

**Al-Andalus Property Company**  
**(Saudi Joint Stock Company)**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
together with the  
**Independent Auditor's Report**

**Al-Andalus Property Company**

(Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S  
REPORT**

**For the year ended 31 December 2022**

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

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## KPMG Professional Services

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P. O. Box 92876  
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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  
(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 2022, 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 2022, 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) 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 the Code's 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (40,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مملها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجسون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

## Independent auditor's report (continued)

To the Shareholders of Al-Andalus Property Company  
(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 addressed in our audit
<p>As at 31 December 2022, the carrying amount of Group's investment properties amounted to SR 1 billion and the fair value of these properties amounted to SR 1.9 billion.</p> <p>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.</p> <p>We considered the impairment of investment properties and their fair value as a key audit matter since the determination of impairment indicators and the calculation of impairment losses as well as the valuation of the fair value of the investment properties and the related disclosures require significant assumptions and judgments that could result in material misstatements of the calculation of impairment losses (if any).</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> <li>- Understanding and evaluating the management procedures and accounting policy followed regarding the impairment of investment properties.</li> <li>- Assessing and agreeing observable inputs used in the estimations, such as rental income, occupancy rates and lease lengths back to lease agreements for a sample of properties.</li> <li>- Comparing the value in use of investment properties with their carrying values to determine whether the recognition of impairment loss is required.</li> <li>- 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.</li> <li>- 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 Valuers (TAQEEM).</li> <li>- Using our specialists to assess the key assumptions used by the real estate valuation experts in estimating the fair value of the investment properties.</li> <li>- Assessing the adequacy of the disclosures in the consolidated financial statements.</li> </ul>



## Independent auditor's report (continued)

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

Key audit matters (continued)	
Revenue recognition	
Note (19) to the consolidated financial statements.	
Key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2022, the Group recognized revenue with a total amount of SR 216 million (31 December 2021: SR 214 million)</p> <p>The Group revenue mainly consists of rental income arising from lease contracts.</p> <p>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.</p>	<p>Our audit procedures, included among others:</p> <ul style="list-style-type: none"> <li>- Assessing the Group's accounting policies and the procedures of revenue recognition by considering the requirements of the relevant accounting standards,</li> <li>- Assessing the design and implementation, and testing the operating effectiveness of controls.</li> <li>- 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.</li> <li>- Testing a sample of journal entries posted to the revenue accounts to identify any unusual items.</li> <li>- Performing cut off procedures to assess that revenue is recognized in that period.</li> <li>- Assessing the adequacy of the disclosures in the consolidated financial statements.</li> </ul>



## Independent auditor's report (continued)

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

### 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 do not and will not express any form of assurance conclusion thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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 (ISAs) that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent auditor's report (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

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



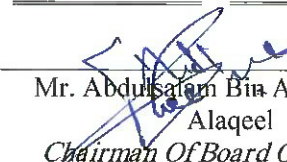


Khalil Ibrahim Al Sedais  
License Number: 371



Riyadh, 17 Sha'ban 1444H  
Corresponding to: 9 March 2023

**Al-Andalus Property Company**  
(Saudi Joint Stock Company)  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2022**  
(All amounts are expressed in Saudi Riyal unless otherwise stated)

	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property and equipment	7	144,946,865	149,938,402
Investment properties	8	1,003,438,823	976,765,133
Right-of use assets	9	76,805,545	82,957,021
Equity accounted investees	10	515,034,291	521,004,741
<b>Total non-current assets</b>		<b>1,740,225,524</b>	<b>1,730,665,297</b>
<b>Current assets</b>			
Receivables from operating leases	11	81,212,620	59,541,690
Prepayments and other debit balances	12	10,816,710	8,085,396
Due from related parties	21	2,509,519	1,344,835
Financial instruments at FVTPL	13	81,104,181	40,031,246
Cash and cash equivalents	14	139,138,373	200,761,240
<b>Total current assets</b>		<b>314,781,403</b>	<b>309,764,407</b>
<b>Total assets</b>		<b>2,055,006,927</b>	<b>2,040,429,704</b>
<b><u>SHAREHOLDERS' EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital	1	933,333,330	933,333,330
Statutory reserve		96,983,092	90,305,707
Retained earnings		52,139,994	39,416,221
<b>Equity attributable to the Company's shareholders</b>		<b>1,082,456,416</b>	<b>1,063,055,258</b>
Non-controlling interests		168,008,031	177,588,161
<b>Total equity</b>		<b>1,250,464,447</b>	<b>1,240,643,419</b>
<b><u>Liabilities</u></b>			
<b>Non-current liabilities</b>			
Employees' benefits – defined benefit obligations	15	8,967,778	9,460,196
Lease liability on right-of-use assets	9	103,843,881	114,294,193
Islamic finance facilities	16	589,203,001	558,727,653
<b>Total non-current liabilities</b>		<b>702,014,660</b>	<b>682,482,042</b>
<b>Current liabilities</b>			
Advances from lessees and deferred revenue		45,780,107	45,930,885
Lease liability on right-of-use of assets – current portion	9	16,192,750	15,700,000
Due to related parties	21	5,179,398	14,487,886
Zakat provision	18	8,784,088	8,389,959
Accruals and other credit balances	17	26,591,477	32,795,513
<b>Total current liabilities</b>		<b>102,527,820</b>	<b>117,304,243</b>
<b>Total liabilities</b>		<b>804,542,480</b>	<b>799,786,285</b>
<b>Total equity and liabilities</b>		<b>2,055,006,927</b>	<b>2,040,429,704</b>
<div style="display: flex; justify-content: space-between; align-items: flex-end; margin-top: 20px;"> <div style="text-align: center;">   Mr. Fawaz Bin Abdulaziz bin Huwail Chief Financial Officer </div> <div style="text-align: center;">   Eng. Faisal Bin Abdulrahman Alnasser Chief Executive Officer </div> <div style="text-align: center;">   Mr. Abdulsalam Bin Abdulrahman Alaqeel Chairman Of Board Of Director </div> </div>			

