ALANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent Auditor's Report

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Al-Andalus Property Company (A 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 2021, 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 2021, 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 Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as 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 (continued)

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

Key audit matters (continued)

Impairment of investment properties and their fair value

Note (8) to the consolidated financial statements.

Key audit matter	How the matter was address in our audit
As at 31 December 2021, the carrying value of Group's investment properties amounted to SR 976,7 million and the fair value of these properties amounted to SR 1.8 billion. The investment properties are stated at cost net of accumulated depreciation and impairment losses, (if any). Also, the fair value of the investment properties is disclosed in the notes to the consolidated financial statements. The Group conducts an annual assessment to verify the existence of any indicators of impairment of investment properties. If any impairment indicator exists, the Group estimates the recoverable amount by estimating the value-in-use after obtaining the fair value estimates by independent real estate valuation experts. We considered the impairment of investment properties and their fair value as a key audit matter since the calculation of impairment losses (if any) and the valuation of the fair value of the investment properties require significant assumptions and judgments that could result in material misstatements of the calculation of impairment losses (if any) and also with regard to the disclosure of the fair value of the investment properties in the consolidated financial statements.	Our audit procedures, included among others: - Understanding and evaluating the Management estimates regarding the existence of indicators of impairment of investment properties and the mechanism used if there is an indication of impairment of investment properties. - Assessing and agreeing observable inputs used in the valuations, such as rental income, occupancy rates and lease lengths back to lease agreements for a sample of properties. - Comparing the value in use of investment properties with their carrying values to determine whether the recognition of impairment loss is required. - Communicating with the independent real estate valuation experts to understand the assumptions and the approach used in valuing the investment properties and the market evidence used by the valuer to support the assumptions used. - Assessing the independence and professional and practical qualifications of the Group's real estate valuation experts and that the real estate valuation expert is accredited by the Saudi Authority for Accredited Values (TAQEEM). - Using our specialists to assess the key assumptions used by the real estate valuation experts in estimating the fair value of the investment properties. - Assessing the adequacy of the disclosures in the consolidated financial statements.

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Independent Auditor's Report (continued)

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

Key audit matters (continued)

Revenue recognition

Note (19) to the consolidated financial statements.

Key audit matter	How the matter was address in our audit
During the year ended 31 December 2021, the Group recognized revenues totaling SR 214,3 million (31 December 2020: SR 167,8 million). The Group revenue mainly consists of rental income arising from lease contracts. Revenue recognition is considered as a key audit matter since revenue is key measure of performance measurement and there is a risk that revenue may be overstated resulting from the pressure management may face to achieve performance targets and without achieving revenue recognition requirements as per requirements of IFRS.	Our audit procedures, included among others: - Assessing the Group accounting policies by considering the requirements of the relevant accounting standards. - Assessing the design and implementation, and testing the operating effectiveness of controls for new leases and for any settlements made during the year. - Testing revenue recognized during the year in respect of a sample of lease contracts to assess whether revenue recognized under these contracts complies with Group's revenue recognition and in accordance with terms of the lease contracts. - Testing a sample of journal entries posted to the revenue accounts to identify any unusual items. - Performing cut off procedures to assess that revenue is recognized in that period. - Assessing the adequacy of the disclosures in the consolidated financial statements.

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.

Independent auditor's report (continued)

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

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, 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, 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 judgment 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.
- 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 auditors' 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.

Independent auditor's report (continued)

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG Professional Services

Khalil Ibrahim Al Sedais
License Number: 371

Riyadh on: 7 Sha'ban 1443H
Corresponding to: 10 March 2022

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 1010425494
R : 2
KPMG
ترخيص رقم ٤٦
س.ت: ١٠١٠٤٢٥٤٩٤
KPMG Professional Services

AL-ANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	**2021**	2020
ASSETS			
Non-current assets			
Property and equipment	*7*	**149,938,402**	155,822,329
Investment properties	*8*	**976,765,133**	990,385,904
Right-of-use assets	*9*	**82,957,021**	89,108,496
Equity-accounted investees	*10*	**521,004,741**	481,482,965
		1,730,665,297	1,716,799,694
Current assets			
Receivables from operating leases	*11*	**59,541,690**	50,999,217
Prepayments and other debit balances	*12*	**8,085,396**	15,192,446
Due from related parties	*21*	**1,344,835**	14,846,585
Financial instruments at FVTPL	*13*	**40,031,246**	-
Cash and cash equivalents	*14*	**200,761,240**	182,483,190
		309,764,407	263,521,438
Total assets		**2,040,429,704**	1,980,321,132
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital	*1*	**933,333,330**	700,000,000
Statutory reserve		**90,305,707**	96,841,478
Retained earnings		**39,416,221**	256,335,553
Equity attributable to the Company's Shareholders		**1,063,055,258**	1,053,177,031
Non-controlling interest		**177,588,161**	182,939,218
Total equity		**1,240,643,419**	1,236,116,249
Liabilities			
Non-current liabilities			
Employees' benefits - defined benefit obligation	*15*	**9,460,196**	8,491,143
Lease liability on right-of-use of assets	*9*	**114,294,193**	117,729,800
Islamic Finance facilities	*16*	**558,727,653**	514,994,751
Total non-current liabilities		**682,482,042**	641,215,694
Current labilities			
Advances from lessees and deferred revenue		**45,930,885**	36,047,028
Lease liability on right-of-use assets – current portion	*9*	**15,700,000**	15,700,000
Due to related parties	*21*	**14,487,886**	16,396,502
Zakat provision	*18*	**8,389,959**	6,507,510
Accruals and other credit balances	*17*	**32,795,513**	28,338,149
		117,304,243	102,989,189
Total liabilities		**799,786,285**	744,204,883
Total equity and liabilities		**2,040,429,704**	1,980,321,132

Fawaz Abdulaziz bin Huwail	Hathal Bin Saad Alutaibi	Eng. Saleh Bin Mohammad ALHabib
Chief Financial Officer	*Chief Executive Officer*	*Board of Directors VP*

The attached notes from 1 to 28 are an integral part of these consolidated financial statements.

