

**MAKKAH CONSTRUCTION AND DEVELOPMENT COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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

**FOR THE SHORT PERIOD FROM 1 JUMADA AL-ULA 1443H  
TO 14 DHU-ALQI'DAH 1443H  
(DATE OF CLOSURE OF HIJRI PERIOD)**

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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Financial statements and Independent Auditor's Reports

For the Short Period from 1 Jumada Al-Ula1443H to 14 Dhu Al-Qi'dah 1443H

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**Independent Auditor's Report to The Shareholders of  
Makkah Construction and Development Company (A Saudi Joint Stock Company)**

**Report on the Audit of the Financial Statements**

**Qualified opinion**

We have audited the financial statements of Makkah Construction and Development Company (a Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 14 Dhu Al-Qi'dah 1443H, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the short period from 1 Jumada Al-Ula 1443 H to 14 Dhu Al-Qi'dah 1443H, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as at 14 Dhu Al-Qi'dah 1443H, and its financial performance and its cash flows for the short period from 1 Jumada Al-Ula 1443 H to 14 Dhu Al-Qi'dah 1443H in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

**Basis for Qualified Opinion**

1. As at 14 Dhul Qadah 1443H, and as disclosed in note 11 to the accompanying financial statements, trade receivables amounted to SR 144.4 million against which an allowance for expected credit loss of SR 29.9 million was maintained, we have requested for but not been provided with adequate supporting documentation to verify the accuracy of financial data used in the calculation of expected credit loss "ECL". We were, therefore, unable to satisfy ourselves as to the valuation of the trade receivable balance. Consequently, we are unable to determine whether any adjustment is necessary to the ECL balance, as well as the results of Company's operations for the current and comparative period and the related credit risk disclosure.
2. As at 14 Dhul Qadah 1443H, amounts due from related parties include an amount due from Jabal Omar for Development Company amounting to SR 309.6 million, as disclosed in note 10. The management has not carried out any assessment to determine expected credit loss on this balance at the reporting date and for prior periods presented, which constitutes a departure from IFRS as endorsed in KSA. Had the management carried out an assessment to determine expected credit loss in accordance with the requirements of IFRS as endorsed in KSA, certain elements in the accompanying financial statements, including comparative amounts, together with the related disclosures may have been materially affected. The possible impact on the financial statements have not been determined for neither the current period nor prior periods.
3. As at 14 Dhul Qadah 1443H, accrued expenses and other accounts payable include advance from customers amounting to net SR 28.4 million. We have requested but not been provided with related details and analyses as well as supporting documentation to understand how this balance initially originated and to determine the occurrence, accuracy and reasonableness of the transactions and balances. Consequently, we were unable to satisfy ourselves with respect to the origination, nature and completeness of the transactions, this account and balances in any other related accounts. Accordingly, we are unable to determine whether any adjustments may be required to these financial statements, including opening balances.
4. As at 14 Dhul Qadah 1443H, the accompanying financial statements includes value added tax "VAT" payable and accrued expenses amounted to SR 32.7 thousand and SR 18.7 million, respectively and costs of revenue of SR 103.1 million for the period then ended. These balances and certain other accounts were impacted from an account titled "current account balance" by adjusting amounts totaling SR 36.9 million, SR 6.7 million, and SR 2.2 million to these accounts, respectively. We have requested but not been provided with any explanations and any supporting documentation to understand how the balances initially originated and to satisfy ourselves as to the occurrence, accuracy and reasonableness of adjustments, transactions, and balances impacted by these adjustments. Accordingly, we are unable to determine whether any adjustments may be required to these accounts and related impact on these financial statements, including opening balances.

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

**Independent Auditor's Report to The Shareholders of  
Makkah Construction and Development Company (A Saudi Joint Stock Company) (continued)**

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, for each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit qualified opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><b>Accounting for zakat claims by Zakat, Tax and Customs Authority ("ZATCA"),</b></p> <p>As at 14 Dhul-Qi'dah 1443H, the Company has an outstanding zakat assessment that have been received in prior periods from ZATCA for the years from 1438H to 1441H claiming additional zakat amounting to SR 43.6 million. The Company has filed appeals against these raised assessments.</p> <p>Up to year ended 29 Rabi' II 1443H, the company has only recorded partial provision of SR 8 million against those assessments in prior periods. However, based on the management's revisions and assessment, the remaining balance amounting to SR 35.9 million should have been provided for during those prior periods, and therefore, management rectified this issue by restating prior years as disclosed in note 29.</p> <p>We considered this as a key audit matter due to the materiality of the additional amounts claimed by ZATCA, restatement of zakat provision and since the determination of zakat provision involves significant management estimates and judgement</p> <p>Refer to note (4) of the financial statements for more details regarding the significant accounting policies, note (2) regarding the significant accounting estimates and judgements, note (20) regarding details about relevant disclosures, and note (29) regarding restatement of prior periods.</p>	<p>We performed the following audit procedures, among others:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management's process in estimating adequate zakat provision for open assessments and basis of restating prior years.</li> <li>• Involved our Zakat internal experts in evaluating the significant assumptions and estimates used by the Company's management.</li> <li>• Examined letters and correspondence between the Company and ZATCA to determine the additional assessment amounts requested by ZATCA.</li> <li>• Attended meetings with those charged with governance of the Company to obtain updates on Zakat-related matters and the results of the communication with ZATCA.</li> <li>• Assessed the adequacy of the related disclosures in the financial statements.</li> </ul>

**Independent Auditor's Report to The Shareholders of  
Makkah Construction and Development Company (A Saudi Joint Stock Company) (continued)**

**Key Audit Matters (continued)**

Key audit matter	How our audit addressed the key audit matter
<p><b>Investment properties valuation</b></p> <p>At 14 Dhul-Qi'dah 1443H, the carrying amount of investment properties amounted to SR 216 million and a fair value of SR 2,918 million.</p> <p>Investment properties are stated at cost net of accumulated depreciation and any accumulated impairment losses at the reporting date, The Company also discloses the fair values of the investment properties in accordance with the requirements of IFRS as endorsed in KSA. For the purpose of the disclosure of fair values, the Company engaged an independent certified external valuer ("valuer"), who assesses the fair values using market valuation methodology and the values-in-use using discounted future cash flow model.</p> <p>During the period, the management revisited the basis and assumption used in the valuations as at 29 Rabi' II 1443H and determined that one of the key assumptions used in the determination of valuations needed to be changed to reflect the market conditions, practice and circumstances existed as at that reporting date, management rectified this issue by restating prior years as disclosed in note 29.</p> <p>-The valuation of investments properties is based on estimates and assumptions such as rent value, occupancy rates, discount rates, market knowledge and historical transactions.</p> <p>-We considered this as a key audit matter due to the materiality of fair value disclosure of investment properties and the importance and complexity of the real estate investments valuation process and its dependency on a range of estimates and assumptions.</p> <p>Refer to note (4) of the financial statements for more details regarding the significant accounting policies, note (2) regarding the significant accounting estimates and judgements, note (7) regarding details about relevant disclosures, and note (29) regarding restatement of prior periods.</p>	<p>We performed the following procedures in relation to investment properties valuation:</p> <ul style="list-style-type: none"> <li>Assessed the policies and the reasonability of the accounting estimates which were used by the company.</li> <li>Evaluated objectivity, independency, competency and experience of the valuer.</li> <li>Involved our specialists to evaluate:</li> <li>Reasonability of calculated fair value and key assumptions, including cash flow projections and used discount rate.</li> <li>Analyze significant assumptions and evaluate its impact to the fair value and evaluate the impact of changes in key assumptions to the conclusion reached by management.</li> <li>Reviewed the adequacy of the presentation and disclosures in respect of underlying assumptions and key estimates, and the sensitivity analysis in the accompanying financial statements.</li> </ul>

**Other Matters**

- The financial statements of the Company for the year ended 29 Rabi' II 1443H, were audited by another auditor who expressed an unqualified opinion on those financial statements on 27 Rajab 1443H (corresponding to 28 February 2022).
- As stated in note (2) to the accompanying financial statements, the additional comparative information presented in statement of profit or loss and other comprehensive income and its related notes for the six-month period ended 29 Shawwal 1442H are unaudited and are presented for comparative purposes only.