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

**Al-Andalus Property Company**

(Saudi Joint Stock Company)


**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME****For the year ended 31 December 2022**

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

	<i>Note</i>	<b>2022</b>	<b>2021</b>
Revenue	19	216,108,228	214,386,203
Cost of revenue	19	(73,699,891)	(69,359,851)
<b>Gross profit</b>		<b>142,408,337</b>	<b>145,026,352</b>
Marketing expenses		(1,640,344)	(1,804,424)
General and administrative expenses		(41,616,886)	(41,241,539)
Impairment of receivables from operating leases	11	(4,862,967)	(7,240,001)
Impairment reversal/ impairment loss in investment properties	8	1,840,443	1,948,784
Share of profit from equity accounted investees	10	25,803,098	27,246,776
Other income		5,334,852	1,204,414
<b>Operating profit</b>		<b>127,266,533</b>	<b>125,140,362</b>
Interest expense on lease liabilities	9	(11,955,188)	(12,264,393)
Finance cost	16	(20,850,152)	(14,057,348)
<b>Profit before zakat</b>		<b>94,461,193</b>	<b>98,818,621</b>
Zakat	18	(7,167,471)	(7,169,087)
<b>Profit for the year</b>		<b>87,293,722</b>	<b>91,649,534</b>
<b>Attributable to:</b>			
Shareholders of the Company		66,773,852	67,975,591
Non-controlling interests		20,519,870	23,673,943
		<b>87,293,722</b>	<b>91,649,534</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to statement of profit or loss:			
Re-measurement of employees' benefits – defined benefit obligations	15	(706,028)	235,969
<b>Total comprehensive income</b>		<b>86,587,694</b>	<b>91,885,503</b>
<b>Total other comprehensive income attributable to:</b>			
Shareholders of the Company		66,067,824	68,211,560
Non-controlling interests		20,519,870	23,673,943
		<b>86,587,694</b>	<b>91,885,503</b>
<b>Earnings per share</b>			
Basic and diluted earnings per share	20	<b>0.72</b>	<b>0.73</b>

  
 Mr. Fawaz Bin Abdulaziz  
bin Huwail  
Chief Financial Officer

  
 Eng. Faisal Bin  
Abdulrahman Alnasser  
Chief Executive Officer

  
 Mr. Abdulsalam Bin  
Abdulrahman Alaqeel  
Chairman Of Board Of Director

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

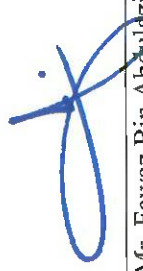
**Al-Andalus Property Company**  
(Saudi Joint Stock Company)  
**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2022**

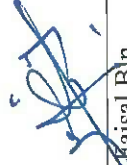
(All amounts are expressed in Saudi Riyal unless otherwise stated)


	Equity attributable to the Company's Shareholders			Non-controlling interests	Total	Total equity
	Share capital	Statutory reserve	Retained earnings			
<b>For the year ended 31 December 2022</b>						
Balance as at 1 January 2022	933,333,330	90,305,707	39,416,221	177,588,161	1,063,055,258	1,240,643,419
Profit for the year	-	-	66,773,852	20,519,870	66,773,852	87,293,722
Other comprehensive income	-	-	(706,028)	-	(706,028)	(706,028)
<b>Total comprehensive income for the year</b>	-	-	66,067,824	20,519,870	66,067,824	86,587,694
Transfer to statutory reserve	-	6,677,385	(6,677,385)	-	-	-
Dividends (Note 22)	-	-	(46,666,666)	(30,100,000)	(46,666,666)	(76,766,666)
<b>Balance as at 31 December 2022</b>	<b>933,333,330</b>	<b>96,983,092</b>	<b>52,139,994</b>	<b>168,008,031</b>	<b>1,082,456,416</b>	<b>1,250,464,447</b>

**For the year ended 31 December 2021**

Balance as at 1 January 2021	700,000,000	96,841,478	256,335,553	182,939,218	1,053,177,031	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)	-	-	-
Profit for the year	-	-	67,975,591	23,673,943	67,975,591	91,649,534
Other comprehensive income	-	-	235,969	-	235,969	235,969
<b>Total comprehensive income for the year</b>	-	-	68,211,560	23,673,943	68,211,560	91,885,503
Transfer to statutory reserve	-	6,797,559	(6,797,559)	-	-	-
Dividends (Note 22)	-	-	(58,333,333)	(29,025,000)	(58,333,333)	(87,358,333)
<b>Balance as at 31 December 2021</b>	<b>933,333,330</b>	<b>90,305,707</b>	<b>39,416,221</b>	<b>177,588,161</b>	<b>1,063,055,258</b>	<b>1,240,643,419</b>

  
Mr. Fawaz Bin Abdulaziz bin Huwail  
Chief Financial Officer

  
Eng. Faisal Bin Abdulrahman Alnasser  
Chief Executive Officer

  
Mr. Abdulsalam Bin Abdulrahman Alaqeel  
Chairman Of Board Of Director

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

**Al-Andalus Property Company**  
(Saudi Joint Stock Company)  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2022**  
(All amounts are expressed in Saudi Riyal unless otherwise stated)


