. Held correspondence with the Group's independent valuers through management to understand the assumptions and methodologies used in valuing the investment properties and the market evidence used by the independent valuers to support their assumptions. We also obtained an understanding of the involvement of the Company's management valuation process to assess whether appropriate oversight has occurred. - Assessing valuers' credentials and assessed the independence, professional qualifications, competence and experience of the Group's independent valuers, also ensured the valuers are certified from Saudi Authority for Accredited Valuers (TAQEEM). - Involving our specialist to assess the key assumptions used by the real estate valuation experts in determining the value of the investment properties. - Assessing input and agreeing observable inputs used in the valuations, such as rental income, occupancy rates, break clauses and lease lengths back to lease agreements for a sample of properties. - Comparing the recoverable amount of the investment properties as per the Valuation Reports with their carrying values to check whether recognition of any impairment loss is required. - Assessing the adequacy of the disclosures in the consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Al-Andalus Property Company (Saudi Joint stock Company) (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws 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, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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 scepticism 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditor's Report

To the Shareholders of Al-Andalus Property Company (Saudi Joint stock Company) (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of **Al-Andalus Property Company** (the "Company") and its subsidiaries ("the Group").

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No.: 371

Riyadh on:
Date: 19 Rajab 1442H
Corresponding to: 3 March 2021

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	2020	2019
ASSETS			
Non-current assets			
Property and equipment	7	**155,822,329**	188,383,419
Investment properties	8	**990,385,904**	756,941,483
Right-of-use assets	9	**89,108,496**	95,259,972
Investments in associates	10	**481,482,965**	464,834,820
		1,716,799,694	1,505,419,694
Current assets			
Receivable from operating leases	11	**50,999,217**	38,639,800
Prepayments and other debit balances	12	**15,192,446**	26,698,018
Due from related parties	21	**14,846,585**	37,945,612
Financial instruments at fair value through profit or loss	13	-	42,263,693
Cash and cash equivalents	14	**182,483,190**	148,233,398
		263,521,438	293,780,521
Total assets		**1,980,321,132**	1,799,200,215
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**700,000,000**	700,000,000
Statutory reserve		**96,841,478**	95,381,933
Retained earnings		**256,335,553**	313,698,094
Equity attributable to shareholders of the company		**1,053,177,031**	1,109,080,027
Non-controlling interests		**182,939,218**	199,658,418
Total equity		**1,236,116,249**	1,308,738,445
LIABILITIES			
Non-current liabilities			
Employees' benefits - Defined benefit obligation	15	**8,491,143**	5,772,643
Lease liability on right-of-use assets	9	**117,729,800**	123,722,963
Islamic finance facilities	16	**514,994,751**	253,049,916
		641,215,694	382,545,522
Current liabilities			
Advances from lessees and deferred revenue		**36,047,028**	38,307,724
Lease liability on right-of-use assets - current portion	9	**15,700,000**	15,700,000
Due to related parties	21	**16,396,502**	15,971,727
Zakat provision	18	**6,507,510**	11,631,543
Accruals and other credit balances	17	**28,338,149**	26,305,254
		102,989,189	107,916,248
Total liabilities		**744,204,883**	490,461,770
Total equity and liabilities		**1,980,321,132**	1,799,200,215

Fawaz Abdulaziz Bin Huwail	Hathal Bin Saad Alutaibi	Abdulsalam Bin Abdulrahman Alaqeel
Chief Financial Officer	*Chief Executive Officer*	*Chairman of Board of Directors*

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	**2020**	2019
Revenue	*19*	**167,824,560**	176,061,349
Cost of revenue	*19*	**(72,169,730)**	(73,659,069)
Gross profit		**95,654,830**	102,402,280
Marketing expenses		**(2,118,259)**	(2,423,236)
General and administrative expenses		**(39,444,273)**	(33,044,557)
Impairment of receivable from operating leases contracts	*11*	**(1,000,000)**	(5,607,326)
Impairment loss on property and equipment and investment property		**(31,828,942)**	-
Share of income from associates	*10*	**26,148,145**	37,020,342
Other income		**919,679**	5,846,341
Operating profit		**48,331,180**	104,193,844
Interest expense on lease liabilities		**(12,548,067)**	(11,734,469)
Finance cost		**(12,673,131)**	(4,470,163)
Profit before Zakat		**23,109,982**	87,989,212
Zakat	*18*	**(6,119,562)**	(4,435,001)
Profit for the year		**16,990,420**	83,554,211
Attributable to:			
Shareholders of the Company		**14,341,598**	64,820,558
Non-controlling interests		**2,648,822**	18,733,653
		16,990,420	83,554,211
<u>**Other comprehensive income**</u>			
Items that will not be subsequently reclassified to statement of profit or loss			
Re-measurement of employees' benefits - defined benefit obligation	*15*	**(244,594)**	(253,856)
Total comprehensive income		**16,745,826**	83,300,355
Total comprehensive income attributable to:			
Shareholders of the company		**14,097,004**	64,566,702
Non-controlling interests		**2,648,822**	18,733,653
		16,745,826	83,300,355
Earnings per share			
Basic and diluted earnings per share	*20*	**0.20**	0.93

Fawaz Abdulaziz Bin Huwail	Hathal Bin Saad Alutaibi	Abdulsalam Bin Abdulrahman Alaqeel
Chief Financial Officer	*Chief Executive Officer*	*Chairman of Board of Directors*