**Independent Auditor's Report to The Shareholders of  
Makkah Construction and Development Company (A Saudi Joint Stock Company) (continued)**

**Responsibilities of management and those charged with governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's bye-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent Auditor's Report to The Shareholders of  
Makkah Construction and Development Company (A Saudi Joint Stock Company) (continued)**

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**


- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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.

for Ernst & Young Professional services



**Abdullah Ali AlMakrami**  
Certified Public Accountant  
License no. 476

Jeddah: 28 Jumada Al-Ula 1444H  
22 December 2022G





**Makkah Construction and Development Company**  
(A Saudi Joint Stock Company)

**STATEMENT OF FINANCIAL POSITION**

As at 14 Dhu Al-Qi'dah 1443H

		<b>14 Dhu Al- Qi'dah 1443H SR</b>	<b>29 Rabi' II 1443H SR (Restated- Note 29)</b>	<b>1 Jumada Al- Ula 1442 H SR (Restated- Note 29)</b>
	<i>Note</i>			
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property and equipment	6	<b>1,314,228,210</b>	1,328,334,663	1,299,928,977
Investment properties	7 & 29	<b>215,619,876</b>	219,002,124	224,763,369
Financial assets classified at fair value through OCI	8 & 29	<b>2,412,152,803</b>	2,685,901,088	3,003,988,934
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,942,000,889</b>	4,233,237,875	4,528,681,280
<b>CURRENT ASSETS</b>				
Inventories		<b>2,238,038</b>	1,703,453	2,183,226
Amounts due from related parties	10-a & 29	<b>316,453,635</b>	315,642,801	309,564,950
Trade receivables	11 & 29	<b>114,496,417</b>	113,712,048	67,064,054
Prepayments and other current assets	12 & 29	<b>43,491,172</b>	29,627,509	57,370,112
Bank balances and cash	13	<b>206,612,823</b>	162,815,957	194,475,554
<b>TOTAL CURRENT ASSETS</b>		<b>683,292,085</b>	623,501,768	630,657,896
<b>TOTAL ASSETS</b>		<b>4,625,292,974</b>	4,856,739,643	5,159,339,176
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share Capital	14-1	<b>1,648,162,400</b>	1,648,162,400	1,648,162,400
Statutory reserve	14 -2	<b>836,280,685</b>	836,280,685	836,280,685
Fair value gain from financial assets at FVOCI	8	<b>1,442,203,407</b>	1,715,951,693	2,034,039,539
Retained earnings		<b>162,236,021</b>	108,846,036	109,437,038
<b>TOTAL EQUITY</b>		<b>4,088,882,513</b>	4,309,240,814	4,627,919,662
<b>NON-CURRENT LIABILITIES</b>				
Term loan	15	<b>137,498,850</b>	149,998,850	149,999,000
Employees' defined benefits obligation	16	<b>34,673,752</b>	32,738,269	32,758,055
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>172,172,602</b>	182,737,119	182,757,055
<b>CURRENT LIABILITIES</b>				
Term loan - current portion	15	<b>26,798,718</b>	25,000,000	-
Deferred Income	17	<b>25,867,998</b>	8,488,556	17,713,177
Trade accounts payable		<b>2,221,298</b>	6,843,747	28,545,687
Amounts due to related parties	10-b	<b>3,068,450</b>	3,136,235	-
Accrued expenses and other current liabilities	18	<b>67,772,657</b>	77,316,547	53,442,773
Dividends Payable	19	<b>184,924,208</b>	192,364,589	205,043,020
Zakat payable	20 & 29	<b>53,584,530</b>	51,612,036	43,917,802
<b>TOTAL CURRENT LIABILITIES</b>		<b>364,237,859</b>	364,761,710	348,662,459
<b>TOTAL LIABILITIES</b>		<b>536,410,461</b>	547,498,829	531,419,514
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,625,292,974</b>	4,856,739,643	5,159,339,176

**Mr. Ahmed Abdul Aziz Al-Hamdan**

**Mr. Siraj Hamza Abdullah Ateeq**

**Mr. Amr Hussein Abdel Fattah**

**Authorized Board Member**

**General Manager**

**Finance Director**

The accompanying notes from 1 to 32 form an integral part of these financial statements



**Makkah Construction and Development Company**  
(A Saudi Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the period from 1 Jumada Al-Ula1443H to 14 Dhu Al-Qi'dah1443H

	Note	<i>For the Period from 1 Jumada Al-Ula1443 to 14 Dhu Al- Qi'dah1443H</i>  SR	<i>For six-month period ended 29 Shawwal 1442H (Unaudited)</i>  SR	<i>For year ended 29 Rabi' II 1443H (Restated- Note 2)</i>  SR
Revenue	21	<b>208,276,690</b>	56,622,723	159,642,530
Cost of revenue	22	<b>(103,143,647)</b>	(56,352,890)	(106,020,404)
<b>Gross Profit</b>		<b>105,133,043</b>	269,833	53,622,126
General and administrative expenses	23	<b>(19,542,274)</b>	(12,269,435)	(25,979,211)
Allowance for expected credit losses on trade and other receivables	11,12	<b>(20,082,601)</b>	-	(16,458,381)
<b>Operating profits</b>		<b>65,508,168</b>	(11,999,602)	11,184,534
Finance cost		-	(2,326,624)	-
Other income		-	-	1,032,609
<b>PROFIT / (LOSS) FOR THE PERIOD / YEAR BEFORE ZAKAT</b>		<b>65,508,168</b>	(14,326,226)	12,217,143
Zakat expense	20	<b>(9,944,525)</b>	-	(7,972,031)
<b>NET PROFIT / (LOSS) FOR THE PERIOD/YEAR</b>		<b>55,563,643</b>	(14,326,226)	4,245,112
<b>OTHER COMPREHENSIVE (LOSS) / INCOME</b>				
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods:</i>				
Re-measurement losses on employees' defined benefits liabilities	16	<b>(2,173,658)</b>	-	(448,414)
Net unrealized (loss) / gain from revaluation of financial assets at FVOCI	8 & 29	<b>(273,748,286)</b>	448,225,200	(318,087,846)
<b>TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME</b>		<b>(275,921,944)</b>	448,225,200	(318,536,260)
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD / YEAR</b>		<b>(220,358,301)</b>	433,898,974	(314,291,148)
<b>EARNINGS/ (LOSS) PER SHARE:</b>				
Basic and diluted earnings / (loss) per share from net profit / (loss) for the period / year	25	<b>0.34</b>	(0.09)	0.03