	<i>Note</i>	<b>2022</b>	<b>2021</b>
<b>Operating activities:</b>			
Profit for the year before zakat		94,461,193	98,818,621
<b>Adjustments for non-cash items:</b>			
Depreciation:			
- Property and equipment	7	5,478,877	6,177,058
- Investment properties	8	21,451,632	21,683,695
- Right of use assets	9	6,151,476	6,151,475
Interest on lease liability	9	11,955,188	12,264,393
Share of profit from equity accounted investees	10	(25,803,098)	(27,246,776)
Gain on investment at fair value through profit or loss		(1,130,559)	(31,246)
Impairment loss on receivables from operating leases	11	4,862,967	7,240,001
Finance cost	16	20,850,152	14,057,348
Impairment reversal/ impairment loss in investment properties	8	(1,840,443)	(1,948,784)
Employees' benefits – defined benefit obligations		1,479,270	1,352,993
		<b>137,916,655</b>	<b>138,518,778</b>
<b>Changes in:</b>			
Receivables from operating leases		(26,533,897)	(15,782,474)
Prepayments and other debit balances		(2,731,314)	7,107,050
Related parties' balances, net		(10,473,172)	11,593,134
Advances from lessees and deferred revenue		(150,778)	9,883,857
Accruals and other credit balances		(6,204,036)	4,457,364
Dividend received from equity-accounted investees	10	31,773,548	31,250,000
Zakat paid	18	(6,773,342)	(5,286,638)
Employees' benefits – defined benefit obligations	15	(2,677,716)	(147,971)
<b>Net cash from operating activities</b>		<b>114,145,948</b>	<b>181,593,100</b>
<b>Investing activities</b>			
Additions to property and equipment		(487,340)	(293,131)
Addition of equity-accounted investees		-	(43,525,000)
Additions to investment properties		(46,284,879)	(6,114,140)
Purchase of investments in financial instrument at FVTPL		(80,000,000)	(40,000,000)
Proceeds from sale of investments in financial instruments at FVTPL		40,057,624	-
<b>Net cash used in investing activities</b>		<b>(86,714,595)</b>	<b>(89,932,271)</b>
<b>Financing activities</b>			
Proceeds from Islamic Finance Facilities		30,475,348	42,677,500
Payment for Islamic Finance facilities		(20,850,152)	(13,001,946)
Payment of Lease liabilities of right-of-use assets		(21,912,750)	(15,700,000)
Dividends paid		(46,666,666)	(58,333,333)
Changes in non-controlling interests		(30,100,000)	(29,025,000)
<b>Net cash used in financing activities</b>		<b>(89,054,220)</b>	<b>(73,382,779)</b>
Net change in cash and cash equivalents during the year		(61,622,867)	18,278,050
Cash and cash equivalents at beginning of the year	14	200,761,240	182,483,190
<b>Cash and cash equivalents at end of the year</b>	<b>14</b>	<b>139,138,373</b>	<b>200,761,240</b>


**Non-cash transaction:**

Increase in share capital through the issuance of bonus shares - (note 1)

233,333,330

  
Mr. Fawaz Bin Abdulaziz bin  
Huwail  
Chief Financial Officer

  
Eng. Faisal Bin  
Abdulrahman Alnasser  
Chief Executive Officer

  
Mr. Abdulsalam Bin Abdulrahman  
Alaqeel  
Chairman Of Board Of Director

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

**Al-Andalus Property Company**  
(Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
(All amounts are expressed in Saudi Riyal unless otherwise stated)

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**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 at 31 December 2021 and 31 December 2022 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 financial year of the Group commences on 1 January and ends on 31 December of each Gregorian calendar 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 benefits obligations – 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.

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**2 BASIS OF PREPARATION (CONTINUED)**

**2.2 Basis of measurement (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 and their fair value in Note 8.

**2.3 Presentation 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 recognised in profit or loss immediately. Transaction costs are considered to be expenses when incurred, except if related to the issue of debt instruments or equity.

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 will not be remeasured and the settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payments 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.

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**3 BASIS OF CONSOLIDATION (CONTINUED)**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. 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 interests**

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

**Transaction eliminated on consolidation**

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

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**3 BASIS OF CONSOLIDATION (CONTINUED)**

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

<u>Subsidiary's name</u>	<u>Country of Incorporation</u>	<u>% of ownership</u>	
		<u>2022</u>	<u>2021</u>
AlAhli REIT Fund 1	Kingdom of Saudi Arabia	68.73%	68.73%
Manafea Al Andalus Company for Real Estate Development	Kingdom of Saudi Arabia	70%	70%

Details of subsidiaries are as follows:

**1. Al Ahli REIT Fund I**

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's investments represent the below properties which are located in Jeddah/ Riyadh:

<u>Nature and name of property</u>	<u>Location</u>
Alandalus Mall	Jeddah
Al-Andalus Mall Hotel	Jeddah
Salama Tower	Jeddah
QBIC Plaza	Riyadh

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

Manafea Al Andalus Company for Real Estate Development was formed as a limited liability company in the Kingdom of Saudi Arabia and operates 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.

<u>Nature and name of property</u>	<u>Location</u>
Al Marwah Plaza	Jeddah

**4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

Several amendments and interpretations were applied for the first time with the possibility of early adoption, yet the Group did not make the early adoption of any of them as they have no significant impact on the consolidated financial statements of the Group.

**New currently effective requirements:**

The following table lists the recent changes on accounting standards that are required to be applied for the period of the annual report starting from 1 January 2022.

**Forthcoming requirements:**

The following table lists the recent changes to the accounting standards that are required to be applied for annual periods beginning after 1 January 2022 and that are available for early adoption in annual periods beginning on 1 January 2022.

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**4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)**

New currently effective requirements:

<u>Effective date</u>	<u>New standard or amendments</u>
1 April 2021	COVID-Covid-19 Related Lease Concessions after June 30, 2021 - amendment to IFRS 16)
1 January 2022	Onerous contracts: cost of fulfilling a contract (Amendments to IAS 37).
	Annual Improvements to IFRSs 2018-2020 cycle
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
	Reference to the Conceptual Framework - Amendment to IFRS 3;

Forthcoming requirements:

<u>Effective date</u>	<u>New standard or amendments</u>
1 January 2023	Classification of liabilities as current/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 2 practice statement
	Deferred taxes related to the assets and liabilities arising from one transaction - amendments to IAS 12 "Income Taxes"
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 POLICES**

**Property and equipment**

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

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

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

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 lives of property and equipment are as follows:

<u>Asset</u>	<u>Estimated lives</u>
Building	25-40
Leasehold Improvements	The lower of lease term or useful life
Motor vehicles	4
Machinery and equipment	3-10

The useful life, estimated useful lives and residual values (if any) and depreciation method are reviewed at each reporting date and adjusted if appropriate.