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
For the year ended 31 December 2020						
Balance as at 1 January 2020	**700,000,000**	**95,381,933**	**313,698,094**	**1,109,080,027**	**199,658,418**	**1,308,738,445**
Profit for the year	**-**	**-**	**14,341,598**	**14,341,598**	**2,648,822**	**16,990,420**
Other comprehensive income	**-**	**-**	**(244,594)**	**(244,594)**	**-**	**(244,594)**
Total comprehensive income for the year	**-**	**-**	**14,097,004**	**14,097,004**	**2,648,822**	**16,745,826**
Transfer to statutory reserve	**-**	**1,459,545**	**(1,459,545)**	**-**	**-**	**-**
Dividends	**-**	**-**	**(70,000,000)**	**(70,000,000)**	**(19,368,022)**	**(89,368,022)**
Balance as at 31 December 2020	**700,000,000**	**96,841,478**	**256,335,553**	**1,053,177,031**	**182,939,218**	**1,236,116,249**
For the year ended 31 December 2019						
Balance as at 1 January 2019	700,000,000	88,925,263	347,411,134	1,136,336,397	211,454,555	1,347,790,952
Impact of change in accounting policy	-	-	(21,823,072)	(21,823,072)	(4,082,250)	(25,905,322)
Restated balance as at 1 January 2019	700,000,000	88,925,263	325,588,062	1,114,513,325	207,372,305	1,321,885,630
Profit for the year	-	-	64,820,558	64,820,558	18,733,653	83,554,211
Other comprehensive income	-	-	(253,856)	(253,856)	-	(253,856)
Total comprehensive income for the year	-	-	64,566,702	64,566,702	18,733,653	83,300,355
Transfer to statutory reserve	-	6,456,670	(6,456,670)	-	-	-
Dividends	-	-	(70,000,000)	(70,000,000)	(27,950,000)	(97,950,000)
Change in non - controlling Interest	-	-	-	-	1,502,460	1,502,460
Balance as at 31 December 2019	700,000,000	95,381,933	313,698,094	1,109,080,027	199,658,418	1,308,738,445

Fawaz Abdulaziz Bin Huwail
Chief Financial Officer

Hathal Bin Saad Alutaibi
Chief Executive Officer

Abdulsalam Bin Abdulrahman Alaqeel
Chairman of Board of Directors

The accompanying notes 1 through 28 form an integral part of these consolidated financial statements.

ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	**2020**	2019
Operating activities:			
Profit for the year before Zakat		**23,109,982**	87,989,212
Adjustments for non-cash items:			
Depreciation:			
- investment properties	*8*	**18,422,290**	14,264,426
- property and equipment	*7*	**8,304,721**	8,410,167
- Right of use assets	*9*	**6,151,476**	6,151,476
Share of income from associates	*10*	**(26,148,145)**	(37,020,342)
Interest on lease liabilities	*9*	**12,548,067**	11,734,469
Impairment loss on receivable from operating leases		**1,000,000**	5,607,326
Gain on disposal of investment		**-**	(301,300)
Finance cost		**12,673,131**	4,470,163
Impairment loss on property and equipment and investment properties		**31,828,942**	-
Employees' benefits - Defined benefit obligation		**2,630,299**	581,538
		90,520,763	101,887,135
Changes in:			
Receivables from operating leases		**(13,359,417)**	(18,149,316)
Prepayments and other debit balances		**11,505,572**	(22,720,312)
Related parties' balances, net		**23,523,802**	38,746,141
Lease liability on right of use assets		**(18,541,230)**	(9,352,802)
Advances from lessees and deferred revenue		**(2,260,696)**	3,644,261
Accruals and other credit balances		**3,386,781**	(7,020,566)
Dividends received from associates		**15,750,000**	33,675,000
Zakat paid		**(11,243,595)**	(6,109,166)
Employees' benefits - Defined benefit obligation		**(156,393)**	(137,457)
Net cash generated from operating activities		**99,125,587**	114,462,918
Investing activities			
Additions to property and equipment		**(743,631)**	(624,105)
Disposal of investment properties		**-**	642,751
Investments in associates		**(6,250,000)**	(11,125,000)
Additions to investments properties		**(258,695,653)**	(266,392,271)
Sales of instruments at fair value through profit or loss		**42,263,693**	15,847,885
Net cash used in investing activities		**(223,425,591)**	(261,650,740)
Financing activities			
Proceeds from Islamic finance facilities		**261,027,500**	251,377,300
Payments for Islamic finance facilities		**(13,109,682)**	(4,620,314)
Dividends paid		**(70,000,000)**	(70,000,000)
Change in non-controlling interest		**(19,368,022)**	(26,447,540)
Net cash generated from financing activities		**158,549,796**	150,309,446
Net change in cash and cash equivalents during the year		**34,249,792**	3,121,624
Cash and cash equivalents at the beginning of the year		**148,233,398**	145,111,774
Cash and cash equivalents at end of the year		**182,483,190**	148,233,398

Fawaz Abdulaziz Bin Huwail	Hathal Bin Saad Alutaibi	Abdulsalam Bin Abdulrahman Alaqeel
Chief Financial Officer	*Chief Executive Officer*	*Chairman of Board of Directors*

1 INFORMATION ABOUT THE COMPANY

Al-Andalus Property Company (the "Company") is a Saudi joint stock company established pursuant to the Ministerial Resolution No. 2509 dated 03/09/1427H corresponding to 26/09/2006 approving the declaration of the establishment of the Company. The Company is registered in Riyadh under the Commercial Registration No. 1010224110 dated 17/09/1427H corresponding to 10/10/2006.

The main activities of the Company include construction, ownership and management of centers, commercial and residential complexes in addition to general contracting of residential, commercial buildings, educational, recreational, health institutions, roads, dams, water and sewage projects, electrical and mechanical works. The activities also include maintenance and operation of real estate properties, buildings and commercial complexes as well as ownership, development and investment of lands and real estate properties for the benefit of the Company and based on its purposes.

The company's capital is 700,000,000 Saudi Riyals divided into 70,000,000 shares with a nominal value of SAR 10.

The Head office of the Company is located in Riyadh - Al Wadi District - Northern Ring Road – Al-Andalus Property Company Building.

The Group financial year starts on 1 January and ends on 31 December of each Gregorian year.

Al-Andalus Property Company is referred to as (the "Company") or referred collectively with its subsidiaries as disclosed in Note 3, as (the "Group").

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for:

- Financial instruments-fair value through profit or loss.
- Defined benefit obligation - employees' benefits which are measured at present value using the projected unit credit method.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property and equipment, investment property, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

On 31 December 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation option and made the following decisions:

- Obligating listed companies to continue to use the cost model to measure property (IAS 16) and investment property (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022.
- Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.
- The group disclose about its investment properties in the Note 8.