**Mr. Ahmed Abdul Aziz Al-Hamdan**

**Mr. Siraj Hamza Abdullah Ateeq**

**Mr. Amr Hussein Abdel Fattah**

**Authorized Board Member**

**General Manager**

**Finance Director**

The accompanying notes from 1 to 32 form an integral part of these financial statements

**Makkah Construction and Development Company**  
(A Saudi Joint Stock Company)

**STATEMENT OF CHANGES IN EQUITY**

For the period from 1 Jumada Al-Ula 1443H to 14 Dhu Al-Qi'dah 1443H

	Share Capital SR	Statutory reserve SR	Unrealized gains from financial investments at FVOCI SR	Retained Earnings SR	Total Equity SR
Balance at 30 Rabi' II 1442H (as issued previously)	1,648,162,400	836,280,685	1,819,205,563	160,289,140	4,463,937,788
Prior years adjustments (Note 29)	-	-	214,833,976	(50,852,102)	163,981,874
Balance at 1 Jumada Al-Ula 1442H (restated)	1,648,162,400	836,280,685	2,034,039,539	109,437,038	4,627,919,662
Net income for the year	-	-	-	4,245,112	4,245,112
Other comprehensive loss for the year (restated - note 29)	-	-	(318,087,846)	(448,414)	(318,536,260)
Total comprehensive loss for the year	-	-	(318,087,846)	3,796,698	(314,291,148)
Prior years adjustments (Note 29)	-	-	-	(4,387,700)	(4,387,700)
Balance at 29 Rabi' II 1443H (restated)	1,648,162,400	836,280,685	1,715,951,693	108,846,036	4,309,240,814
Net income for the period	-	-	-	55,563,643	55,563,643
Other comprehensive loss for the period (note 8)	-	-	(273,748,286)	(2,173,658)	(275,921,944)
Total comprehensive loss for the period	-	-	(273,748,286)	35,389,985	(220,385,301)
As at 14 Dhu Al-Qi'dah 1443H	1,648,162,400	836,280,685	1,442,203,407	162,236,021	4,088,882,513

Mr. Ahmed Abdul Aziz Al-Hamdan

Mr. Siraj Hamza Abdullah Ateeq

Mr. Amr Hussein Abdel Fattah

Authorized Board Member

General Manager

Finance Director

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**Makkah Construction and Development Company**  
(A Saudi Joint Stock Company)

**STATEMENT OF CASH FLOWS**

For the period from 1 Jumada Al-Ula 1443H to 14 Dhu Al-Qi'dah 1443H

	Note	14 Dhul Qi'dah 1443H SR	29 Rabi' II 1443H SR
<b>OPERATING ACTIVITIES</b>			
Profit for the period / year before zakat		65,508,168	12,217,143
<i>Adjustment to reconcile profit before Zakat to net cash flows:</i>			
Depreciation on property and equipment	6	15,027,492	21,599,533
Depreciation of investment properties	7	3,398,905	5,778,668
Allowance for expected credit losses on trade and other receivables	11,12	20,082,601	16,458,381
Loss on disposal of non-current assets		79,077	189,088
Provision for employees' defined benefits obligation	16	1,987,757	4,000,693
		<b>106,084,000</b>	<b>60,243,506</b>
<i>Working Capital adjustments:</i>			
Inventory		(534,585)	479,773
Trade receivables		(16,525,935)	(63,106,375)
Prepayments and other current assets		(14,501,705)	27,742,603
Deferred income		17,379,442	(9,224,621)
Trade payables		(4,622,449)	(21,701,940)
Accrued expense and other current liabilities		(9,543,890)	23,873,774
Related parties		(878,619)	(2,941,616)
Cash generated from operations		<b>76,856,259</b>	<b>15,365,104</b>
Employees benefits paid	16	(2,225,932)	(4,468,893)
Interest paid	15	(1,904,275)	-
Zakat paid	20	(7,972,031)	(277,797)
<b>Net cash from operating activities</b>		<b>64,754,021</b>	<b>10,618,414</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(989,523)	(50,185,152)
Additions to investment properties		(27,250)	(4,414,278)
<b>Net cash used in investing activities</b>		<b>(1,016,773)</b>	<b>(54,599,430)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends Paid	19	(7,440,382)	(12,678,431)
(Paid) Received from interest-bearing loans and borrowings	15	(12,500,000)	24,999,850
<b>Net cash (used in) from financing activities</b>		<b>(19,940,382)</b>	<b>12,321,419</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>43,796,866</b>	<b>(31,659,597)</b>
Bank balances and cash at the beginning of the period/year		<b>162,815,957</b>	<b>194,475,554</b>
<b>Bank balances and cash at the end of the period/ year</b>		<b>206,612,823</b>	<b>162,815,957</b>
<b>Significant non-cash transactions</b>			
Unrealized (loss) from revaluation of financial assets at FVOCI	8	(273,748,286)	(318,087,846)
interest-bearing loans and borrowings	15	(3,702,993)	-

Mr. Ahmed Abdul Aziz Al-Hamdan

Mr. Siraj Hamza Abdullah Ateeq

Mr. Amr Hussein Abdel Fattah

Authorized Board Member

General Manager

Finance Director

The accompanying notes from 1 to 32 form an integral part of these financial statements

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 1. CORPORATE INFORMATION

Makkah Construction and Development Company (A Saudi Joint Stock Company) (the "Company") was incorporated in accordance with the Companies' Law and as per Royal Decree no. (M/5) dated 13 Dhu Al-Qi'dah 1408H. The incorporation was declared by the Minister of Commerce and Investment no. 859 dated 21 Dhu Al-Qi'dah 1409H (corresponding to 24 June 1989). The Company is registered in Makkah under Commercial Registration number 4031020101 dated 1 Dhu Al-Hijjah 1409H (corresponding to 4 July 1989).

The Head office of the Company is located in Makkah Al Mukarramah, Faqih Center, P O Box 7134- KSA.

As at 14 Dhu Al-Qi'dah 1443H, the share capital amounted to SR 1,648,162,400 (29 Rabi' II 1443H: SR 1,648,162,400) divided into 164,816,240 shares (29 Rabi' II 1443H: 164,816,240 shares) fully paid with nominal value of SR 10 each.

The main activity of the Company is the construction of the area near Al Masjid Al Haram, the ownership, development, management, investment, purchase, and lease of the properties near Al Masjid Al Haram. In addition to performing all necessary engineering works to perform building, constructing, repairing, and demolishing works.

The Company has sub-commercial registrations to perform activities of hospitality, hotel services and Omrah services. These financial statements include the results and activities of the following branches:

<u>Location of Branch</u>	<u>Branch's commercial registration number</u>	<u>Date</u>
Makkah Hotel and Towers	4031045190	18 Ramadhan 1424 H
Branch of Makkah Construction and Development Company for Omrah Services	4031102134	18 Rabi Al-Awwal 1439H

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

#### 2.1 Basis of preparation

These financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the items measured as follows:

<b>Items</b>	<b>Basis of Measurement</b>
Employees' defined benefits obligation	Present value of the defined benefit obligation using projected credit unit method

The Financial statements have been presented in Saudi Riyals representing the functional and presentation currency of the Company.