AL-ANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	2021	2020
Revenue	*19*	**214,386,203**	167,824,560
Cost of revenue	*19*	**(69,359,851)**	(72,169,730)
Gross profit		**145,026,352**	95,654,830
Marketing expenses		**(1,804,424)**	(2,118,259)
General and administrative expenses		**(41,241,539)**	(39,444,273)
Impairment of receivable from operating leases contracts	*11*	**(7,240,001)**	(1,000,000)
Impairment reversal/ impairment loss in property and equipment and investment properties	*7 & 8*	**1,948,784**	(31,828,942)
Share of profit of equity-accounted investees	*10*	**27,246,776**	26,148,145
Other income		**1,204,414**	919,679
Operating profit		**125,140,362**	48,331,180
Interest expense on lease liability		**(12,264,393)**	(12,548,067)
Finance cost		**(14,057,348)**	(12,673,131)
Profit before zakat		**98,818,621**	23,109,982
Zakat	*18*	**(7,169,087)**	(6,119,562)
Profit for the year		**91,649,534**	16,990,420
Attributable to:			
Shareholders of the Company		**67,975,591**	14,341,598
Non-controlling interests		**23,673,943**	2,648,822
		91,649,534	16,990,420
Other comprehensive income			
Items that will not be reclassified subsequently to statement of profit or loss:			
Re-measurement of employees' benefits – defined benefit obligations	*15*	**235,969**	(244,594)
Total comprehensive income		**91,885,503**	16,745,826
Total other comprehensive income attributable to:			
Shareholders of the Company		**68,211,560**	14,097,004
Non-controlling interests		**23,673,943**	2,648,822
		91,885,503	16,745,826
Earnings per share			
Basic and diluted earnings per share	*20*	**0.73**	0.15

Fawaz Abdulaziz bin Huwail	Hathal Bin Saad Alutaibi	*Eng. Saleh Bin Mohammad ALHabib*
Chief Financial Officer	*Chief Executive Officer*	*Board of Directors VP*

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AL-ANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Equity attributable to shareholders of the Company					
	Share capital	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
For the year ended 31 December 2021						
Balance as at 1 January 2021	**700,000,000**	**96,841,478**	**256,335,553**	**1,053,177,031**	**182,939,218**	**1,236,116,249**
Increase in share capital through the issuance of bonus shares - (note 1)	**233,333,330**	**(13,333,330)**	**(220,000,000)**	-	-	-
Income for the year	-	-	**67,975,591**	**67,975,591**	**23,673,943**	**91,649,534**
Other comprehensive income	-	-	**235,969**	**235,969**	-	**235,969**
Total comprehensive income for the year	-	-	**68,211,560**	**68,211,560**	**23,673,943**	**91,885,503**
Transfer to statutory reserve	-	**6,797,559**	**(6,797,559)**	-	-	-
Dividends (note 22)	-	-	**(58,333,333)**	**(58,333,333)**	**(29,025,000)**	**(87,358,333)**
Balance as at 31 December 2021	**933,333,330**	**90,305,707**	**39,416,221**	**1,063,055,258**	**177,588,161**	**1,240,643,419**
For the year ended 31 December 2020						
Balance as on 1 January 2020	**700,000,000**	**95,381,933**	**313,698,094**	**1,109,080,027**	**199,658,418**	**1,308,738,445**
Income 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 (note 22)	-	-	**(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**

Fawaz Abdulaziz bin Huwail
Chief Financial Officer

Hathal Bin Saad Alutaibi
Chief Executive Officer

Eng. Saleh Bin Mohammad ALHabib
Board of Directors VP

The attached notes from 1 to 28 are an integral part of these consolidated financial statements.