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**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 amount 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 of profit or loss and other comprehensive income when incurred.

Estimated useful lives of different components of investment properties are as follows:

<u>Categories</u>	<u>Years</u>
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 units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised 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.

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.

**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of non-financial assets (continued)**

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.

**Investments in equity accounted investees**

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 (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.

*i. Right-of-use assets*

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

The right-of-use asset is subsequently depreciated using the straight-line method from the lease 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 year 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.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

***Financial instruments***

**Recognition and initial measurement**

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

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

**Financial assets**

***Classification of financial asset***

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**

Cash and bank balances  
Operating lease receivables  
Due from related parties

**IFRS 9 classification**

Amortized cost  
Amortized cost  
Amortized cost

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**5. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**Financial instruments (continued)**

***Financial assets (continued)***

***Subsequent measurement***

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	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.
<b>Investments in debt instruments at FVOCI</b>	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 profits and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Group has no such investments.
<b>EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>	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.

***Impairment of financial assets***

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 operating lease receivables.

**5. SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

*Impairment of financial assets (continued)*

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.

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 the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected credit 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 over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic "GDP" Product of Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate of Saudi Arabia and Saudi Governmental spending to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

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

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

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

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Impairment of financial assets (continued)***

**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 operating lease receivables are presented separately in the statement of profit or loss and other comprehensive income.

***Model and framework***

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD 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. In the last step, a weighted average lifetime ECL 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.

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Specific provision***

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

***Write-off***

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

**Financial liabilities**

All financial liabilities are 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**

Trade payables  
Accrued expenses and other current liabilities  
Loans  
Due to related parties

**According to IFRS**

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

***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.

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**5. SIGNIFICANT ACCOUNTING POLICIES (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 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 employees benefits are expensed as the related service is provided. A liability is recognised 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 Labor 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 benefits obligations is calculated annually by independent actuaries using the projected unit credit method.

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

Past-service costs are 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 benefits obligations. 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

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Foreign currency transactions**

Transactions in foreign currencies are translated to Saudi Riyal using the rates of exchange prevailing at the dates of the respective transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal using prevailing exchange rates prevailing on that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the 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.

**ZAKAT**

The Group and its subsidiaries are subject to Zakat in accordance with the zakat regulation issued by the Zakat, Tax and Customs Authority ("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 Zakat 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.

**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Dividends 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. The operating segments described in note 19 has been identified 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 ASSUMPTIONS**

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 amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

**Judgments**

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are included in the following notes:

Note 3 - whether the Group exercises control over an investee.

Note 10 - Equity-accounted investees classification

Note 5 - Determining whether an arrangement contains a lease

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**6- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)**

**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:

Provision for expected credit losses on receivables from operating leases

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

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 analysed.

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 trade receivables and contract assets is disclosed in Note 11.

Valuation of investment properties

The Group uses the services of qualified and independent valuers 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.

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 a discounted cash flows ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets tested. The recoverable amount is sensitive to the discount rate used for the Discounted Cash Flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to property recognized by the Group.

Employees' benefits – defined benefits obligations

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.

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**7 PROPERTY AND EQUIPMENT**

	Land	Buildings	Machinery and Equipment	Motor vehicles	Total
<u>Cost:</u>					
Balance at 1 January 2021	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
Additions	-	-	487,340	-	487,340
Balance at 31 December 2022	16,034,745	169,933,899	24,606,623	563,100	211,138,367
<u>Accumulated depreciation:</u>					
Balance at 1 January 2021	-	(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)
Charge for the year	-	(3,292,424)	(2,186,453)	-	(5,478,877)
Balance at 31 December 2022	-	(48,148,056)	(17,480,346)	(563,100)	(66,191,502)
<u>Net book value:</u>					
31 December 2022	16,034,745	121,785,843	7,126,277	-	144,946,865
31 December 2021	16,034,745	125,078,267	8,825,390	-	149,938,402

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

	2022	2021
Cost of revenue	4,959,241	5,630,021
General and administrative expenses	519,636	547,037
	<u>5,478,877</u>	<u>6,177,058</u>

The Group has pledged Al-Andalus Mall Hotel which its carrying value amounts SR 135 million against Islamic financing facility that is obtained from Saudi National Bank (note: 16).

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**8. INVESTMENTS PROPERTIES**

	<u>Land</u>	<u>Buildings</u>	<u>Projects under Construction</u>	<u>Total</u>
<b><u>Cost:</u></b>				
Balance at 1 January 2021	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)	-
<b>Balance at 31 December 2021</b>	<b>360,785,558</b>	<b>774,888,460</b>	<b>10,916,964</b>	<b>1,146,590,982</b>
Additions	-	-	46,284,879	46,284,879
Transferred from projects under construction to building	-	3,101,276	(3,101,276)	-
<b>Balance at 31 December 2022</b>	<b>360,785,558</b>	<b>777,989,736</b>	<b>54,100,567</b>	<b>1,192,875,861</b>
<b><u>Accumulated depreciation and impairment:</u></b>				
Balance at 1 January 2021	-	(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
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>(169,825,849)</b>	<b>-</b>	<b>(169,825,849)</b>
Charge for the year**	-	(21,451,632)	-	(21,451,632)
Reversal of impairment losses	-	1,840,443	-	1,840,443
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>(189,437,038)</b>	<b>-</b>	<b>(189,437,038)</b>
<b><u>Net book value:</u></b>				
<b>31 December 2022</b>	<b>360,785,558</b>	<b>588,552,698</b>	<b>54,100,567</b>	<b>1,003,438,823</b>
<b>31 December 2021</b>	<b>360,785,558</b>	<b>605,062,611</b>	<b>10,916,964</b>	<b>976,765,133</b>

\*\*Depreciation charge for year is allocated to cost of revenues.