#### Changes to financial year end

- The shareholders of the Company in their meeting held on 15 Shawwal 1443H (corresponding to 16 May 2022) have resolved to change the financial year of the Company from Hijri to Gregorian, which will end on 31 December every year. The legal formalities in respect of the change of the financial year have been completed on 14 Dhu Al-Qi'dah 1443H (corresponding to 13 June 2022). These financial statements represent the last set of Hijri financial statements of the Company that covers the short period from 1 Jumada Al-Ula 1443H to 14 Dhu Al-Qi'dah 1443H.
- These financial statements are prepared for the period from 1 Jumada Al-Ula 1443H to 14 Dhu Al-Qi'dah 1443H (see note above) in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia (KSA). The comparative financial information presented in these financial statements relates to the 29 Rabi' II 1443H (12 months) and accordingly are not comparable.
- The Company has presented unaudited additional comparative financial information for the Six-month period ended 29 Shawwal 1442H in the statement of profit or loss and other comprehensive income and its related notes which are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia for comparable purposes with current period.

#### 2.2 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS" that are endorsed in the Kingdom of Saudi Arabia).



# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### **2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**

#### **2.2 Statement of compliance (continued)**

The Company has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

#### **2.3 Significant accounting judgments, estimates and assumptions**

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Sensitivity analysis disclosure (note 16)
- Financial instruments risk management (note 30)
- Capital management (note 30)

#### **Accounting judgements**

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

#### ***Satisfaction of performance obligations***

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Company assessed that one performance obligations is related to maintenance services can be measured reliably.

#### ***Determination of transaction prices***

The Company is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Company assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract, if any.

#### ***Going concern***

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### ***Estimations and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the subsequent financial year, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are such in the assumptions when they occurrence. The following are information about assumptions and uncertainty from estimation.

#### ***Classification of real estate properties***

The Company exercises its judgment in the classification of real estate as property and equipment and investment properties. The Company considers recognition criteria as per the supporting accounting standard with the management's intention and effective plan. The Hotels are considered as occupied by the owner and held for use to provide services while commercial malls are classified as investment properties as they are held for a third-party leasing.

#### ***Zakat provision and Zakat assessment***

The determination for zakat provision and results of received Zakat assessment involves significant management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia and the expected outcome of the appeals on Zakat assessments, which may be subject to different interpretations. The final amount of the assessment might differ significantly from returns and objections submitted by the Company. At the time of determining the amount due to ZATCA, the Company applied its judgment and its interpretation of ZATCA's requirements when calculating Zakat.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

#### 2.3 Significant accounting judgments, estimates and assumptions (continued)

##### *Operating lease classification – Company as lessor*

The Company entered commercial leases for its investment property. The Company has determined, based on an Estimation of the terms and conditions of the arrangements, that as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases

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

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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 to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognised in statement of profit or loss and OCI. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

##### *Useful lives and residual values of property and equipment and investment properties*

The Company's management estimates the useful lives of its property and equipment and investment properties for calculating depreciation. Such estimates are updated after considering the expected use of the assets, obsolescence, and damage. The management periodically reviews estimated useful lives, the residual values and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

##### *Impairment for expected credit losses (ECL) in trade and other receivables*

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. 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 determination of ECL of trade and other receivables require the Company to consider certain estimates when calculating the possibility of default. These estimates may differ from actual circumstances.

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

The Company determined the growth rate in the gross domestic product which more related to the macroeconomic factor of the looking forward information that it might affect customers' credit and therefore, the adjustment of historical loss of the expected changes of this factor using different scenarios. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The ECL is very sensitive to changes in circumstances and of forecast economic conditions. The previous credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in Note 11.

##### *Employees' terminal benefits plan*

The cost of employees' terminal benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover. As a result of the complexities of the evaluation and long-term nature, the defined benefit obligation (DBO) is very sensitive to changes in such assumptions. All assumptions are reviewed at each year end. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand, and supply in the employment market. The mortality rate is based on publicly available mortality tables for the specific countries.



# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

#### 2.3 Significant accounting judgments, estimates and assumptions (continued)

##### *Employees' terminal benefits plan (continued)*

Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 16.

##### *Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgments is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 30.1 for further disclosures.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### 3.1 New and amended standards and interpretations

The accounting policies adopted, and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below.

There were several amendments to the new standards and interpretations which are applicable for the first time in 2022, but do not apply to the Company's financial statements or have no significant impact on the financial statements of the Company. The Company has not early adopted any standard, interpretation or amendments that has been issued but is not yet effective. See Note 3.2.

#### **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

#### **Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

#### 3.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's financial statements are disclosed below which are expected to have an impact on the Company's financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### 3.2 Standards issued but not yet effective (continued)

##### **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

##### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement?
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

##### **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

##### **Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### 3.2 Standards issued but not yet effective (continued)

##### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

##### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently in the preparation of these financial statements except for new amendments which became effective on 1 January 2022, as disclosed in note 3.1. The Company has not early adopted any standard, interpretation or amendments that has been issued, but is not yet effective.

#### 4.1 Current versus non-current classification

##### *Assets*

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

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

All other assets are classified as non-current.

##### *Liabilities*

A liability is current when:

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

The Company classifies all other liabilities as non-current.

#### 4.2 Investment in associates

The Company's investment in an associate is accounted by equity method. An associate is an entity over which the Company has significant influence. Significant influence is the ability to participate in the financial and operating policy decisions for the investee but is not control or joint control over those policies.

Under the equity method, the investment in an associate is recognized in the statement of financial position at cost, plus the Company's share in changes after acquiring the business in net assets of the associate. Goodwill related to the associate is added to the investment carrying amount and is not amortized or reviewed on an individual basis to determine the impairment.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **4.2 Investment in associates (continued)**

The Statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any change and disclose this, when applicable, in the statement of other comprehensive income. Unrealized gains and losses resulting from transactions between the Company and associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same period as the Company. When needed, adjustments are made to match the accounting policies with that of the Company.

After application of the equity method The Company determines whether it is necessary to record an impairment loss for the investment of Company in Associates. The Company determines at each statement of financial position date whether there is any objective evidence that the investment in Associates is impaired. If so, the Company then accounts the amount of impairment as the difference between the recoverable amount from the associate and its carrying amount and recognizes the amount in the Statement of profit or loss and other comprehensive income under "impairment losses in investment in investee".

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

#### **4.3 Foreign currencies**

##### ***Transaction and balances***

Transactions in foreign currencies are initially recorded by the Company in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rates prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss and comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on the change in fair value of the item (i.e., the translation differences on items whose fair value gain or loss is recognized in OCI, or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

#### **4.4 Property and equipment**

##### ***Recognition and measurement***

Property and equipment are recognized as assets when, and only when, it is possible that the future economic benefits that are associated with the property and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property and equipment is recognized and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognized as a provision).

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.4 Property and equipment (continued)

##### *Recognition and measurement (continued)*

When parts of property and equipment are significant in cost on comparison to the total cost of the item and such parts have a useful life different than other parts, the Company recognizes such parts as individual assets and depreciates them accordingly.

The Company adopted the cost model to measure the entire class of property and equipment. After recognition as an asset, an item of property and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment costs, if any.

##### *Subsequent costs*

The cost of replacing a part of an item of Property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income when incurred.

##### *Depreciation*

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	<i>Years</i>
Buildings	33:83
Operating equipment	10
Furniture, fixture, and installations	2,5 to 10
Motor vehicles	4

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property and equipment are de-recognized when they have been disposed or no future economic benefits are expected to arise from their use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount. And they are recognized in the statement of profit or loss and other comprehensive income under "other income, net" at the time of derecognition.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction/development cost and any other directly attributable to the construction or acquisition of an item intended by management. Capital work-in-

progress is measured at cost less any recognized impairment. Capital work-in-progress is stated at cost. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Property and equipment include infrastructure assets such as pathways, roads, drainage and water supply systems, lamp posts, etc. that do not ordinarily generate cash flows independent of the operating properties of the company.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.4 Property and equipment (continued)

##### *Derecognition*

Property and equipment are de-recognized when they have been disposed or no future economic benefits are expected to arise from their use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount.