AL-ANDALUS PROPERTY COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	Note	2021	2020
Operating activities:			
Profit for the year before zakat		**98,818,621**	23,109,982
Adjustments for non-cash items:			
Depreciation:			
- Property and equipment	*7*	**6,177,058**	8,304,721
- Investment properties	*8*	**21,683,695**	18,422,290
- Right of use assets	*9*	**6,151,475**	6,151,476
Interest on lease liabilities	*9*	**12,264,393**	12,548,067
Share of profit of equity-accounted investees	*10*	**(27,246,776)**	(26,148,145)
Gain on investment at fair value through profit or loss		**(31,246)**	-
Impairment loss on receivables from operating leases	*11*	**7,240,001**	1,000,000
Finance cost	*16*	**14,057,348**	12,673,131
Impairment reversal/ impairment loss in property and equipment and investment properties	*7 & 8*	**(1,948,784)**	31,828,942
Employees' benefits - defined benefit obligation		**1,352,993**	2,630,299
		138,518,778	90,520,763
Changes in:			
Receivable from operating leases		**(15,782,474)**	(13,359,417)
Prepayments and other debit balances		**7,107,050**	11,505,572
Related parties' balances, net		**11,593,134**	23,523,802
Advances from lessees and deferred income		**9,883,857**	(2,260,696)
Accruals and other credit balances		**4,457,364**	3,386,781
Dividend received from equity-accounted investees		**31,250,000**	15,750,000
Zakat paid		**(5,286,638)**	(11,243,595)
Employees' benefits - defined benefit obligation		**(147,971)**	(156,393)
Net cash from operating activities		**181,593,100**	117,666,817
Investing activities			
Additions to property and equipment		**(293,131)**	(743,631)
Addition of Equity-accounted investees		**(43,525,000)**	(6,250,000)
Additions to investments properties		**(6,114,140)**	(258,695,653)
Addition/ disposal of financial investments at fair value through profit or loss		**(40,000,000)**	42,263,693
Net cash used in investing activities		**(89,932,271)**	(223,425,591)
FINANCING ACTIVITIES			
Proceeds from Islamic finance facilities		**42,677,500**	261,027,500
Payment for Islamic financing facilities		**(13,001,946)**	(13,109,682)
Payment of Lease liabilities of right-of-use assets		**(15,700,000)**	(18,541,230)
Dividends paid		**(58,333,333)**	(70,000,000)
Change in non-controlling interest		**(29,025,000)**	(19,368,022)
Net cash generated (used in) from financing activities		**(73,382,779)**	140,008,566
Net change in cash and cash equivalents during the year		**18,278,050**	34,249,792
Cash and cash equivalents at beginning of the year	**14**	**182,483,190**	148,233,398
Cash and cash equivalents at end of the year	**14**	**200,761,240**	182,483,190

Non-cash transaction:

Increase in share capital through the issuance of bonus shares - (note 1)	**233,333,330**	

Fawaz Abdulaziz bin Huwail	Hathal Bin Saad Alutaibi	*Eng. Saleh Bin Mohammad ALHabib*
Chief Financial Officer	*Chief Executive Officer*	*Board of Directors VP*

The attached notes from 1 to 28 are an integral part of these consolidated financial statements.

1 REPORTING ENTITY

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 Extraordinary General Assembly on 25 August 2021 (corresponding to 17 Muharram 1443H) approved an increase in the share capital from SR 700,000,000 to SR 933,333,330 by transferring an amount of SR 220,000,000 and an amount of SR 13,333,330 from "Retained earnings and statutory reserve account", respectively. Accordingly, the Company's share capital as of 31 December 2021 is SR 933,333,330 divided into 93,333,333 shares of a par value of SR 10 each (31 December 2020: SR 700,000,000 divided into 70,000,000 shares of a par value of SR 10 each).

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

The Group's 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 Chartered and Professional 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.

2 BASIS OF PREPARATION (CONTINUED)

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 options and made the following decisions:

- Obligating listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and
- 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).

2.3 Impact of coronavirus (Covid-19) outbreak

The COVID-19 pandemic, which has spread to various geographical regions around the world, has disrupted business and economic activities. Both domestic and international financial and monetary authorities have announced various support measures around the world to counter the potential negative repercussions of this pandemic. However, the Government of the Kingdom of Saudi Arabia (the "Government") has been able to successfully control the outbreak of the virus so far, primarily due to the unprecedented and effective measures taken by the Government. With the ongoing outbreak of the Covid-19 virus, it is difficult to predict the extent and duration of its full economic impact so far. As on December 31, 2021, and in addition to this, the management of the group is monitoring the developments of the pandemic situation and the extent of the impact on the group's operations, cash flows and financial position, and concluded that no adjustments should be made to the amounts recorded in these financial statements. In addition, the management believes, based on its assessment, that the group has enough available liquidity to continue to meet its financial obligations in the future when they become due. The management has not found any indications of a decrease in the value of the group's investment properties. In addition, the group also Assessed the tenants' ability to pay rents related to the period affected by the COVID-19 outbreak during the past year. It was not clear that there was a need to grant additional discounts to tenants during the current year, and accordingly there were no indications that there were any problems or doubts about the going concern of the group's activities.

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.

3 BASES OF CONSOLIDATION (CONTINUED)

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.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2021. 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.

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

3 BASIS OF CONSOLIDATION (CONTINUED)

Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised 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.

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

		Shareholding	
Name of a subsidiary	**Country of incorporation**	**2021**	2020
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%

The 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 11 Rabi' I 1438H (corresponding to 29 November 2017). 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**
Alandalus Mall	Jeddah
Al-Andalus Mall Hotel	Jeddah
Salama Toawer	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 22 Rajab 1438H (corresponding to 19 April 2017). 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**
Al Marwah Plaza	Jeddah

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of amendments to standards and interpretations were issued. The table below lists the recent changes to the standards that are required to be applied for annual period beginning on 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021. However, the Group has not early adopted any of these and they do not have a material impact on the Group's consolidated financial statements.