The Group has pledged Al-Andalus Mall, which its carrying amount of SR 447 million, against Islamic financing facility that is obtained from Saudi National Bank (Note 16).

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**8. INVESTMENT PROPERTIES (CONTINUED)**

The lands and the buildings classified as investment properties, were assessed by external valuers to determine their fair value as at 31 December 2022. The fair values of the investment properties amounted to SR 1.9 billion (2021: 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.

<u>Properties</u>	<u>Valuation approach</u>	<u>Purpose</u>	<u>key inputs and valuation assumptions</u>	<u>FAIR VALUE MEASUREMENT</u>	
				<u>Fair value as at 31 December 2022</u>	<u>Fair value as at 31 December 2021</u>
Head office of Al-Andalus Company	Sales Comparison technique	Rental income and capital appreciation	Comparable sale price	<b>14,880,000</b>	15,584,940
Al Sahafa Center	income approach (Discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	<b>8,900,000</b>	8,950,000
Al Tilal Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	<b>8,400,000</b>	8,040,000
Al Yarmouk Center	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	<b>7,600,000</b>	8,320,000
Alandalus Mall	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 11%	<b>1,368,692,500</b>	1,201,487,500
Al Marwah Plaza	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 9%	<b>30,200,000</b>	32,000,000
Salama Tower	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10.5%	<b>244,410,000</b>	249,200,000
QBIC Plaza	Income approach (discounted cash flows)	Rental income and capital appreciation	Discount rate 10.5%	<b>259,090,000</b>	255,350,000

The Group uses the valuation reports from the independent valuer engaged by the management to evaluate the fair values of properties at the reporting date, the details of the external valuers are as:

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

The valuation technique used were based on the third level of fair value extraction methods.

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**9. RIGHT-OF-USE ASSETS**

	<u>2022</u>	<u>2021</u>
<b>Right-of-use assets</b>		
Assets recognized during the year	82,957,021	89,108,496
Depreciation charge for the year	<u>(6,151,476)</u>	<u>(6,151,475)</u>
<b>Balance at the end of the year</b>	<u>76,805,545</u>	<u>82,957,021</u>
<b>Lease liabilities</b>		
<b>Maturity analysis – contractual undiscounted cash flows</b>		
Less than one year	16,192,750	15,700,000
One to five years	87,570,914	84,969,638
More than five years	<u>119,088,028</u>	<u>147,349,804</u>
<b>Total undiscounted lease liabilities</b>	<u>222,851,692</u>	<u>248,019,442</u>
<b>Discounted lease liabilities included in the consolidated statement of financial position as of 31 December 2022</b>		
Non-current	103,843,881	114,294,193
Current	<u>16,192,750</u>	<u>15,700,000</u>
	<u>120,036,631</u>	<u>129,994,193</u>
<b>Amounts recognized in consolidated statement of profit or loss</b>		
Depreciation on right of use of assets	<u>6,151,476</u>	<u>6,151,475</u>
Interest expense on lease liabilities	<u>11,955,188</u>	<u>12,264,393</u>

**10. EQUITY ACCOUNTED INVESTEEES**

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

	Country of incorporation	% Of ownership		<u>2022</u>	<u>2021</u>
		<u>2022</u>	<u>2021</u>		
Al Aswaq Al Mutatawerah Company	Kingdom of Saudi Arabia	50%	50%	103,793,609	106,350,675
Hayat Real Estate Company	Kingdom of Saudi Arabia	25%	25%	189,376,397	187,981,136
Soroooh Al Marakiz Company	Kingdom of Saudi Arabia	25%	25%	49,031,250	49,182,906
West Jeddah Hospital Company *	Kingdom of Saudi Arabia	50%	50%	63,608,463	66,059,333
Al-Jawhra Al-Kubra Company *	Kingdom of Saudi Arabia	25%	25%	65,761,465	67,924,864
Massat Property Company *	Kingdom of Saudi Arabia	25%	25%	43,463,107	43,505,827
				<u>515,034,291</u>	<u>521,004,741</u>

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

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.

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**10 EQUITY ACCOUNTED INVESTEEES (CONTINUED)**

The movement in investment in equity-accounted investees is as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	521,004,741	481,482,965
Share of total OCI from equity-accounted investees	25,803,098	27,246,776
Dividends received from equity-accounted investees	(31,773,548)	(31,250,000)
Additions during the year	-	43,525,000
Balance at the end of the year	<u>515,034,291</u>	<u>521,004,741</u>

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**10- EQUITY ACCOUNTED INVESTEES (CONTINUED)**

<u>2022</u>	<u>Al Aswaq Al Mutatawerah Company</u>	<u>Hayat Real Estate Company</u>	<u>Sorooh Al Marakiz Company</u>	<u>West Jeddah Hospital Company</u>	<u>Al-Jawhira Al-Kubra Company</u>	<u>Massat Property Company</u>	<u>Total</u>
Non-current assets	194,984,921	368,891,596	197,764,460	767,964,439	886,202,182	177,610,534	2,593,418,132
Current assets	26,003,406	69,854,392	1,380,210	239,283,996	51,737,643	2,817,078	391,076,725
Non-current liabilities	(840,617)	(1,668,483)	(3,019,670)	(795,000,000)	(594,000,000)	(22,861)	(1,394,551,631)
Current liabilities	(12,560,493)	(62,571,919)	-	(38,959,447)	(80,893,964)	(6,552,324)	(201,538,147)
<b>Net assets</b>	<b>207,587,217</b>	<b>374,505,586</b>	<b>196,125,000</b>	<b>173,288,988</b>	<b>263,045,861</b>	<b>173,852,427</b>	<b>1,388,405,079</b>
Less: additional funding related to other investors	-	-	-	(91,959,124)	-	-	(91,959,124)
Group's share percentage	50%	25%	25%	50%	25%	25%	
<b>Group's share of net assets</b>	<b>103,793,609</b>	<b>93,626,397</b>	<b>49,031,250</b>	<b>40,664,932</b>	<b>65,761,465</b>	<b>43,463,107</b>	<b>396,340,760</b>
The Group's share of profit from sold land	-	-	-	22,943,531	-	-	22,943,531
Embedded goodwill	-	95,750,000	-	-	-	-	95,750,000
<b>Carrying amount of investment in equity-accounted investees</b>	<b>103,793,609</b>	<b>189,376,397</b>	<b>49,031,250</b>	<b>63,608,463</b>	<b>65,761,465</b>	<b>43,463,107</b>	<b>515,034,291</b>
Total revenue of the equity-accounted investees	38,530,775	138,658,623	-	-	-	-	177,189,398
Net income / (loss) of equity-accounted investees	15,885,871	90,675,232	(606,628)	(4,901,739)	(8,653,592)	(170,884)	92,228,260
The Group's share of income /(loss) from equity-accounted investees	<b>7,942,935</b>	<b>22,668,808</b>	<b>(151,657)</b>	<b>(2,450,869)</b>	<b>(2,163,398)</b>	<b>(42,721)</b>	<b>25,803,098</b>