And they are recognized in the statement of profit or loss and other comprehensive income under "other income, net" at the time of derecognition.

##### *Capital Work in progress*

Capital work in progress represent assets under construction and development of the current assets as they are stated at cost less accumulated impairment loss, if any. Such costs include cost of equipment, material, and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Company's policies.

#### 4.5 Investment properties

Properties held for long term returns or maximize the capital or for both, and property held for indefinite future use but not for trading during its course of business and unoccupied as investment properties. Investment properties comprise land, buildings and equipment, fixtures and fittings, office equipment and furniture which are an integral part of the buildings. Investment properties also include property under construction or to be developed for future use as investment properties.

Investment properties are carried at cost, net of accumulated depreciation and any accumulated impairment losses, except for properties under construction which is stated at cost. Cost includes the expenses directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The Company also disclose the fair value of the investment properties. For this disclosure, the Company has determined fair value in accordance with IFRS 13. Also, in addition to the disclosures of fair value, the Company disclosed the below:

- The level at which fair value measurement is categorised i.e., Level 1, Level 2 or Level 3
- A description of valuation technique and inputs, for Level 2 or Level 3 fair value measurement

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss in the period of derecognition. In determining the transaction price for the sale of equipment, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Investment properties acquired are measured initially by the lease amount of lease liability adjusted and any lease payments paid before the commencement date (less incentives of the rent received) and any initial direct costs incurred by the Company and the estimates of such costs incurred by the lessee as well as the cost of removing the original asset and returning the site to its original condition or returning the original asset to its required condition as per the terms of the contract. right-of-use assets that meet the definition of investment properties are presented under investment properties.

Investment property is classified as "held for sale" when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the properties must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such properties and its sale must be highly probable.

When the investment properties are sold, no revenues and direct / operating costs are recognized for sale of investment properties. Any gains or losses from the disposal of investment properties (calculated as the difference between net proceeds of disposal and the carrying amount) are recognized in the statement of profit or loss and other comprehensive income.



# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.5 Investment properties (continued)

The occupied properties are the ones held by the owner or right of use assets related to properties held by the lessee to be used for production, goods supply, services, and administration proposes does not generate cash flows independently of the other assets of the entity. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is deemed to be the fair value at the date of change. If owner-occupied property becomes an investment property, the Company` accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Depreciation on assets is charged to the statement of profit or loss and other comprehensive income, using the straight-line method over the following estimated economic useful lives:

	Years
Buildings	33:83
Furniture, fixture, and installations	10

Gains and losses of disposals are determined by comparing proceeds with the carrying amount and are recognized in the statement of profit or loss and other comprehensive income.

#### 4.6 Financial instruments - initial recognition and subsequent measurement

Financial instruments – initial recognition and subsequent measurement A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### Financial assets

##### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient method, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 “Revenue from contract with customers”

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at the instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.6 Financial instruments - initial recognition and subsequent measurement (continued)

##### Financial assets (continued)

###### *Financial assets at amortized cost (debt instruments)*

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

The Company's financial assets at amortized cost include cash, bank balances, trade receivables, employees' receivables, and other receivables.

###### *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

###### *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

###### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

##### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company statement of financial position) when:

##### **Derecognition (continued)**

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

When the Company has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards whether ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.6 Financial instruments - initial recognition and subsequent measurement (continued)

##### ***Impairment***

The Company recognizes an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognized in two stages. For credit exposures for which there has not been significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables, the Company applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based in its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### ***Subsequent measurement***

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flow.

##### ***Financial liabilities***

##### ***Initial recognition and measurement***

Financial Liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities consist of payables and accruals, other liabilities and due to related parties.

##### ***Subsequent measurement***

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings).

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

##### ***Financial liabilities at amortized cost (loans and borrowings).***

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.6 Financial instruments - initial recognition and subsequent measurement (continued)

The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

##### *Offsetting of financial instruments*

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

##### *Modifications of financial assets and financial liabilities*

When an asset or a financial liability is negotiated or modified and this modification or renegotiation doesn't lead to derecognize that instrument, the Company recalculates total carrying amount of the financial asset and recognize gains or losses of the modification in profit or loss under "gains on modification of a loan". The total carrying amount of the financial instrument is recalculated as a current value of the contractual cash flows modified or discounted as per the original effective interest rate for the financial instrument (effective modified credit interest rate for the purchased financial assets or originated with low credit value). Any cost or fees incurred leading to modify the carrying amount of the modified financial instrument are amortized over the remaining life of the modified instrument.

The Company accounts for the consideration with the debt instrument lender under significant different terms as amortization of the financial liability and recognition of the new liability. As for this, any significant modification in the terms of the existing or part of the liability (as a result of financial difficulties faced by the borrower) is accounted for as amortization of the original liability and recognition of the new liability.

The IFRS regards the terms of exchanged or modified debt as 'substantially different' if the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument. In the absence of such difference, the terms could still be considered as substantially different if they are deemed to be qualitatively significantly different from the pre-modifications terms.

#### 4.7 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment loss is allocated to the carrying amount of assets of the CGU (a group of assets) relatively with the carrying amount of each unit assets (a group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-financial assets that suffered impairment other than goodwill are examined for possible reversal of impairment at each reporting date. Where impairment subsequently reverses, the carrying amount of the asset or generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and other comprehensive income. Impairment losses recognized on goodwill are not reversible.

#### 4.8 Leases

The Company at commencement assess whether a contract contains a lease, at inception of<sup>4</sup>. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

##### **Company as a lessee**

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

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.8 Leases (continued)

##### *Right-of-use assets*

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

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 4.8 Impairment of non-financial assets

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of advantageous and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the valuation of an option to purchase the underlying asset.

##### *Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

##### **Company as a lessor**

Operating lease Income is recognized in which the Company is a lessor under income on a straight-line bases over the contract. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position in accordance with their nature. The Company selected to recognize variable lease payments depending on an index or straight-line basis. At commencement date, the Company evaluates whether the lessee is reasonably certain about the exercise of lease extension option or purchase of the original asset or not to exercise the termination option. The Company takes into account all facts and circumstances creating economic incentives to the lessee to practice the option or not, including any expected changes in facts and circumstances from commencement date up to the option exercise date.

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

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

#### 4.9 Cash and cash equivalents

For the statement of financial position, cash and cash equivalents consist of cash in hand, demand deposits with banks, other high liquidity short term investments with maturity of three months or less which can be converted to cash amounts directly and subject to insignificant change in value risk.

For the presentation statement of cash flows, cash and cash equivalents consist of cash in hand, demand deposits with banks, other high liquidity short term investments with maturity of three months or less which can be converted to cash amounts directly and subject to insignificant change in value risk. Overdraft facilities are presented, if any, under loans and current liabilities in the statement of financial position.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.10 Employee benefits

##### *Short term employees' benefits*

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company 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 benefits*

The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in employee costs in the statement of profit or loss and other comprehensive income.

The Company uses the available yields from corporate high quality Sukuk bonds as a reasonable assumption against discount rate.