2 BASIS OF PREPARATION (CONTINUE)

2.3 Impact of coronavirus (Covid-19) outbreak

The Group's operations have been affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak have caused to its operations and financial performance. As of 31 December 2020, the Group has recorded impairment loss amounting to SR 25 million as impairment in property and equipment (see note 7) and SR 6.8 million as impairment in investment property (see note 8). Further, the Group has also assessed the ability of its lessees to pay the rents relating to the period impacted by COVID-19 outbreak. As a result, the Group has given discounts of SR 31.8 million to its lessees as a result of closure of outlets in the Malls during the lockdown period. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The management of the Group is currently monitoring the situation and its impact on the Group's operation, cash flows and financial position. Despite the above adjustments, the management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

2.4 Presentational currency

The presentational currency of the Group is Saudi Riyals (SR)

3 BASIS OF CONSOLIDATION

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss and other comprehensive income

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirer's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquirer's awards and the extent to which the replacement awards relate to pre-combination service.

3 BASIS OF CONSOLIDATION (CONTINUED)

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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 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:

- The 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.

The financial statements of subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non- Controlling interest (NCI)
For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control
When the Group losses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transaction eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

3 BASIS OF CONSOLIDATION (CONTINUED)

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below for the year ended 31 December:

		Ownership percentage	
Name of subsidiary	**Country of incorporation**	**2020**	2019
AlAhli REIT Fund 1	Kingdom of Saudi Arabia	**68.73%**	68.73%
Manafea Al Andalus Company for Real Estate Development	Kingdom of Saudi Arabia	**70%**	70%

Details of subsidiaries are as follows:

1. *Al Ahli REIT Fund 1*

Al Ahli REIT Fund 1 was formed in accordance with Capital Market Authority dated 29 November 2017 (corresponding to 11 Rabia Alawl 1438H). The principal activities of the Fund are to make investments in investment properties. Currently, the Fund has made investments in the below properties which are located in Jeddah/ Riyadh:

Nature and name of property	**Location**
Al-Andalus Mall	Jeddah
Al-Andalus Mall Hotel	Jeddah
Salama Tower	Jeddah
QBIC Plaza	Riyadh

2. *Manafea Al-Andalus Company for Real Estate Development*

Manafea Al Andalus Company for Real Estate Development was formed as a limited liability company and registered in the Kingdom of Saudi Arabia under Commercial Registration No 1010700657 dated 19 April 2017 (corresponding to 22 Rajab 1438H). The principal activities of Manafea includes; leasing, managing properties owned or leasing (residential and nonresidential), commission from properties management, developments activities and investment properties.

Nature and name of property	**Location**
ALMarwa Plaza	Jeddah

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Certain amendments and interpretations apply for the first time in 2020, but they do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies 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. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states "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." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group

5 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment
Items of property and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss and other comprehensive income.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

Asset	Years
Buildings	25-40
Leasehold improvements	The lower of lease term or useful life
Motor vehicles	4
Furniture and office equipment	3-10

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Expenses incurred for replacing component of investment properties items, which are accounting for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement profit or loss and other comprehensive income when incurred.

Useful lives of different components of investment properties are as follows:

Categories	Years
Building	20 - 40
Furniture and Fixtures	5 - 10
Computer and Hardware	3 - 10
Office Equipment	4 - 10

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Investments in equity accounted investees

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

The results, assets, and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that an associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

An investment in associates are accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as embedded goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

When a group entity transacts with an associate of the Group, profits or losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The financial statements of the associate 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in equity accounted investees (continued)

After application of the equity method, the Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. When necessary, the entire carrying amount of the investment (including embedded goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The Group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

Short-term leases and lease of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments

Recognition and initial measurement
Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

Financial assets

Classification of financial assets
On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions are met:
a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:
a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortised cost or at FVTOCI.

Financial assets	IFRS 9 classification
Cash and bank balances	Amortised cost
Operating lease receivables	Amortised cost
Due from related parties	Amortised cost

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Subsequent measurement
The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Group has no such investments.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

A financial asset is 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.

Impairment of financial assets
IFRS 9 impairment requirements use more forward-looking information to recognise expected credit losses – the ‘expected credit loss (ECL) model’. Instruments within the scope of the new requirements included operating lease receivables.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Expected credit loss assessment for operating lease receivables:
The Group applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:
- financial assets measured at amortised cost of the Group

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic "GDP" Product of Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate of Saudi Arabia and Saudi Governmental spending to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into following parts: probability of default (PD), loss given default (LGD), exposure at default (EAD). These are briefly described below:

Loss given default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD): the likelihood of a default over a particular time horizon.

Exposure at default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Presentation of impairment
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from operating leases are presented separately in the statement of profit or loss and other comprehensive income.

Model and Framework
The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Macroeconomic weighted average scenarios
The Group includes macroeconomic factors of GDP, inflation rate and Governmental spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

Portfolio segmentation
The Group assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

Definition of default
In the above context, the Group considers default when:
- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the customer is more than 455 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognised in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognised under other income in the consolidated statement of profit or loss.

Specific provision
Specific provision is recognized on customer to customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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

The Group’s financial liabilities mainly includes trade and other payables, related party and borrowings.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities	**IFRS 9 classification**
Trade payables	Amortised cost
Accrued expenses and other current liabilities	Amortised cost
Borrowings	Amortised cost
Due to related parties	Amortised cost

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

a. Financial assets

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

b. Financial liability

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognise at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

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

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group’s relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

Cash and cash equivalents

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

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Short-term obligations
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation
The Group provides end of service benefits to its employees in accordance with the requirements of Saudi Arabia Labour and Workmen Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

The employee benefits obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Past-service costs are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise

Foreign currency transactions
Transactions in foreign currencies are translated to Saudi Riyal using the rates of exchange prevailing at the dates of the respective transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal using prevailing exchange rates prevailing on that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement profit or loss and other comprehensive income.

Revenue

Rental income from leases
Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15: Revenue from contracts with customers
This standard replaces IAS 11, which covers construction contracts, and IAS 18, which includes revenue resulting from selling of goods and rendering of services. This standard based on principle of revenue recognition when control on goods or service is transferred to the customer, unless these contracts are in the scope of other standards. The new standard establishes a five steps approach for accounting of revenue from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which a Group expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires organizations to make estimation, taking into account all facts and related circumstances upon applying each step of the approach on the contracts with its customers. In addition, the standard determines accounting of the additional costs to obtain the contract and cost related directly to perform the contract.