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**10. EQUITY ACCOUNTED INVESTEEES (CONTINUED)**

<u>2021</u>	<u>Al Aswaq Al Mutatawerah Company</u>	<u>Hayat Real Estate Company</u>	<u>Sorooh Al Marakiz Company</u>	<u>West Jeddah Hospital Company</u>	<u>Al-Jawhira Al-Kubra Company</u>	<u>Massat Property Company</u>	<u>Total</u>
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)
<b>Net assets</b>	<b>212,701,350</b>	<b>368,924,544</b>	<b>196,731,625</b>	<b>178,190,728</b>	<b>271,699,456</b>	<b>174,023,308</b>	<b>1,402,271,011</b>
Less: additional funding related to other investors	-	-	-	(91,959,124)	-	-	(91,959,124)
<b>Group's share percentage</b>	<b>50%</b>	<b>25%</b>	<b>25%</b>	<b>50%</b>	<b>25%</b>	<b>25%</b>	
<b>Group's share of net assets</b>	<b>106,350,675</b>	<b>92,231,136</b>	<b>49,182,906</b>	<b>43,115,802</b>	<b>67,924,864</b>	<b>43,505,827</b>	<b>402,311,210</b>
The Group's share of profit from sold land	-	-	-	22,943,531	-	-	22,943,531
Embedded goodwill	-	95,750,000	-	-	-	-	95,750,000
<b>Carrying amount of investment in equity-accounted investees</b>	<b>106,350,675</b>	<b>187,981,136</b>	<b>49,182,906</b>	<b>66,059,333</b>	<b>67,924,864</b>	<b>43,505,827</b>	<b>521,004,741</b>
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 income /(loss) from equity-accounted investees	7,973,460	20,244,510	(68,606)	(616,817)	(266,598)	(19,173)	27,246,776

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**11. RECEIVABLES FROM OPERATING LEASE**

	<u>2022</u>	<u>2021</u>
Receivable from operating leases	106,195,579	79,661,682
Impairment of receivable from operating leases	<u>(24,982,959)</u>	<u>(20,119,992)</u>
	<u>81,212,620</u>	<u>59,541,690</u>

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

	<u>2022</u>	<u>2021</u>
1 January	20,119,992	12,879,991
Provided during the Year	<u>4,862,967</u>	<u>7,240,001</u>
31 December	<u>24,982,959</u>	<u>20,119,992</u>

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

		<u>Past due and impaired</u>					
	<u>Total</u>	<u>1 - 90 days</u>	<u>91 - 180 days</u>	<u>181 - 270 days</u>	<u>271 - 365 days</u>	<u>366 - 455 days</u>	<u>More than 455 days</u>
2022	106,195,579	38,690,502	17,558,871	18,824,905	12,539,084	8,372,808	10,209,409
2021	79,661,682	24,013,563	31,175,938	7,555,853	2,433,463	2,447,066	12,035,799

**12. PREPAYMENTS AND OTHER RECEIVABLES**

	<u>2022</u>	<u>2021</u>
Accrued revenue	2,958,421	2,554,802
Advances to suppliers	1,853,628	1,984,067
Staff loans	1,572,102	1,582,979
Advance insurance	998,060	925,170
Value Added Tax (VAT)	2,598,719	468,857
Other debit balances	<u>835,780</u>	<u>569,521</u>
	<u>10,816,710</u>	<u>8,085,396</u>

**13- FINANCIAL INSTRUMENTS - FVTPL**

These investments represent investments in mutual funds as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Yaqeen SAR Murabha Fund *	80,000,000	81,104,181	-	-
AlAhli Saudi Riyal Trade Fund **	-	-	40,000,000	40,031,246
	<u>80,000,000</u>	<u>81,104,181</u>	<u>40,000,000</u>	<u>40,031,246</u>

\* These investments are represented in Yaqeen SAR Murabha Fund (formerly "Falcom") for Murabaha of SR 80 million during the year, with a total number of 38,097,807 units, and their fair value as at 31 December 2022 amounted to SR 81,104,181.

\*\* During February 2022, the Group has disposed the investment in AlAhli Saudi Riyal Trade Fund.