New currently effective requirements:

Effective date	New standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16).
1 January 2021	Interest rate benchmark reforms – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

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

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Forthcoming requirements:

Effective date	New standards or amendments
1 January 2022	Onerous Contracts: Cost of fulfilling a contract (Amendments to IAS 37)
	Annual Improvements to IFRSs 2018 - 2020 Cycle (Amendments to IFRS 1, IFRS 9, "illustrative examples accompanying IFRS 16 and IAS 41")
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the conceptual framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
	IFRS 17 Insurance Contracts
	Definition of accounting estimate - amendments to IAS 8
	Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2
	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Equity-Accounted Investee or Joint Venture (Amendments to IFRS 10 and IAS 28)

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 any.

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.

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 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

The useful life, residual values and depreciation method are reviewed at each reporting date and adjusted if appropriate.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 normal course of business, 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

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.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit (“CGU”).

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. An 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUITY ACCOUNTED INVESTEES

Equity-accounted investees are those companies 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 equity-accounted investees are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an equity-accounted investee 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 equity-accounted investee. When the Group's share of losses of the equity-accounted investee exceeds the Group's interest in that the equity-accounted investee (which includes any long-term interests that, in substance, form part of the Group's net investment in the equity-accounted investee), 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 equity-accounted investee. If the equity-accounted investee 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 the equity-accounted investees is accounted for using the equity method from the date on which the investee becomes an equity-accounted investee. On acquisition of the investment in the equity-accounted investees, 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 identifiable assets and liabilities of equity-accounted investees 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 equity-accounted investee of the Group, profits or losses resulting from the transactions with the equity-accounted investee are recognized in the Group's consolidated financial statements only to the extent of interests in the equity-accounted investee that are not related to the Group.

The financial statements of the equity-accounted investee are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines at each reporting date whether there is any objective evidence that the investment in the equity-accounted investees is impaired. When necessary, the entire carrying amount of the investment (including underlying 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1) Right-of-use assets
The Group recognizes 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 amortized 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.

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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term leases and leases of low-value assets
The Group has elected not to recognize 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 recognizes 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
Receivables from operating leases issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when Group becomes a 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. Receivables from operating leases 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 amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized 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 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 FVTPL unless it is measured at amortized cost or at FVTOCI.

Financial assets	**IFRS 9 classification**
Cash and bank balances	Amortized cost
Receivables from Operating leases	Amortized cost
Due from related parties	Amortized cost

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Financial instruments* (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 other comprehensive income. 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 recognized in OCI and are never reclassified to profit or loss. The Group has no such investments.

Reclassification
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 derecognized 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.

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

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)

***Financial instruments* (continued)**
***Derecognition* (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 recognized for the first category while 'lifetime expected credit losses' are recognized 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 receivables from operating leases:
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 amortized cost of the Group

The expected loss rates are based on the payment profiles of receivables from operating leases 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 from operating leases. 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 the 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment for receivables from operating leases(continued):
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 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.

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 recognized 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 realized 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 recognized 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment for receivables from operating leases(continued):

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 recognized 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.

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

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

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

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 derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized 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.

Financial liabilities
The Group derecognizes 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 recognize at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)
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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and are 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 amortization.

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.

Employees' benefits

Short-term obligations
Short-term employee's 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 Labor 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.

Employees' 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.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees’ benefits (continued)

Past-service costs are recognized 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 currencies 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 of 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, unless there is another basic alternative is more representative of the pattern of benefits to be derived from the leased asset.

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 not currently available for distribution to Shareholders.

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ("ZATCA") 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 ZATCA and periodically evaluates positions taken in the income tax returns with respect to situations in which applicable income tax 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 ZATCA 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.

Reporting segments

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. These operating segments described in Note 19 have 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 year.

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.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

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 judgements made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements is included in the following notes:
Note 3 - whether the Group exercises control over an investee.
Note 10 - Classification of equity accounted investees.
Note 5 - 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).

<u>Provision for expected credit losses of receivable from operating leases (continued)</u>
The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust 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 analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecasted 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 receivables from operating leases and contract assets is disclosed in Note 11.

<u>Valuation of investment properties</u>
The Group use the services of third party professionally qualified valuer to obtain estimates of the fair value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the consolidated financial statements, for further details of assumptions and estimates.

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and 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 discounted cash flow model ("DCF"). 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

	Land	Buildings	Machinery and equipment	Motor vehicles	Total
Cost:					
Balance at 1 January 2020	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
Additions	-	-	293,131	-	293,131
Balance at 31 December 2021	16,034,745	169,933,899	24,119,283	563,100	210,651,027
Accumulated depreciation:					
Balance at 1 January 2020	-	(11,563,945)	(9,158,770)	(508,131)	(21,230,846)
Charge for the year	-	(4,999,263)	(3,251,713)	(53,745)	(8,304,721)
Impairment loss *	-	(25,000,000)	-	-	(25,000,000)
Balance at 31 December 2020	-	(41,563,208)	(12,410,483)	(561,876)	(54,535,567)
Charge for the year	-	(3,292,424)	(2,883,410)	(1,224)	(6,177,058)
Balance at 31 December 2021	-	(44,855,632)	(15,293,893)	(563,100)	(60,712,625)
Net book value:					
31 December 2021	**16,034,745**	**125,078,267**	**8,825,390**	**-**	**149,938,402**
31 December 2020	16,034,745	128,370,691	11,415,669	1,224	155,822,329

*As of December 31, 2020, the group recorded an impairment loss on the book value of one of the properties (Al-Andalus Hotel) amounting to 25 million Saudi riyals.