The Group is engaged in leasing activities and these contracts are within the scope of IFRS 16, consequently, IFRS (15) does not have significant impact on the Group’s consolidated financial statements

Statutory reserve
In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Group.

Zakat
The Group and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on net equity using the basis defined in the zakat regulation. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional Zakat liability, if any, related to prior years’ assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

Provisions
A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Dividend to shareholders
Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders in the General Assembly.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment Reporting
IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. The operating segments described below has been prepared in accordance with IFRS 8. Most of the Group's revenues, profits and assets relate to its operations in Saudi Arabia and arise from these reportable business segments. The executive management monitors the operational results of these operating segments separately for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and is measured in a manner consistent with the profit or loss recognized in the consolidated financial statements.

Earnings per share
The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the period.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group’s accounting policies, management has made the following estimates and judgments, which are significant to the consolidated financial statements:

Judgments
Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the following notes:
Note 3 - whether the Group exercises control over an investee.
Note 8 - Classification of equity accounted investees.
Note 4 - Determining whether an arrangement contains a lease.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

<u>Provision for expected credit losses of receivable from operating leases</u>
The Group uses a provision matrix to calculate ECLs of receivable from operating leases. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

Provision for expected credit losses of receivable from operating leases (Continued)

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic, product inflation rate of Saudi Arabia and Saudi Governmental spending) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of 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 Group's trade receivables and contract assets is disclosed in Note 11.

Valuation of investment properties
The Group use the services of third party professionally qualified valuer to obtain estimates of the market value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the consolidated financial statements.

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

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to property recognized by the Group.

Employee benefits – defined benefit obligation

The Group operates an End of service benefit plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuation. For details of assumptions and estimate please refer to note 15.

Certain actuarial assumptions have been adopted as disclosed in note 15 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

7 PROPERTY AND EQUIPMENT

	Lands	Buildings	Devices and equipment	Vehicles	Total
Cost:					
Balance at 1 January 2019	16,034,745	169,933,899	22,048,246	563,100	208,579,990
Additions	-	-	624,105	-	624,105
Transferred from investment Property	-	-	410,170	-	410,170
Balance at 31 December 2019	16,034,745	169,933,899	23,082,521	563,100	209,614,265
Additions	-	-	743,631	-	743,631
Balance at 31 December 2020	**16,034,745**	**169,933,899**	**23,826,152**	**563,100**	**210,357,896**
Accumulated depreciation:					
Balance at 1 January 2019	-	(6,830,988)	(5,535,385)	(454,306)	(12,820,679)
Charged for the year	-	(4,732,957)	(3,623,385)	(53,825)	(8,410,167)
Balance at 31 December 2019	-	(11,563,945)	(9,158,770)	(508,131)	(21,230,846)
Charged for the year	-	(4,999,263)	(3,251,713)	(53,745)	(8,304,721)
Impairment loss (Note 2)	-	(25,000,000)	-	-	(25,000,000)
Balance at 31 December 2020	-	**(41,563,208)**	**(12,410,483)**	**(561,876)**	**(54,535,567)**
Net Book Value:					
31 December 2020	**16,034,745**	**128,370,691**	**11,415,669**	**1,224**	**155,822,329**
31 December 2019	16,034,745	158,369,954	13,923,751	54,969	188,383,419

Depreciation charged for the year ended 31 December is allocated as follows:

	2020	2019
Cost of revenues	**7,424,078**	7,775,867
General and administrative expenses	**880,643**	634,300
	8,304,721	8,410,167

(All amounts are expressed in Saudi Riyal unless otherwise stated)

7 PROPERTY AND EQUIPMENT(CONTINUED)

Based on the valuations performed by the valuers as of 31 Dec 2020, the Group recognized an impairment loss to the carrying value of one of the property Al-Andalus Hotel, amounting to SR 25 million. (Refer to Note 2 for the underlying factors that resulted in impairment and Note 8 for the details of underlying valuation).

The Group has pledged, the hotel against Islamic financing facility that is obtained from National Commercial bank (note:16).

8 INVESTMENTS PROPERTIES

	Lands	Buildings	Projects under construction	Total
Cost:				
Balance at 1 January 2019	201,414,400	370,927,623	44,099,816	616,441,839
Additions	53,393,135	204,539,365	8,459,771	266,392,271
Transferred from projects under construction to building	-	43,277,650	(43,277,650)	-
Disposal	-	-	(642,751)	(642,751)
Transferred to property and equipment	-	-	(410,170)	(410,170)
Balance at 31 December 2019	254,807,535	618,744,638	8,229,016	881,781,189
Additions *	105,978,023	149,572,874	3,144,756	258,695,653
Balance at 31 December 2020	**360,785,558**	**768,317,512**	**11,373,772**	**1,140,476,842**
Accumulated depreciation and impairment:				
Balance at 1 January 2019	-	(105,025,258)	(5,550,022)	(110,575,280)
Charge for the year	-	(14,264,426)	-	(14,264,426)
On transferred from projects under construction to building	-	(5,550,022)	5,550,022	-
Balance at 31 December 2019	-	(124,839,706)	-	(124,839,706)
Charged for the year**	-	(18,422,290)	-	(18,422,290)
Impairment Losses (Note 2)	-	(6,828,942)	-	(6,828,942)
Balance at 31 December 2020	**-**	**(150,090,938)**	**-**	**(150,090,938)**
Net Book Value:				
31 December 2020	**360,785,558**	**618,226,574**	**11,373,772**	**990,385,904**
31 December 2019	254,807,535	493,904,932	8,229,016	756,941,483

* On 22nd June 2020, the Group acquired QBIC Plaza, located in Riyadh, against cash consideration of SR 250 million and financed the acquisition through additional Islamic Financing. Moreover, the Plaza has been leased out for a net lease amount of SR 21.6 million annually, for a period of 3 years.