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**14. CASH AND CASH EQUIVALENTS**

	<u>2022</u>	<u>2021</u>
Cash at banks	139,138,373	200,761,240
	<u>139,138,373</u>	<u>200,761,240</u>

**15- EMPLOYEES' BENEFITS - DEFINED BENEFITS OBLIGATIONS**

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

	<u>2022</u>	<u>2021</u>
Balance on 1 January	9,460,196	8,491,143
Current service cost	1,243,751	1,176,233
Interest cost	235,519	176,760
Actuarial (gain) / loss on the obligation (OCI)	706,028	(235,969)
Benefits paid	(2,677,716)	(147,971)
Balance on 31 December	<u>8,967,778</u>	<u>9,460,196</u>

Benefit expense recognized in profit or loss

	<u>2022</u>	<u>2021</u>
Current service cost	1,243,751	1,176,233
Interest cost	235,519	176,760
	<u>1,479,270</u>	<u>1,352,993</u>

Significant assumptions used in determining the post-employment defined benefits obligations include the following:

	<u>2022</u>	<u>2021</u>
Discount rate	4.50%	2.90%
Future growth in salaries	9%	8.50%

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

	<u>2022</u>		<u>2021</u>	
	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>
Discount rate	(853,020)	999,022	(852,153)	994,080
Future salary increases rate	<u>1,022,753</u>	<u>(889,089)</u>	<u>1,028,183</u>	<u>(896,716)</u>

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 are 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 employees' end-of-service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

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**16- ISLAMIC FINANCE FACILITIES**

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	719,881,954	678,896,016
Additions during the year	44,698,357	53,987,884
Payments during the year	<u>(20,850,152)</u>	<u>(13,001,946)</u>
Total value of facilities	743,730,159	719,881,954
Less: Deferred finance cost	<u>(154,527,158)</u>	<u>(161,154,301)</u>
Balance at the end of the year	<u>589,203,001</u>	<u>558,727,653</u>

Details on the deferred cost of finance are as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	161,154,301	163,901,265
Additions	14,223,009	11,310,384
Amortization of the year (cost of Islamic financing facilities)	<u>(20,850,152)</u>	<u>(14,057,348)</u>
	<u>154,527,158</u>	<u>161,154,301</u>

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 2022, the Group has utilized SR 30.4 million as the fourth 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**

	<u>2022</u>	<u>2021</u>
Accrued expenses	21,175,156	26,885,356
Accrued employees' salaries and benefits	1,827,869	3,111,955
Due to suppliers	713,884	55,715
Other credit balances	<u>2,874,568</u>	<u>2,742,487</u>
	<u>26,591,477</u>	<u>32,795,513</u>

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**18- ZAKAT**

The Company and its subsidiaries submitted their Zakat returns separately based on the financial statements of each company. Therefore, Zakat base is identified and Zakat is calculated for the Company and its subsidiaries separately. The total estimated Zakat is presented the Group's consolidated statement of income.

Al Andalus Property Company filed all Zakat returns up to the year ended 31 December 2021 and obtained Zakat certificate up to the year 2021. The Group finalized Zakat assessment with ZATCA up to the year ended 31 December 2020.

**Zakat base**

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

	<u>2022</u>	<u>2021</u>
<b>Net Zakat positive base (A)</b>		
Equity	1,025,445,577	1,016,841,478
Provisions	15,213,801	9,660,574
Lease liability on right-of-use assets	42,155,174	70,184,727
Net positive Zakat base	<u>1,082,814,552</u>	<u>1,096,686,779</u>
<b>Net Zakat negative base (B)</b>		
Property and equipment - net	9,137,607	9,273,752
Investment properties	39,191,522	39,050,574
Right of use assets	39,670,774	43,637,851
Equity accounted investees and subsidiaries	870,522,700	814,616,128
Net zakat negative base	<u>958,522,603</u>	<u>906,578,305</u>
Net * 365/354	<u>128,154,128</u>	196,015,799
Adjusted net profit	<u>78,544,712</u>	<u>(5,653,805)</u>
Zakat Charged	<u>5,167,471</u>	5,425,571
Subsidiaries Zakat charge	<u>2,000,000</u>	1,743,516
Total	<u>7,167,471</u>	<u>7,169,087</u>

The movement in the provision for zakat is as follows:

	<u>2022</u>	<u>2021</u>
1 January	8,389,959	6,507,510
Provided during the Year	7,167,471	7,169,087
Payments made during the year	<u>(6,773,342)</u>	<u>(5,286,638)</u>
31 December	<u>8,784,088</u>	<u>8,389,959</u>

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**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).

	Hospitality			
As at the year ended 2022	Retail Sector	Hospitality sector	Office Sector	Other
Revenue	155,906,282	14,384,456	45,817,490	-
Cost of revenue	(44,397,054)	(18,954,826)	(10,348,011)	-
Share of profit of equity accounted investees	-	-	-	25,803,098
Expenses	(36,436,442)	-	(20,850,152)	(18,775,976)
Other income	-	-	-	5,334,852
Impairment loss of receivable from operating leases	(4,862,967)	-	-	-
Impairment reversal/ impairment loss in investment properties	1,840,443	-	-	-
Net income before Zakat	72,050,262	(4,570,370)	14,619,327	12,361,974
Total assets	639,223,663	124,346,290	486,735,663	804,701,311
Total liabilities	212,783,808	-	589,203,001	2,555,671
				804,542,480

	Hospitality			
As at the year ended 2021	Retail Sector	Hospitality sector	Office Sector	Other
Revenue	157,110,035	11,458,678	45,817,490	-
Cost of revenue	(42,950,565)	(16,762,114)	(9,647,172)	-
Share of profit of equity accounted investees	-	-	-	27,246,776
Expenses	(24,068,817)	(27,114)	(14,490,248)	(30,781,525)
Impairment loss of receivable from operating leases	(7,240,001)	-	-	-
Impairment reversal/ impairment loss in investment properties	-	-	-	1,948,784
Other income	-	-	-	1,204,414
Net income before Zakat	82,850,652	(5,330,550)	21,680,070	(381,551)
Total assets	660,675,327	129,228,595	506,728,154	743,797,628
Total liabilities	269,437,145	-	512,498,983	17,850,157
				799,786,285

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**20 EARNINGS PER SHARE – BASIC AND DILUTED**

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 year.

	<u>2022</u>	<u>2021</u>
Net profit for the year	<u>66,773,852</u>	<u>67,975,591</u>
Weighted average number of outstanding ordinary shares (share)*	<u>93,333,333</u>	<u>93,333,333</u>
Basic and diluted earnings per share	<u>0.72</u>	<u>0.73</u>

The diluted earnings per share are equal to the basic earnings per share for the year ended 31 December 2022 and 31 December 2021 as there are no instruments with reduced earnings per share.