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

	2021	2020
Cost of revenue	**5,630,021**	7,424,078
General and administrative expenses	**547,037**	880,643
	6,177,058	8,304,721

The Group has pledged Al-Andalus Mall Hotel against Islamic financing facility that is obtained from Saudi National Bank (note: 16).

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

8 INVESTMENTS PROPERTIES

	Land	Buildings	Projects under construction	Total
Cost:				
Balance at 1 January 2020	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**
Additions	-	-	6,114,140	6,114,140
Transferred from projects under construction to building	-	6,570,948	(6,570,948)	-
Balance at 31 December 2021	**360,785,558**	**774,888,460**	**10,916,964**	**1,146,590,982**
Accumulated depreciation and impairment:				
Balance at 1 January 2020	-	(124,839,706)	-	(124,839,706)
Charge for the year	-	(18,422,290)	-	(18,422,290)
Impairment losses*	-	(6,828,942)	-	(6,828,942)
Balance at 31 December 2020	-	**(150,090,938)**	-	**(150,090,938)**
Charge for the year**	-	**(21,683,695)**	-	**(21,683,695)**
Reversal of impairment losses	-	**1,948,784**	-	**1,948,784**
Balance at 31 December 2021	-	**(169,825,849)**	-	**(169,825,849)**
Net book value:				
31 December 2021	**360,785,558**	**605,062,611**	**10,916,964**	**976,765,133**
31 December 2020	360,785,558	618,226,574	11,373,772	990,385,904

* As of December 31, 2020, the Group's management recorded an impairment loss on the book value of some investment properties at an amount of SR 6.8 million.

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

The group has pledged Al-Andalus Mall against Islamic financing facility obtained from Saudi National Bank (note 16).

The lands and the buildings classified as investment properties, were assessed by external valuers to determine their fair value as of 31 December 2021. The fair values of the investment properties amounted to SR 1.8 billion (2020: SR 1.8 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 the income approach (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 of 31 December 2021**	Fair value as of 31 December 2020
Head office of Al-Andalus Company	Sales Comparison technique	Rental income and capital appreciation	Comparable sales price	**15,584,940**	14,600,000
Al Sahafa Center	income approach (Discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	**8,950,000**	9,700,000

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

8 INVESTMENTS PROPERTIES (CONTINUED)

				Fair value measurement	
Properties	**Valuation approach**	**Purpose**	**key inputs and valuation assumptions**	**Fair value as of 31 December 2021**	Fair value as of 31 December 2020
Al Tilal Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	**8,040,000**	9,000,000
Al Yarmouk Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	**8,320,000**	8,700,000
Alandalus Mall	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 11%	**1,201,487,500**	1,227,000,000
Al Marwah Plaza	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	**32,000,000**	31,800,000
Salama Toawer	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 11%	**249,200,000**	251,200,000
Qibic Tower	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 11%	**255,350,000**	256,000,000

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, the details of the external valuers are as follows:

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

Valuation techniques used are to derivate level 3 of fair value.

9. RIGHT-OF-USE ASSETS

	2021	2020
Right-of-use assets		
Assets recognised during the year	**89,108,496**	95,259,972
Depreciation charge for the year	**(6,151,475)**	(6,151,476)
Balance at the end of the year	**82,957,021**	89,108,496
Lease liabilities		
Maturity analysis – contractual undiscounted cash flows		
Less than one year	**15,700,000**	15,700,000
One year to five years	**84,969,638**	83,196,000
More than five years	**147,349,804**	164,823,442
Total undiscounted lease liabilities	**248,019,442**	263,719,442

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

9. RIGHT-OF-USE ASSETS (CONTINUED)

	2021	2020
Discounted lease liabilities included in the consolidated statement of financial position as of 31 December 2021		
Non-current	**114,294,193**	117,729,800
Current	**15,700,000**	15,700,000
	129,994,193	133,429,800
Amounts recognized in the consolidated statement of profit or loss		
Depreciation of right-of-use assets	**6,151,475**	6,151,476
Interest expense on lease liability	**12,264,393**	12,548,067

10 EQUITY-ACCOUNTED INVESTEES

A summary of the details of the investments in the equity-accounted investees is as follows:

	Country of incorporation	Shareholding **2021**	Shareholding 2020	**2021**	2020
Al Aswaq Al Mutatawerah Company	Kingdom of Saudi Arabia	**50%**	50%	**106,350,675**	104,877,215
Hayat Real Estate Company	Kingdom of Saudi Arabia	**25%**	25%	**187,981,136**	192,486,625
Sorroh Centers Company	Kingdom of Saudi Arabia	**25%**	25%	**49,182,906**	49,251,513
West Jeddah Hospital Company *	Kingdom of Saudi Arabia	**50%**	50%	**66,059,333**	66,676,150
Al-Jawhra Al-Kubra Company *	Kingdom of Saudi Arabia	**25%**	25%	**67,924,864**	68,191,462
Massat Property Company **	Kingdom of Saudi Arabia	**25%**	-	**43,505,827**	-
				521,004,741	481,482,965

* These equity-accounted investees have not yet commenced commercial operations.