**Deprecation charge for year is allocated to cost of revenues.

The Group has pledged, Al-Andalus mall against Islamic financing facility that is obtained from National Commercial bank (Note 16).

(All amounts are expressed in Saudi Riyal unless otherwise stated)

8 INVESTMENT PROPERTIES (CONTINUED)

Based on the valuations performed by the valuers as of 31 Dec 2020, the Group management has recognized impairment loss to the carrying values of certain investment properties, amounting to SR 6.8 million. (Refer to Note 2 for the underlying factors that resulted in impairment).

The lands and the buildings classified as investment properties, were assessed by external valuers to determine their fair value as at 31 Dec 2020. The fair values of the investment properties amounted to SR 1.8 billion (31 Dec 2019: SR 1.6 billion) as on that date. The key assumptions used in determining the fair values of the investment properties were discount rates and the valuation approaches used are discounted cash flows and sales comparable method. The external valuers are accredited by the Saudi Authority for Accredited Values (TAQEEM).

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

				Fair value measurement	
Properties	**Valuation approach**	**Purpose**	**Key inputs and valuation assumptions**	**Fair value as at 31 December 2020**	Fair value at as 31 December 2019
AlAndalus Head Office	Replacement cost	Rental revenue and Capital appreciation	Build up construction cost addition to land cost	**14,600,000**	15,500,000
Al Sahafa Center	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	**9,700,000**	15,666,000
Al Tilal Center	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	**9,000,000**	11,500,000
Al Yarmouk Center	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	**8,700,000**	12,280,000
AlAndalus Mall	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 11%	**1,227,000,000**	1,231,200,000
Al Marwah Plaza	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 9%	**31,800,000**	37,000,000
Salama Tower	Discounted cash flows	Rental revenue and Capital appreciation	Discount rate 11%	**251,200,000**	258,930,000
Qbic Tower	Discounted cash flow	Rental revenue and Capital appreciation	Discount rate 11%	**256,000,000**	-

The Group uses the valuation reports from the independent valuer engaged by the management to evaluate the fair value of property at the reporting date, the details of independent valuers as follows:

1- ValuStrat: - TAQEEM No. (1210001039)
2- Knight Frank: - TAQEEM No. (1220001311)

Valuation techniques used to derive level 3 of fair value.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

9 RIGHT-OF-USE ASSETS

	2020	2019
Right-of-use assets		
Assets recognised during the year	**95,259,972**	101,411,448
Depreciation charge for the year	**(6,151,476)**	(6,151,476)
Balance at end of the year	**89,108,496**	95,259,972
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**9,650,000**	6,395,000
One to five years	**81,756,000**	80,758,250
More than five years	**178,708,442**	189,356,192
Total undiscounted lease liabilities	**270,114,442**	276,509,442
Discounted lease liabilities included in the consolidated statement of financial position as at 31 December 2020		
Non-current	**117,729,800**	123,722,963
Current	**15,700,000**	15,700,000
	133,429,800	139,422,963
Amounts recognised in the consolidated statement of profit or loss		
Depreciation on right-of-use assets	**6,151,476**	6,151,476
Interest expense on lease liabilities	**12,548,067**	11,734,469

10 INVESTMENTS IN ASSOCIATES

The details of investments in associates are as follow:

	Country of incorporation	Ownership percentage **2020**	Ownership percentage 2019	**2020**	2019
Al Aswaq Al Mutatawerah Company	Saudi Arabia	**50%**	50%	**104,877,215**	98,943,551
Hayat Real Estate Company	Saudi Arabia	**25%**	25%	**192,486,625**	186,975,889
Sorroh Centers Company	Saudi Arabia	**25%**	25%	**49,251,513**	49,291,014
West Jeddah Hospital Company	Saudi Arabia	**50%**	50%	**66,676,150**	67,600,640
Al-Jawhra Al-Kubra Company	Saudi Arabia	**25%**	25%	**68,191,462**	62,023,726
				481,482,965	464,834,820

The financial statements of the associates 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.
The following is the movement of investment in associates:

	2020	2019
Opening balance	**464,834,820**	493,988,554
Share of total comprehensive income from associates	**26,148,145**	37,020,342
Dividends received from associates	**(15,750,000)**	(33,675,000)
Increase in investment during the year	**6,250,000**	11,125,000
Sales of investment in associate	**-**	(43,624,076)
Balance at end of year	**481,482,965**	464,834,820

(All amounts are expressed in Saudi Riyal unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

2020	Al Aswaq Al Mutatawerah Company	Hayat Real Estate Company	Sorroh Centers Company	West Jeddah Hospital Company	Al-Jawhra Al-Kubra Company	Total
Non-current assets	196,303,776	349,599,594	197,166,932	212,103,090	85,335,664	1,040,509,056
Current assets	28,665,032	92,294,692	2,782,942	70,258,278	363,330,026	557,330,970
Non-current liabilities	(637,406)	(1,228,026)	-	(100,000,000)	(25,899,845)	(127,765,277)
Current liabilities	(14,576,972)	(53,719,758)	(2,943,822)	(2,937,007)	(150,000,000)	(224,177,559)
Net assets	209,754,430	386,946,502	197,006,052	179,424,361	272,765,845	1,245,897,190
Related to another Investor				(91,959,124)		(91,959,124)
Group's share percentage	50%	%25	25%	50%	25%	
Group's share of net assets	104,877,215	96,736,626	49,251,513	43,732,619	68,191,461	362,789,434
Al-Andalus shares of profit from sold land	-	-	-	22,943,531	-	22,943,531
Embedded goodwill	-	95,750,000	-	-	-	95,750,000
Carrying amount of investment in associates	104,877,215	192,486,626	49,251,513	66,676,150	68,191,461	481,482,965
Total revenue of an associate	37,621,092	110,937,245	-	-	-	148,558,337
Associate net income/(loss)	21,867,330	65,042,946	(158,005)	(1,848,981)	(329,060)	84,574,230
The Group share of income from associate	10,933,665	16,260,737	(39,501)	(924,491)	(82,265)	26,148,145

(All amounts are expressed in Saudi Riyal unless otherwise stated)