#### 4.11 Provisions

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

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

#### 4.12 Zakat

The Company is subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the statement of profit or loss and other comprehensive income. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

#### 4.13 Revenue

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1: Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligation in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognition of revenue when (or as) the entity satisfies a performance obligation.



# Makkah Construction and Development Company (A Saudi Joint Stock Company)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.13 Revenue (continued)

The Company satisfies a performance obligation and recognizes revenue over time, if one of the criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Company satisfies a performance obligation by delivering the promised goods or rendering services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

#### *Rental income from investment properties*

Lease revenue from investment property is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. When the Company provides incentives to its customers like a free rent period, the incentive is recognized as a rental revenue total reduction over the lease term on a straight-line basis.

#### *Rental from hotel services*

It comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes, and municipality fees on an accrual basis when the services are rendered. Performance obligations are satisfied over time, and revenue from hotel services is recognized on a daily basis, as the rooms are occupied, and services are rendered.

#### *Deferred Revenue*

Deferred revenue is recognised when a payment is received, or a payment is due (whichever is earlier) from a customer before the Company provide the related services. Deferred Revenue are recognised as revenue when the Company performs under the contract (i.e., fulfill performance obligations).

#### 4.14 Selling and Marketing expenses and general administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Allocations between selling, distribution and general and administration expenses and cost of revenue, when required, are made on a consistent basis.

#### 4.15 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization starts when: (1) the Company incurs the asset expenses (2) the Company incurs borrowings costs (3) the Company incurs the necessary activities to prepare the asset for the intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs incurred in relation to investment property under development are expensed as incurred.

The advantageous capitalized is calculated using the Company's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as of the beginning of development works up to the actual date of actual completion and completion of all development work completely. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the cost of the site purchase acquired specifically for development but only when the activities for development are in progress.

#### 4.16 Finance income and finance costs

Finance income and expenses are recognized within finance income and finance costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalized as part of the cost of that asset.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**4.16 Finance income and finance costs (continued)**

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the finance income or finance expense over the relevant period. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. When calculating the EIR, the Company estimates the cash flows after considering all the contractual terms of the financial instrument (e.g., Prior payment options) and doesn't consider future credit losses. The calculation includes all charges paid or received between the contracting parties and it is an integral part of EIR, transaction costs, premiums, or discounts.

**4.17 Segment information**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). He is the person who takes over responsibility to evaluate the financial performance, financial position, take the strategic decisions.

An operating segment is group of assets and operations:

- engaged in revenue producing activities.
- Management analysis the results of its operations continuously to take the decisions relating to the allocation of resources and performance assessment, and
- About which there is sufficient information.

**4.18 Contract assets and contract liabilities**

The contract asset is the consideration for goods or services transferred to the customer when the right is conditioned for something other than passage of time. For example, the progress billings require the approval of the customer. Upon receipt of such certification from a customer, the amount recognized as contract assets is reclassified to trade receivables. The contract asset is subject to impairment assessment similar to financial assets within the scope of IFRS 9.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are stated as revenue when the Company performs the obligation under the contract (transfer of control of goods and services to the customer). Other than the method used to recognize revenue from contracts relating to selling completed real estate, the billed amounts for customers are based on meeting other things in the contract. The amounts recognized as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In case of the contracts in which goods and services are transferred to the customer exceed the billed amount approved by the customer, the difference is stated (as contract asset) in the statement of financial position under "contract assets"; while in the contracts in which assets and contracts transferred to the customer less than the amount approved by the customer (i.e. When the payment is due or receivable before the Company transfers the remaining goods and services), the difference is stated as (a contract liability) and presented in the statement of financial position under "contract liabilities".

**Makkah Construction and Development Company**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**5. SEGMENT INFORMATION**

	<i>The Commercial Center SR</i>	<i>The Hotel and Towers SR</i>	<i>Investment Segment SR</i>	<i>Others SR</i>	<i>TOTAL SR</i>
<b><u>As at 14 Dhu Al-Qi'dah 1443H</u></b>					
Revenue	73,560,345	133,854,345	-	862,000	208,276,690
Cost of revenue	(24,742,211)	(78,401,436)	-	-	(103,143,647)
Gross profit for the Segment	48,818,134	55,452,909	-	862,000	105,133,043
General and administrative expenses	-	-	-	(19,542,274)	(19,542,274)
Allowance for expected credit losses on trade and other receivables	-	-	-	(20,082,601)	(20,082,601)
Zakat	-	-	-	(9,944,525)	(9,944,525)
Profit (loss) during the period	48,818,134	55,452,909	-	(48,707,400)	55,563,643
<b><u>As at 14 Dhu Al-Qi'dah 1443H</u></b>					
Segment assets	470,539,443	1,153,919,254	2,412,152,803	588,681,474	4,625,292,974
Segment liabilities	39,151,520	231,494,873	-	265,764,068	536,410,461
<b><u>For the six-month ended 29 Shawwal 1442H</u></b>					
Revenue	32,090,396	24,432,327	-	100,000	56,622,723
Cost of revenue	(13,467,360)	(42,885,530)	-	-	(56,352,890)
Gross profit for the Segment	18,623,036	(18,453,203)	-	100,000	269,833
General and administrative expenses	-	-	-	(12,269,435)	(12,269,435)
Finance cost	-	-	-	(2,326,624)	(2,326,624)
Profit (loss) during the period	18,623,036	(18,453,203)	-	(14,496,059)	(14,326,226)
<b><u>As at 29 Rabi' II 1443H</u></b>					
Revenue	106,121,041	53,421,489	-	100,000	159,642,530
Cost of revenue	(27,655,829)	(78,364,575)	-	-	(106,020,404)
Gross profit for the Segment	78,465,212	(24,943,086)	-	100,000	53,622,126
General and administrative expenses	-	-	-	(25,979,211)	(25,979,211)
Reversal of a provision for credit losses	-	-	-	(16,458,381)	(16,458,381)
Other income	-	-	-	1,032,609	1,032,609
Zakat	-	-	-	(7,972,031)	(7,972,031)
Profit (loss) during the period	78,465,212	(24,943,086)	-	(49,277,014)	4,245,112
<b><u>As at 29 Rabi' II 1443H</u></b>					
Segment assets	479,237,781	1,132,015,881	2,991,078,338	254,407,643	4,856,739,643
Segment liabilities	20,733,830	248,822,688	-	277,942,311	547,498,829

The presentation of operating segment is based on the Company's related risk and benefits which are significantly affected by the difference in services and products provided by such segments. These segments are organized separately as per the nature of services and products in a way that each one represents a separate unit. The operating segments are determined through distinguishing the commercial activities from which the Company archives revenue and incurs costs. The economic characteristics are reviewed, and the operating segments are pooled based on the operation decision maker each quarter at least which is also reviewed by top management of the Company. The Company is operating in The Kingdom of Saudi Arabia through the following main activities:

- Commercial center which includes commercial stores' rentals,
- The Hotel and residential Towers,
- investments, including the investment in financial instruments and investments in associates,
- others including revenue of 4 properties leased to other parties.

Management monitors the operating results of segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in financial statements.