** During the period, the Group has acquired 25% ownership interest of Massat Property Company's share capital. It was recently established on 27 January 2021 and its principal activity is to engage in real estate investment. The remaining ownership of Massat Property Company is owned by Burooj International Limited Company, a related party to the Group.

The financial statements of the equity-accounted investee 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 movement in investment in equity-accounted investees is as follows:

	2021	2020
Opening balance	**481,482,965**	464,834,820
Share of total OCI from equity-accounted investees	**27,246,776**	26,148,145
Dividends received from equity-accounted investees	**(31,250,000)**	(15,750,000)
Additions during the year	**43,525,000**	6,250,000
Balance at the end of the year	**521,004,741**	481,482,965

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

10 EQUITY-ACCOUNTED INVESTEES (CONTINUED)

2021	Al Aswaq Al Mutatawerah Company	Hayat Real Estate Company	Sorroh Centers Company	West Jeddah Hospital Company	Al-Jawhra Al-Kubra Company	Massat Property Company	Total
Non-current assets	194,449,392	348,252,799	197,886,096	469,936,791	97,078,400	174,244,176	1,481,847,654
Current assets	30,546,898	88,208,542	1,311,373	157,677,632	690,918,766	11,000,025	979,663,236
Non-current liabilities	(681,668)	(1,357,714)	(2,465,844)	(430,000,000)	(91,297,710)	-	(525,802,936)
Current liabilities	(11,613,272)	(66,179,083)	-	(19,423,695)	(425,000,000)	(11,220,893)	(533,436,943)
Net assets	212,701,350	368,924,544	196,731,625	178,190,728	271,699,456	174,023,308	1,402,271,011
Less: additional funding related to other investors	-	-	-	(91,959,124)	-	-	(91,959,124)
Group's share percentage	%50	%25	%25	%50	%25	%25	
Group's share of net assets	106,350,675	92,231,136	49,182,906	43,115,802	67,924,864	43,505,827	402,311,210
The Group's share of profit from sold land	-	-	-	22,943,531	-	-	22,943,531
Embedded goodwill	-	95,750,000	-	-	-	-	95,750,000
Carrying amount of investment in equity-accounted investees	106,350,675	187,981,136	49,182,906	66,059,333	67,924,864	43,505,827	521,004,741
Total revenue of the equity-accounted investees	34,868,082	134,709,735	-	-	-	-	169,577,817
Net income (loss) of equity-accounted investees	15,946,920	80,978,040	(274,424)	(1,233,634)	(382,227)	(76,692)	94,957,983
The Group's share of profit /(loss) from equity-accounted investees	7,973,460	20,244,510	(68,606)	(616,817)	(266,598)	(19,173)	27,246,776

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

10 EQUITY-ACCOUNTED INVESTEES (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
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	104,877,215	96,736,625	49,251,513	43,732,619	68,191,462	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 equity-accounted investees	104,877,215	192,486,625	49,251,513	66,676,150	68,191,462	481,482,965
Total revenue of the equity-accounted investees	37,621,092	110,937,245	-	-	-	148,558,337
Net income (loss) of equity-accounted investees	21,867,330	65,042,946	(158,005)	(1,848,981)	(329,060)	84,574,230
The Group's share of profit /(loss) from equity-accounted investees	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)

11. RECEIVABLES FROM OPERATING LEASES

	2021	2020
Receivables from operating leases	**79,661,682**	63,879,208
Impairment of receivables from operating leases	**(20,119,992)**	(12,879,991)
	59,541,690	50,999,217

The summary for the movement of Impairment of receivables from operating leases is as follows:

	2021	2020
1 January	**12,879,991**	11,879,991
Provided during the year	**7,240,001**	1,000,000
31 December	**20,119,992**	12,879,991

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

			Past due and impaired					
	Total	1 - 90 days	91 - 180 days	181 - 270 days	271- 365 days	366 - 455 days	More than 455 days
2021	**79,661,682**	**24,013,563**	**31,175,938**	**7,555,853**	**2,433,463**	**2,447,066**	**12,035,799**
2020	63,879,208	19,256,026	24,999,400	6,058,897	1,951,348	1,962,256	9,651,281

12. PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
Accrued revenue	**2,554,802**	-
Advances to suppliers	**1,984,067**	699,109
Staff loans	**1,582,979**	967,333
Advance insurance	**925,170**	827,146
Value added tax	**468,857**	1,674,377
Advance payments	**-**	10,123,524
Other debit balances	**569,521**	900,957
	8,085,396	15,192,446

13 FINANCIAL INSTRUMENTS - FAIR VALUE THROUGH PROFIT OR LOSS

These investments represent investments in mutual funds as follows:

	31 December 2021		31 December 2020	
	Cost	Fair value	Cost	Fair value
Investment in Mutual Funds				
Al Ahli Saudi Riyal Trade Fund	**40,000,000**	**40,031,246**	-	-

14. CASH AND CASH EQUIVALENTS

	2021	2020
Cash at banks	**200,761,240**	182,483,190
	200,761,240	182,483,190

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

15 EMPLOYEES' BENEFITS - DEFINED BENEFIT OBLIGATION

Movement in employees' benefits - defined benefits obligations recognized in the statement of financial position is as follows:

	2021	2020
Balance at 1 January	**8,491,143**	5,772,643
Current service cost	**1,176,233**	2,398,444
Interest cost	**176,760**	231,855
Actuarial (gain) loss on the obligation (OCI)	**(235,969)**	244,594
Benefits paid	**(147,971)**	(156,393)
Balance at 31 December	**9,460,196**	8,491,143