10 INVESTMENTS IN ASSOCIATES (CONTINUED)

2019	Al Aswaq Al Mutatawerah Company	Hamat Property Company	Hayat Real Estate Company	Sorroh Centers Company	West Jeddah Hospital Company	Al-Jawhra Al-Kubra Company	Total
Non-current assets	199,061,412	-	355,327,710	197,166,932	124,708,413	258,318,638	1,134,583,105
Current assets	11,012,469	-	60,689,838	2,782,941	65,526,945	14,196,894	154,209,087
Non-current liabilities	(675,103)	-	-	-	-	-	(675,103)
Current liabilities	(11,511,677)	-	(51,113,994)	(2,785,816)	(8,962,016)	(24,420,627)	(98,794,130)
Net assets	197,887,101	-	364,903,554	197,164,057	181,273,342	248,094,905	1,189,322,959
Less additional funding related to other investors	-	-	-	-	(91,959,124)	-	(91,959,124)
Group's share percentage	50%	-	25%	25%	50%	25%	
Group's share of net assets	98,943,551	-	91,225,889	49,291,014	44,657,109	62,023,726	346,141,289
Al-Andalus shares of profit from sold land	-	-	-	-	22,943,531	-	22,943,531
Embedded goodwill	-	-	95,750,000	-	-	-	95,750,000
Carrying amount of investment in associates	98,943,551	-	186,975,889	49,291,014	67,600,640	62,023,726	464,834,820
Total revenue of an associate	41,615,257	-	143,032,998	-	-	-	184,648,255
Associate net income/(loss)	21,641,368	1,628,787	98,908,445	(168,542)	(112,050)	(232,320)	121,665,688
The Group share of income from associate	10,820,684	1,628,787	24,727,111	(42,136)	(56,025)	(58,079)	37,020,342

(All amounts are expressed in Saudi Riyal unless otherwise stated)

11 RECEIVABLES FROM OPERATING LEASES

	2020	2019
Receivable from operating leases	**63,879,208**	50,519,791
Provision for impairment	**(12,879,991)**	(11,879,991)
	50,999,217	38,639,800

The summary for the movement of provision for impairment is as follows:

	2020	2019
1 January	**11,879,991**	8,814,808
Provided during the year	**1,000,000**	5,607,326
Provision used	**-**	(2,542,143)
31 December	**12,879,991**	11,879,991

The aging analysis of receivable from operating leases at the reporting date:

			Past due and impaired				
	Total	**1 to 90 days**	**From 91-180 days**	**From 181-270 days**	**From 271-365 days**	**From 366-455 days**	**More than 455 days**
2020	**63,879,208**	**19,256,026**	**24,999,400**	**6,058,897**	**1,951,348**	**1,962,256**	**9,651,281**
2019	50,519,791	9,385,264	22,023,929	4,505,549	2,823,399	5,925,346	5,856,304

12 PREPAYMENTS AND OTHER DEBIT BALANCES

	2020	2019
Advance payment	**10,123,524**	9,305,000
Advance insurance	**827,146**	556,191
Staff loans	**967,333**	951,008
Advances to suppliers	**699,109**	75,061
Input value added tax	**1,674,377**	12,494,788
Other debit balances	**900,957**	3,315,970
	15,192,446	26,698,018

13 FINANCIAL INSTRUMENTS - FAIR VALUE THROUGH PROFIT OR LOSS

These represented investment in mutual fund managed by the Fund Manager of the subsidiary “Al Ahli REIT Fund 1”. During the year, the Group has disposed-off the investment resulted in net gain of SAR 360 thousand that has been recognized as other income.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

14 CASH AND CASH EQUIVALENTS

	2020	2019
Cash at banks	**182,483,190**	48,233,398
Murabha deposits *	**-**	100,000,000
	182,483,190	148,233,398

* Murabha deposits are short-term highly liquid deposits held with reputable banking institutions and its original maturities of less than three months as of 31 December.

15 EMPLOYEES' BENEFITS - DEFINED BENEFIT OBLIGATION

Movement in the employee's benefits - defined benefit obligation liabilities in the statement of financial position is as follows:

	2020	2019
Balance at 1 January	**5,772,643**	5,074,706
Interest cost	**231,855**	145,116
Current service cost	**2,398,444**	436,422
Actuarial loss on the obligation (OCI)	**244,594**	253,856
Benefits paid	**(156,393)**	(137,457)
Balance at 31 December	**8,491,143**	5,772,643

Benefit expense recognized in profit or loss

	2020	2019
Current service cost	**231,855**	436,422
Interest cost on benefit obligation	**2,398,444**	145,116
	2,630,299	581,538

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2020	2019
Discount rate	**2.10%**	3%
Future salary increases	**10%**	12%

A quantitative sensitivity analysis for salary change assumption and discount rate on the defined benefit obligation is shown below:

	2020		2019	
	1% increase	**1% decrease**	1% increase	1% decrease
Discount rate	**785,445**	**(920,808)**	(126,427)	131,023
Future salary increases rate	**(950,413)**	**824,909**	119,237	(117,464)

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employee defined benefits obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

16 ISLAMIC FINANCE FACILITIES

	2020	2019
Balance at beginning of the year	**357,662,391**	1,826,151
Additions during the year	**334,864,421**	360,456,554
Payment	**(13,630,796)**	(4,620,314)
Total value of Facilities	**678,896,016**	357,662,391
Less: Deferred finance cost	**(163,901,265)**	(104,612,475)
Balance at the end of the year	**514,994,751**	253,049,916

Details on the deferred cost of finance are as follows:

	2020	2019
Opening balance	**104,612,475**	3,384
Additions	**71,961,921**	107,410,022
Amortization of the year (cost of Islamic financing facilities)	**(12,673,131)**	(2,800,931)
	163,901,265	104,612,475

During 2019, the Group obtained an Islamic financing facility of SAR 650 million from National Commercial Bank (NCB), which is secured by certain requirements of the financial covenants

The Group transferred the title deed of properties, Al-Andalus Mall and Hotel, in favor of Real Estate Development Company for Management and Ownership, a fully owned subsidiary of the NCB as a pledge against the Islamic financing facility.