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**6. PROPERTY AND EQUIPMENT**

	<i>Lands</i>	<i>Buildings</i>	<i>Operating</i>	<i>Furniture, fixture,</i>	<i>Motor Vehicles</i>	<i>Total</i>
<b>Cost:</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
As at 1 Jumada Al-Ula1442H	601,409,769	947,035,590	142,235,766	72,837,721	2,068,369	1,765,587,215
Additions during the year	-	9,390,120	40,576,173	218,859	-	50,185,152
Disposals / write off during the year	-	-	(2,016,038)	(2,165,085)	-	(4,181,123)
Balance at 29 Rabi' II 1443H	601,409,769	956,425,710	180,795,901	70,891,495	2,068,369	1,811,591,244
Additions during the period	-	13,740	510,115	364,618	101,050	989,523
Transfer from investment properties	-	-	-	20,321	-	20,321
Disposals / write off during the period	-	-	(442,441)	(385,544)	-	(827,985)
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>601,409,769</b>	<b>956,439,450</b>	<b>180,863,575</b>	<b>70,890,890</b>	<b>2,169,419</b>	<b>1,811,773,103</b>
<b>Accumulated depreciation:</b>						
As at 1 Jumada Al-Ula1442H	-	336,551,046	67,531,130	59,642,950	1,933,112	465,658,238
Depreciation for the year	-	11,402,074	6,201,912	3,950,971	44,576	21,599,533
Disposals during the year	-	-	(1,862,124)	(2,139,066)	-	(4,001,190)
Balance at 29 Rabi' II1443H	-	347,953,120	71,870,918	61,454,855	1,977,688	483,256,581
Depreciation for the period	-	6,294,018	7,217,015	1,481,720	34,739	15,027,492
Transfer from investment properties	-	-	-	10,216	-	10,216
Disposals during the period	-	-	(382,467)	(366,929)	-	(749,396)
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>-</b>	<b>354,247,138</b>	<b>78,705,466</b>	<b>62,579,862</b>	<b>2,012,427</b>	<b>497,544,893</b>
<b>Net book value at</b>						
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>601,409,769</b>	<b>602,192,312</b>	<b>102,158,109</b>	<b>8,311,028</b>	<b>156,992</b>	<b>1,314,228,210</b>
At 29 Rabi' II 1443H	601,409,769	608,472,590	108,924,983	9,436,640	90,681	1,328,334,663

a) The depreciation charge for the year has been allocated as follows:

	<i>Period ended 14</i>	<i>Year ended 29</i>
	<i>Dhu Al-Qi'dah</i>	<i>Rabi' II</i>
	<i>1443H</i>	<i>1443H</i>
Cost of revenues (note 22)	14,841,136	21,261,728
General & administrative expenses (note 23)	186,356	337,805
	<b>15,027,492</b>	<b>21,599,533</b>

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7. INVESTMENT PROPERTIES

	<i>Land</i>	<i>Buildings</i>	<i>Furniture, fixture, and installations</i>	<i>Total</i>
<b>Cost:</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>	<b>SR</b>
As at 1 Jumada Al-Ula1442H	66,082,344	220,881,686	45,293,991	332,258,021
Additions during the year	-	164,988	4,249,290	4,414,278
Disposals during the year	-	-	(455,110)	(455,110)
	<b>66,082,344</b>	<b>221,046,674</b>	<b>49,088,171</b>	<b>336,217,189</b>
Balance at 29 Rabi' II 1443H	-	-	27,250	27,250
Additions during the period	-	-	(20,321)	(20,321)
Transferred to property and equipment	-	-	(100,559)	(100,559)
Disposals / write off during the period	-	-	-	-
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>66,082,344</b>	<b>221,046,674</b>	<b>48,994,541</b>	<b>336,123,559</b>
<b>Impairment and accumulated depreciation:</b>				
As at 1 Jumada Al-Ula1442H	-	85,251,252	22,243,400	107,494,652
Depreciation made during the year	-	2,749,194	3,029,474	5,778,668
Disposals during the year	-	-	(445,955)	(445,955)
Impairment during the year	-	4,387,700	-	4,387,700
	-	<b>92,388,146</b>	<b>24,826,919</b>	<b>117,215,065</b>
Balance at 29 Rabi' II 1443H	-	1,504,079	1,894,826	3,398,905
depreciation during the period	-	-	(10,216)	(10,216)
Transferred to property and equipment	-	-	(100,071)	(100,071)
Disposal / write off during the period	-	-	-	-
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>-</b>	<b>93,892,225</b>	<b>26,611,458</b>	<b>120,503,683</b>
<b>Net book value:</b>				
<b>As at 14 Dhu Al-Qi'dah1443H</b>	<b>66,082,344</b>	<b>127,154,449</b>	<b>22,383,083</b>	<b>215,619,876</b>
At 29 Rabi' II 1443H	66,082,344	128,658,528	24,261,252	219,002,124

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**7. INVESTMENT PROPERTIES(CONTINUED)**

- The Company's investment properties consist of commercial center and other 4 properties that are leased to third parties.
- On 14 Dhul al-Qidah-1443H, the fair value measurement for all of the investment properties has been categorized as a level 3 fair value based on the inputs to the valuation techniques used.
- As disclosed in note 29, the valuation indicated impairment amounted to SR 4.3 million for two properties for the financial year ended at 29 Rabi' II 1443H which has been recognized by the Company.
- As at 14 Dhu Al-Qi'dah 1443H, the total fair value of the investment properties determined by external Valuator, a member of Saudi Authority for Accredited Valuers, a Company specialized in the valuation of investment properties, however, the management revisited the basis and assumption used in the valuations and determined that one of the key assumptions used in the determination of valuations needed to be changed by management to reflect the market conditions, practice and circumstances existed as at that reporting date and arrived at fair values amounting to SR 2,918,276,651 (29 Rabi' II 1443H: SR 2,820,202,997 - see note 29 for restatement of prior period).
- Depreciation charged for the year has been allocated to cost of sale (see note 22).
- Amounts recognized in statement of profit or loss and other comprehensive income for investment properties are as follows:

	<b>14 Dhu Al-Qi'dah 1443H</b>	<b>29 Shawwal 1442H</b>	<b>29 Rabi Al-Thani 1443H</b>
	<b>SR</b>	<b>SR</b>	<b>SR</b>
Rental income from operating leases	<b>73,560,345</b>	32,090,396	106,121,041
Direct operating expenses on property that generated rental income	<b>24,669,262</b>	13,467,360	27,655,829

There were no direct operating expenses on investment properties that did not generate rental income (under development) during period ended 14 Dhul-Qi'dah 1443H and year end 29 Rabi' II 1443H.

- The table below shows the technical methods used in measuring the fair value of the investment properties, and the significant unobservable inputs used.

<b>Valuation technique</b>	<b>Unobservable input</b>
Income approach: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental, cap rates and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location and lease terms.	Please refer to table below

Management has determined the above approaches using the below key assumptions as follows:

<b>Assumption</b>	<b>Approach used to determine values</b>
Average daily rate	Based on the actual location, type and quality of the properties and supported by historic trends and approved room rents including impacts of expected inflations.
Estimated occupancy rate	Based on current, historic, and expected future market conditions.
Retail developed land value	Prices of residential and commercial land parcels per square meter in the neighboring districts.
Discount rates	Reflects current market assessments of the uncertainty in the amount and timing of cash flows.
Capitalization rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.



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At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**8. FINANCIAL INVESTMENTS HELD AT FAIR VALUE THROUGH OCI ("FVOCI")**

**a) Investments in financial assets held at fair value through other comprehensive income:**

The Company classified the investments below as financial assets at fair value through other comprehensive income. This is because these financial assets represent investments the Company intends to hold for a long term for strategic purposes.