Benefit expense recognized in profit or loss

	2021	2020
Current service cost	**1,176,233**	2,398,444
Interest cost	**176,760**	231,855
	1,352,993	2,630,299

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

	2021	2020
Discount rate	**2.90%**	2.10%
Future salary increases rate	**8.50%**	10%

The sensitivity analysis of the quantitative effect of assumptions for change in salaries and the discount rate on defined benefit obligations is as follows:

	2021		2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Discount rate	**(852,153)**	**994,080**	(785,445)	920,808
Future salary increases rate	**1,028,183**	**(896,716)**	950,413	(824,909)

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employees' defined benefits obligations as a result of reasonable changes in key assumptions occurred 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.

16 ISLAMIC FINANCE FACILITIES

	2021	2020
Balance at beginning of the year	**678,896,016**	357,662,391
Additions during the year	**53,987,884**	334,864,421
Payments during the year	**(13,001,946)**	(13,630,796)
Total value of facilities	**719,881,954**	678,896,016
Less: Deferred finance cost	**(161,154,301)**	(163,901,265)
Balance at the end of the year	**558,727,653**	514,994,751

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

16 ISLAMIC FINANCE FACILITIES (CONTINUED)

Details on the deferred cost of finance are as follows:

	2021	2020
Opening balance	**163,901,265**	104,612,475
Additions	**11,310,384**	71,961,921
Amortization of the year (cost of Islamic financing facilities)	**(14,057,348)**	(12,673,131)
	161,154,301	163,901,265

During 2019, the Group obtained an Islamic financing facility of SAR 650 million from Saudi National Bank, which includes certain conditions for financial covenants in favor of the bank.

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

During 2021, the Group has utilized SR 42,6 million as the third tranche from the Islamic Financing Facility. 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

	2021	2020
Accrued expense	**26,885,356**	19,419,416
Accrued employees' salaries and benefits	**3,111,955**	1,701,791
Due to suppliers	**55,715**	216,942
Other credit balances	**2,742,487**	7,000,000
	32,795,513	28,338,149

18 ZAKAT

The Group and its subsidiaries file their Zakat returns individually based on the financial statements of 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 2020 and obtained Zakat certificate up to year 2020. The Company has finalized Zakat assessment with the Zakat, Tax and Customs Authority ("ZATCA") up to the year ended 31 December 2020.

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

18 ZAKAT (CONTINUED)

Zakat base

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

	2021	2020
Net Zakat positive base (A)		
Equity	**1,016,841,478**	1,039,080,027
Provisions	**9,660,574**	10,771,703
Lease liability on right-of-use of assets	**70,184,727**	63,358,272
Net positive zakat base	**1,096,686,779**	1,113,210,002
Net Zakat negative base (B)		
Property and equipment-net	**9,273,752**	9,532,899
Investment properties	**39,050,574**	41,599,133
Right-of-use assets	**43,637,851**	47,604,928
Equity-accounted investees and subsidiaries	**814,616,128**	852,717,152
	906,578,305	951,454,112
Net *365/354	**196,015,799**	161,755,890
Adjusted net income	**(5,653,805)**	19,387,581
Zakat charge at 2.5%	**5,425,571**	4,654,245
Subsidiaries Zakat charge	**1,743,516**	1,465,317
Total	**7,169,087**	6,119,562

The movement in the Zakat provision is as follows:

	2021	2020
1 January	**6,507,510**	11,631,543
Provided during the year	**7,169,087**	6,119,562
Payments made during the year	**(5,286,638)**	(11,243,595)
31 December	**8,389,959**	6,507,510

(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 and operation Sector: This includes rent for commercial units from investment properties such as malls and the operation of the mall.
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).

2021	**Retail Sector**	**Hospitality sector**	**Office Sector**	**Other**	**Total**
Revenue	**157,110,035**	**11,458,678**	**45,817,490**	**-**	**214,386,203**
Cost of revenue	**(42,950,565)**	**(16,762,114)**	**(9,647,172)**	**-**	**(69,359,851)**
Share of profit of equity-accounted investees	**-**	**-**	**-**	**27,246,776**	**27,246,776**
Expenses	**(24,068,817)**	**(27,114)**	**(14,490,248)**	**(30,781,525)**	**(69,367,704)**
Other income	**-**	**-**	**-**	**1,204,414**	**1,204,414**
Impairment loss of receivable from operating leases	**(7,240,001)**	**-**	**-**	**-**	**(7,240,001)**
Reversal of impairment loss in property and equipment and investment properties	**-**	**-**	**-**	**1,948,784**	**1,948,784**
Net Profit before zakat	**82,850,652**	**(5,330,550)**	**21,680,070**	**(381,551)**	**98,818,621**
Total assets	**660,675,327**	**129,228,595**	**506,728,154**	**743,797,628**	**2,040,429,704**
Total liabilities	**269,437,145**	**-**	**512,498,983**	**17,850,157**	**799,786,285**

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 profit of equity-accounted investees	-	-	-	26,148,145	26,148,145
Expenses	(12,548,067)	-	(12,673,131)	(41,562,532)	(66,783,730)
Impairment loss of receivable from operating leases	(1,000,000)	-	-	-	(1,000,000)
Impairment loss in property and equipment and investment properties	(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

(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.