During 2020, The Group utilized SR 250 million as the second tranche from the Islamic financing facility on 22 Jun 2020. The tenor of the Islamic financing facility is 15 years. The Islamic financing facility provides 5 years grace period during which only profit payments are to be made. Following the grace period, the principal amount shall be repaid over 10 years on a quarterly basis.

17 ACCRUALS AND OTHER CREDIT BALANCES

	2020	2019
Accrued expenses	**19,419,416**	21,375,385
Due to suppliers	**216,942**	458,327
Accrued staff salaries and benefits	**1,701,791**	2,471,542
Other credit balances	**7,000,000**	2,000,000
	28,338,149	26,305,254

(All amounts are expressed in Saudi Riyal unless otherwise stated)

18 ZAKAT

The Group and its subsidiaries file their Zakat returns individually based on the financial statements belong to each Company. Therefore, Zakat base is identified, and Zakat is calculated for the Company and its subsidiaries individually, and total estimated Zakat is presented in the consolidated statement of income for the Group.

Al-Andalus Property Company filed all Zakat returns up to the year ended 31 December 2019 and obtained Zakat certificate up to year 2019. The Group finalized Zakat assessment with the General Authority of Zakat and Income Tax ("GAZT") up to the year ended 31 December 2018.

Zakat base

Zakat is calculated for the year ended 31 December using the Zakat base as follows:

	2020	2019
Net Zakat positive base (A)		
Equity	**1,039,080,027**	1,053,439,270
Provisions	**10,771,703**	11,783,008
Lease liability on right-of-use assets	**63,358,272**	-
Net Zakat positive base	**1,113,210,002**	1,065,222,278
Net Zakat negative base (B)		
Property and equipment-net	**9,532,899**	9,814,626
Investments property	**41,599,133**	62,543,653
Right-of-use assets	**47,604,928**	-
Investments in associates and subsidiaries	**852,717,152**	867,722,153
	951,454,112	940,080,432
Net	**161,755,890**	125,141,846
Net adjusted profit	**19,387,581**	(11,630,369)
Zakat charge at 2.5%	**4,654,245**	2,935,001
Subsidiaries Zakat charge at 2.5%	**1,465,317**	1,500,000
Total	**6,119,562**	4,435,001

Movement in the provision for Zakat is as follows:

	2020	2019
1 January	**11,631,543**	13,305,708
Provided during the year	**6,119,562**	4,435,001
Payments made during the year	**(11,243,595)**	(6,109,166)
31 December	**6,507,510**	11,631,543

(All amounts are expressed in Saudi Riyal unless otherwise stated)

19 SEGMENT REPORTS

The Group's activities include a number of sectors as follows:

Retail Sector: This includes leasing rental units of investment properties such as malls.

Hospitality Sector: This includes hospitality service providing entities (Al-Andalus Mall Hotel).

Offices Sector: This includes rent for commercial units from investment properties (Salama Tower and QBIC Plaza).

2020	**Retail Sector**	**Hospitality Sector**	**Office Sector**	**Other**	**Total**
Revenue	**127,730,679**	**8,547,140**	**31,546,741**	**-**	**167,824,560**
Cost of revenue	**(42,682,914)**	**(21,697,007)**	**(7,789,809)**	**-**	**(72,169,730)**
Share of income from associates	**-**	**-**	**-**	**26,148,145**	**26,148,145**
Expenses	**(12,548,067)**	**-**	**(12,673,131)**	**(41,562,532)**	**(66,783,730)**
Impairment loss on financial assets	**(1,000,000)**	**-**	**-**	**-**	**(1,000,000)**
Impairment loss on non-financial assets	**(6,828,942)**	**(25,000,000)**	**-**	**-**	**(31,828,942)**
Other income	**-**	**-**	**-**	**919,679**	**919,679**
Net profit before Zakat	**64,670,756**	**(38,149,867)**	**11,083,801**	**(14,494,708)**	**23,109,982**
Total assets	**728,683,890**	**131,285,122**	**501,643,450**	**618,708,670**	**1,980,321,132**
Total liabilities	**205,991,604**	**-**	**514,994,751**	**23,218,528**	**744,204,883**

2019	Retail Sector	Hospitality Sector	Office Sector	Other	Total
Revenue	148,715,233	16,889,488	10,456,628	-	176,061,349
Cost of revenue	(49,933,906)	(21,201,601)	(2,523,562)	-	(73,659,069)
Share of income from associates	-	-	-	37,020,342	37,020,342
Expenses	(11,734,469)	-	(4,466,779)	(35,471,177)	(51,672,425)
Impairment loss of receivable from operating leases	(5,607,326)	-	-	-	(5,607,326)
Other income	-	-	-	5,846,341	5,846,341
Net profit before Zakat	81,439,532	(4,312,113)	3,466,287	7,395,506	87,989,212
Total assets	735,682,548	162,281,240	265,367,501	635,868,926	1,799,200,215
Total liabilities	197,125,477	-	253,105,134	40,231,159	490,461,770

(All amounts are expressed in Saudi Riyal unless otherwise stated)

20 EARNINGS PER SHARE – BASIC AND DILIUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2020	2019
Net profit for the year	**14,341,598**	64,820,558
Weighted average number of outstanding ordinary shares (share)	**70,000,000**	70,000,000
Basic and diluted earnings per share	**0.20**	0.93

The diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2020 and 31 December 2019 as there are no instruments with reduced earnings per share effect.

21 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise of Shareholders having control or significant influence, key management personnel and affiliates where shareholders have control or significant influence. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The transactions and the balances between the company and its subsidiaries and those between the subsidiaries have been eliminated in preparing these consolidated financial statements.