**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:

<u>Related party name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Hayat Real Estate Company	Equity-accounted investee	Expenses paid on behalf of an equity-accounted investee	<u>8,776,993</u>	<u>12,902,267</u>
Massat Property Company	Equity-accounted investee	Expenses paid on behalf of an equity-accounted investee	<u>-</u>	<u>174,093</u>
Intiaz Al Arabia Company	Related to a board member	Rental income	<u>1,467,100</u>	<u>1,871,500</u>
Global Health Care Company	Related to a board member	Rental income	<u>515,000</u>	<u>515,000</u>
Pharmacies Beauty Fourth Company	Related to a board member	Rental income	<u>385,000</u>	<u>385,000</u>
Senior management	Other related party	Salaries and other benefits	<u>5,136,395</u>	<u>6,428,255</u>
Al-Ahli Capital	Fund manager of the subsidiary	Operating Services	<u>10,220,959</u>	<u>19,086,893</u>

The details of balances with related parties are mentioned below:

	<u>2022</u>	<u>2021</u>
<b>Due from related parties</b>		
Hayat Real Estate Company	<u>2,335,425</u>	<u>1,170,741</u>
Massat Property Company	<u>174,094</u>	<u>174,094</u>
	<u>2,509,519</u>	<u>1,344,835</u>
<b>Due to related parties</b>		
Mohammad Alrajhi Company	<u>-</u>	<u>40,821</u>
Al-Ahli Capital	<u>5,179,398</u>	<u>14,447,065</u>
	<u>5,179,398</u>	<u>14,487,886</u>

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## **22 DIVIDENDS TO SHAREHOLDERS**

Under the authorization of Ordinary General Assembly of the Board of Directors on 10 March 2022, the Board of Directors decided to distribute interim dividends of SR 23,333,333 for the second half of 2021. At 24 August 2022, the Board of Directors decided to distribute interim dividends of SR 23,333,333 million for the first half of the current year, and such dividends were paid at 23 March 2022 and 29 September 2022, respectively.

The shareholders, in the Ordinary General Assembly meeting held on 1 June 2021, resolved to distribute an amount of SR 35,000,000 (SR 0.50 per share) as dividends and to distribute an amount of SR 23,333,333 (SR 0.25 per share) on 25 August 2021. Such dividends have been paid on 7 June and 18 October 2021, respectively (31 December 2020: SR 70,000,000).

## **23 FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT**

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

Senior management is responsible for 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) Market risk**

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

The effect on equity as a result of a reasonably possible change in the fair value of investments at fair value through profit and loss, with all other variables remaining constant, as at 31 December 2022, is as follows:

	<u>Rate of change</u>	<u>31 December 2022</u>
Effect on consolidated statement of profit or loss and other comprehensive income	<u>±10%</u>	<u>81,104,181</u>
	<u>Rate of change</u>	<u>31 December 2021</u>
Effect on consolidated statement of profit or loss and other comprehensive income	<u>±10%</u>	<u>40,031,246</u>

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

**b) Currency risk**

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

There are no significant risks of currency exchange rate change, and 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 position and cash flows.

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 position and cash flows.

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

**d) Credit risk**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	139,138,373	200,761,240
Receivables from operating leases	106,195,579	79,661,682
Due from related parties	2,509,519	1,344,835
	<u>247,843,471</u>	<u>281,767,757</u>

The carrying amount of financial asset 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.
- Lease receivables are shown net of allowance for impairment of trade receivables and discounts.
- Financial position of related parties is stable.

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

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

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

**e) Liquidity risk**

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

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

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

	Carrying amount	Total	Undiscounted contractual payments		
			On Demand or Less than 1 year	1 to 5 years	Greater than 5 years
<b>2022</b>					
Islamic finance facilities	589,203,001	589,203,001	-	-	589,203,001
Accruals and other credit balances	26,591,477	26,591,477	26,591,477	-	-
Lease liability on right-of-use assets	120,036,631	222,851,692	16,192,750	87,570,914	119,088,028
Due to related parties	5,179,398	5,179,398	5,179,398	-	-
	<u>741,010,507</u>	<u>843,825,568</u>	<u>47,963,625</u>	<u>87,570,914</u>	<u>708,291,029</u>
	Carrying amount	Total	Undiscounted contractual payments		
			On Demand or Less than 1 year	1 to 5 years	Greater than 5 years
<b>2021</b>					
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 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	-	-
	<u>736,005,245</u>	<u>854,030,494</u>	<u>62,983,399</u>	<u>84,969,638</u>	<u>706,077,457</u>

**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.

**Al-Andalus Property Company**  
(Saudi Joint Stock Company)  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2022**  
(All amounts are expressed in Saudi Riyal unless otherwise stated)

**24 FAIR VALUE (CONTINUED)**

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

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

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

**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, policies 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, policies 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 amount.
- There were no transfers between level 1, 2 or 3 during the reporting period.

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

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

	Carrying amount Designated measure at fair value	Fair value		
		Level 1	Level 2	Level 3
<b>2022</b>				
Financial instruments - FVTPL	<u>81,104,181</u>	<u>-</u>	<u>81,104,181</u>	<u>-</u>
<b>2021</b>				
Financial instruments - FVTPL	<u>40,031,246</u>	<u>-</u>	<u>40,031,246</u>	<u>-</u>

## **25 CAPITAL MANAGEMENT**

The Board's policy is to maintain an efficient capital base to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on utilized capital, which the Group defines as result from 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 at 31 December 2022, the Group has capital commitments in the amount of SR 71.3 million related to the expansion of Al- Andalus Mall in Jeddah - Saudi Arabia (31 December 2021: SR 33 million).

### **Contingencies**

As at 31 December 2022, the Group has no contingent liabilities (31 December 2021: Nil).

## **27 SUBSEQUENT EVENTS**

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

## **28 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been approved by the Board of Directors on 17 Sha'aban 1444H (corresponding 9 March 2023).