	2021	2020
Net profit for the year	**67,975,591**	14,341,598
Weighted average number of outstanding ordinary shares (share)*	**93,333,333**	93,333,333
Basic and diluted earnings per share	**0.73**	0.15

* The weighted average number of ordinary shares used as a denominator in calculating basic and diluted EPS for 31 December 2020 has been adjusted on account of the bonus share issue.
The diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2021 and 31 December 2020 as there are no instruments with diluted earnings per share effect.

21 RELATED PARTY TRANSACTIONS

Related parties of the Group consist of the shareholders having control or significant influence, key management personnel, and companies which are directly or indirectly controlled or influenced by the shareholders, key management personnel. 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 normal 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. The details of transactions with other related parties are mentioned below:

Name of Related Party	Relationship	Nature of transaction	**31 December 2021**	31 December 2020
Hayat Real Estate Company	Equity-accounted investee	Expenses paid on behalf of an equity-accounted investee	**12,902,267**	16,916,839
Massat Property Company	Equity-accounted investee	Expenses paid on behalf of an equity-accounted investee	**174,093**	-
Imtieaz Al-Arabia Company	Related to a board member	rental income	**1,871,500**	1,574,500
Global Health care company	Related to a board member	rental income	**515,000**	515,000
Pharmacies Beauty Fourth Company	Related to a board member	rental income	**385,000**	585,000
Key management	Other related party	Salaries and other benefits	**6,428,255**	2,716,395
Al-Ahli Capital	Fund manager of the subsidiary	Operating Services	**19,086,893**	21,357,658

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

21 RELATED PARTY TRANSACTIONS (CONTINUED)

The details of balances with related parties are mentioned below:

	31 December 2021	31 December 2020
Due From related parties		
Hayat Real Estate Company	**1,170,741**	1,668,972
Massat Property Company	**174,094**	-
Asalah Holding Company	**-**	13,177,613
	1,344,835	14,846,585
Due to related parties		
Mohmmad AL-Rajhi Company	**40,821**	40,821
Al-Ahli Capital	**14,447,065**	16,355,681
	14,487,886	16,396,502

22 DIVIDENDS TO SHAREHOLDERS

The shareholders, in their ordinary general assembly meeting dated 1 June 2021, resolved the distribution of SR 35,000,000 (SR 0.50 per share) as dividends and distribute an amount of SR 23,333,333 (SR 0.25 per share) on 25 August 2021, made at 7 June and 18 October 2021, respectively (31 December 2020: 70,000,000 SR).

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 the 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 statement of financial position, 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.

23 FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT

a) Market risk (continued)

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

	Rate of change	**31 December 2021**
Effect on consolidated statement of profit or loss and other comprehensive income	**±10%**	**40,031**

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

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 receivables from operating leases, cash and cash equivalent and due from related parties.

	2021	2020
Cash and cash equivalents	**200,761,240**	182,483,190
Receivables from operating leases	**79,661,682**	63,879,208
Due from related parties	**1,344,835**	14,846,585
	281,767,757	261,208,983

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

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

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 receivables from operating leases 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.

Receivables from operating leases outstanding balance is of due from local customers in Saudi Arabia.

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:

	Contractual undiscounted payments				
	Carrying amount	Total	On Demand or Less than 1 year	After one year but not more than 5 years	More than 5 years
2021					
Islamic Finance facilities	**558,727,653**	**558,727,653**	**-**	**-**	**558,727,653**
Accruals and other credit balances	**32,795,513**	**32,795,513**	**32,795,513**	**-**	**-**
Lease liability on right-of-use of assets	**129,994,193**	**248,019,442**	**15,700,000**	**84,969,638**	**147,349,804**
Due to related parties	**14,487,886**	**14,487,886**	**14,487,886**	**-**	
	736,005,245	**854,030,494**	**62,983,399**	**84,969,638**	**706,077,457**
2020					
Islamic Finance facilities	514,994,751	514,994,751	-	-	514,994,751
Accruals and other credit balances	28,338,149	28,338,149	28,338,149	-	-
Lease liability on right-of-use of assets	133,429,800	263,719,442	15,700,000	83,196,000	164,823,442
Due to related parties	16,396,502	16,396,502	16,396,502	-	-
	693,159,202	823,448,844	60,434,651	83,196,000	679,818,193

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: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly Other than the quoted prices mentioned in level 1..

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

Fair value 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 financing 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 year

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 approximate of fair value.

	Carrying amount designated at fair value	Fair value		
		Level 1	Level 2	Level 3
2021				
Financial instruments - FVTPL	**40,031,246**	**-**	**40,031,246**	**-**
2020				
Financial instruments - FVTPL	-	-	-	-

25 CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which is determined by the Group as a result of operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

1. 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
2. To provide an adequate return to shareholders.

There were no changes in the group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

26 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments
As of 31 December 2021, the Group has capital commitments of SR 33 million for the expansion and construction parking spaces in Alandalus Mall in Jeddah, KSA (31 December 2020: Nil).

Contingent liabilities
As of 31 December 2021, the Group has no contingent liabilities (31 December 2020: 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 CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

These consolidated financial statements have been approved by the Board of Directors on 7 Shaban 1443 H (corresponding 10 March 2022).