Name of entity	**Relationship**
Hayat Real Estate Company	Associate Company (other related parties)
Imtieaz Al-Arabia Company	Related to board of director member
World Health Care Company	Related to board of director member
Pharmacies Beauty Fourth Company	Related to board of director member
National Distribution Company	Related to board of director member

Major transactions with related parties during the year are as follows:

- The Group has leased contracts with other related party mentioned above as a lessee (through ownership of a board member for indirect share in the related companies) with annual rental value of SR 3.7 million (31 December 2019: SR 3.9 million).
- In addition to above, the Group incurred certain expenses on behalf of its related parties and charge the same to the related parties in the normal course of business.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

21 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Transactions during 2020		Transactions during 2019			**Balance at**	
Due from related parties:	**Operating services**	**Paid on behalf of related parties**	Operating services	Rental services	Paid on behalf of related parties	**2020**	2019
Al Aswaq Al Mutatawerah	-	-	-	-	4,000,000	-	-
Hayat Real Estate Company	**4,501,418**	**16,916,839**	-	-	16,032,578	**1,668,972**	406,136
Al-Jawhra Al-Kubra Company	-	-	-	-	5,000	-	5,000
IHG Group (Inter-continental)	-	-	1,849,155	-	-	-	197,906
Asalah Holding Co	-	-	-	-	43,925,376	**13,177,613**	37,336,570
						14,846,585	37,945,612
Due to a related party:							
Hamat Property Company	-	-	6,294,267	1,922,238	5,169,990	-	6,463,666
Mohamed Alrajhi Company for investments	-	-	-	-	8,614,710	**40,821**	40,821
NCB Capital	**21,357,658**	-	14,561,655	-	-	**16,355,681**	9,467,240
						16,396,502	**15,971,727**

Summary of transactions and balances are as follows:

Transactions with related parties include compensations of major shareholders, board members and key management personnel of the Group. The terms and conditions of these transactions have been approved by the Group. Significant transactions with related parties during the year are as follows:

	Charged to consolidated statement of profit or loss and other comprehensive income		**Balance in consolidated financial position**	
	2020	2019	**2020**	2019
Remuneration of key management personnel	**2,716,395**	4,481,420	**2,168,973**	1,726,583

(All amounts are expressed in Saudi Riyal unless otherwise stated)

22 DIVIDENDS TO SHAREHOLDERS

The Shareholders, in their Ordinary General Assembly Meeting dated 14 May 2020, resolved the distribution of SR 70,000,000 as dividend (Dividend per share of SR 1), that was paid on 8 June 2020. (31 December 2019 SR 70,000,000).

23 FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT

The Group is subjected to various financial risks due to its activities including: Market risk (including currency risk, fair value and cash flows of interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, investments, accounts receivable, due from/to related parties, prepayments and other current assets, Murabaha finance, trade payables and accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

a. <u>Market risk</u>

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income 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.

The effect on the equity (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in fair value of FVTPL investments, with all other variables held constants is as follows:

	Percentage of change	**31 December 2020**
Effect on consolidated statement of profit or loss and other comprehensive income	**±10%**	**-**

	Percentage of change	**31 December 2019**
Effect on consolidated statement of profit or loss and other comprehensive income	±10%	± 4,226,369

23 FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

b. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations.

c. Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flow.

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flow.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at fixed rate of interest and are not subject to re-pricing on a regular basis.

d. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its trade receivables, cash and cash equivalent and due from related parties.

	2020	2019
Cash and cash equivalent	**182,483,190**	148,233,398
Receivable from operating leases	**63,879,208**	50,519,791
Due from related parties	**14,846,585**	37,945,612
	261,208,983	236,698,801

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

Credit risk on receivable and bank balances is limited as:
• Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
• Lease receivables are shown net of allowance for impairment of trade receivables and discounts.
• Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined Policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

Trade receivables outstanding balance is of due from local customers in Saudi Arabia.

(All amounts are expressed in Saudi Riyal unless otherwise stated)

23 FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

e. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Carrying amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
2020				
Islamic Finance facilities	**514,994,751**	**-**	**-**	**514,994,751**
Accruals and other credit balances	**36,514,776**	**36,514,776**	**-**	**-**
Lease liability	**-**	**15,700,000**	78,500,000	23,529,800
Due to related parties	**16,396,502**	**16,396,502**	**-**	**-**
	567,906,029	**68,611,278**	**78,500,000**	**538,524,551**
2019				
Islamic Finance facilities	253,049,916	-	41,273,663	211,776,253
Accruals and other credit balances	26,305,254	26,305,254	-	-
Lease liability	-	15,700,000	78,500,000	29,522,963
Due to related parties	15,971,727	15,971,727	-	-
	295,326,897	57,976,981	119,773,663	241,299,216

24 FAIR VALUE

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 and at prevailing market conditions regardless if the price is directly identified or estimated using other valuation technique.
All assets and liabilities whether measured at fair value or their fair values are disclosed in the financial statements in accordance with the hierarchical levels of fair value measurements as stated below are classified into the lowest level of measuring input which is considered significant for measuring the fair value as a whole.

Level 1: Declared (unadjusted) and quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs that are directly or indirectly observable or tracked for an asset or a liability other than declared prices mentioned in level 1.

Level 3: Inputs that are unobservable or not tracked for an asset or a liability.

24 FAIR VALUE (CONTINUED)

Fair values of financial instruments
The Group is exposed to risks as a result of using financial instruments. The following explains the Group's objectives, polices and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Group to financial instrument risks through its objectives, polices and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

- The Group's management considers the fair value for lessees' receivables, current portion of Islamic finance facilities, balances of related parties, rents due from lease, accruals and other payable approximate to their carrying value because of the short terms of financial instruments.
- The Group's management estimated the fair value for short-term Islamic finance facilities, which are classified in level 3, to be approximate to their carrying value.
- There were no transfers between level 1, 2 or 3 during the reporting period.

Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission. Actual commission rate and period of re-pricing or maturity of financial assets and liabilities were mentioned in the related notes.

The following table shows the carrying amounts and fair values of financial assets 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.

	Carrying amount	Fair Value		
	Designated at fair value	Level 1	Level 2	Level 3
2020				
Financial instruments- FVTPL	-	-	-	-
2019				
Financial instruments- FVTPL	-	-	42,263,693	-

25 CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital base to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

i) To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
ii) To provide an adequate return to shareholders.

26 CAPITAL COMMITMENTS & CONTINGENCIES LIABILITIES

Capital commitments

The Group has no capital commitments as of 31 December 2020 (31 December 2019: SR 250 million relating to acquisition contracts of investment properties).

Contingencies

There were no significant contingencies as of 31 December 2020 (31 December 2019: Nil).

27 SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

28 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 19 Rajab 1442 H (corresponding 3 March 2021).