**Investee**

	<i>14 Dhu Al-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
		<i>(Restated-Note 29)</i>
Jabal Omar Development Co. - investments in listed equity note (8-b)	<b>2,411,173,968</b>	2,684,928,713
Commodity Trading Fund - investments in unlisted equity, note (8-c)	<b>978,835</b>	972,375
	<b>2,412,152,803</b>	<b>2,685,901,088</b>

The table below shows unrealized gains on revaluation and investment movements in equity instruments designed at Fair Value through Other Comprehensive Income (FVTOCI):

	<i>14 Dhu Al-Qadih 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
		<i>(Restated- Note 29)</i>
Balance at the beginning of the period / year	<b>1,715,951,693</b>	2,034,039,539
Unrealized Losses	<b>(273,748,286)</b>	(318,087,846)
Balance at the end of the period / year	<b>1,442,203,407</b>	<b>1,715,951,693</b>

(B) the Company has investments in Jabal Omar Development Company "JODC" that represent investments in listed shares. The Company has a non-controlling interest of 9.327%. These investments have been irrevocably classified at fair value through other comprehensive income. The fair value of these shares determined by the quoted share price in an active market.

The Company holds a total of 96,392,516 share in JODC. The Company requested JODC to confirm the number of shares owned by the Company as at 14 Dhu Al-Qadih 1443H. According to the confirmation received, JODC confirmed number of shares less by 1,198,571 shares as compared to the total number of shares recorded in the Company's books and records. These shares are undergoing reconciliation as a result of the difference in the measurement of the areas of lands compared to title deeds provided as in-kind capital from MCDC. The management of the Company sought a legal opinion from their external legal advisor. The Company has been advised by its legal advisor that:

- 1- JODC may not make any adjustment to the number of shares of MCDC, by decreasing, modifying, or any other action, and thus, no amendment or change may occur to the value of the shares entered by MCDC as a shareholder in JODC. According to the Article (61) of the Companies' Law, the evaluation report of in-kind shares submitted by the Company is binding on JODC as long as it is not objected by the Constituent Assembly.
- 2- Before adding the final amount of the area as per the deeds by the respective authorities and departments, the value of the contribution entered by the Company in JODC remains fixed as it is and there is no modification or change to it until the total area of the deeds is added by the respective authorities. It is not permissible for JODC to enforce the Company to pay amounts in excess of the amount they committed when issuing the share.
- 3- Accordingly, the balance of the in-kind shares owned by the Company at JODC is 96,392,516 shares, including the shares related to title deeds that have not yet been transferred to JODC to date, until the total area as per the deeds is added by the respective authorities, and JODC may not reduce the number of shares or reduce the value of the assessment of in-kind shares submitted upon subscription.

Based on the above legal opinion, the management has recorded the total number of shares at the fair value in the financial statements.

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At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**8. INVESTMENTS IN FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)**

**a) Investments in financial assets held at fair value through other comprehensive income (continued)**

Furthermore, out of the total JODC shares owned by the Company, there are 8,509,144 share that represent in-kind capital shares in exchange for land titles that the Company acquired from landowners in favor of JODC's project and the transfer of the titles have not yet been finalized. Accordingly, these shares are being registered under Makkah Company's portfolio and upon completion of transferring of the lands' titles to JODC, the Company will be able to access its rights over these shares like in the sale transactions. These shares are already recorded as part of JODC's capital.

(c) As at 14 Dhu Al-Qi'dah 1443H and 29 Rabi' II 1443 H, the fair value of the Commodity Trading Fund was estimated to be close to its book values.

**9. INVESTMENTS IN AN ASSOCIATE**

The details of the Company's investment in an associate are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principle activity</i>	<i>Effective ownership %</i>		<i>14 Dhul-Qi'dah 1443H</i>	<i>29 Rabi' II 1443H</i>
			<i>14 Dhul-Qi'dah 1443H</i>	<i>29 Rabi' II 1443H</i>		
			<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
						<i>Restated (Note 29)</i>
Jurhom for Development and Growth Company	Kingdom of Saudi Arabia ("KSA")	Development of lands and leasing properties	27.5%	27.5%	-	—

The Board of Directors unanimously resolved in its meeting no. 133 held on 25 Muharram 1435H (corresponding to 28 November 2013) to offer a cash contribution interest in the share capital of Jurhom for Development Company, which operates in the field of developing real state and which the main objective to develop Al-Sharashif mountain area. Based on this resolution, the Company decided on 11 Jumada Al-Ula 1435 H to pay the amount of SR 28.84 million, representing 27.5% of the Company's share capital amounting to SR 104.84 million.

The carrying value of investment in Jurhom for Development Company was accounted at cost due to absence of the approved financial statements. Based on the latest audited financial statements for the year ended 31 December 2017, and during 2018, a provision was provided and the carrying value of the investment was reduced to SR 14.9 million after decreasing the capital of the investee Company against the accumulated losses. During the period ended 29 Shawwal 1443H, a provision was made and the carrying value of the investment was fully impaired by restating prior period (see note 29).

**10. RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. Pricing policies and terms of payment for these transactions are approved by the Company's management. The following are the related parties' transactions and the balances:

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At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**10. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

Name	Relationship type	Nature of transaction	Amount of transactions		Closing balance	
			Period ended	Year ended	14 Dhul-Qi'dah	29 Rabi' II
			14 Dhu Al-Qi'dah	29 Rabi' II	14 Dhul-Qi'dah	29 Rabi' II
			1443H	1443H	1443H	1443H
			SR	SR	SR	SR
<u>A) Due from related parties</u>						
Jabal Omar Development Company (see note b below)	Affiliate	Finance	-	-	309,564,950	309,564,950
Abdulrahman Abdulkadir Fakeih	Affiliate	Purchases	683,089	3,205,114	6,182,772	5,499,683
Fakeih BBQ Chicken	Affiliate	Expenses	583,100	(548,535)	583,100	-
Fakeih Chicken Farms	Affiliate	Purchases	(3,363)	33,555	574,805	578,168
					316,905,627	315,642,801
<u>Less:</u>						
Impairment loss on related parties					(451,992)	-
					316,453,635	315,642,801

Name	Relationship type	Nature of transactions	Amount of transactions		Closing balance	
			Period ended 14 Dhul-Qi'dah 1443H SR	Year ended 29 Rabi' II 1443H SR	14 Dhul-Qi'dah 1443H SR	29 Rabi' II 1443H SR
<u>B) Due to related parties</u>						
Fakeih Poultry Farms	Common management	Purchases	67,785	-	3,068,450	3,136,235
					3,068,450	3,136,235

**a) Terms and conditions of transaction with related parties**

The transactions with related parties are performed in the course of normal business of the company. Outstanding balances at the period ended 14 Dhul-Qi'dah 1443H are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivable or payable.

- b)** This represents amount due from a related party - Jabal Omar Development Company amounting to SR 359,564,950 as of 14 Dhul-Qi'dah 1443 H. Due to the location of the project and the characteristics associated with land ownership around the Haram area, there were some plots of land without title deeds. Accordingly, the shareholders of the plots of land worth SR 359 million were unable to complete the documents related to the ownership of these lands. With regard to those owners who were unable to present their legal title deeds, in accordance with the ownership transfer agreement, MCDC has subscribed to the company's shares on behalf of these owners. This was approved by Royal Decree No. M/63 on 9/25/1427H (corresponding to 18 October 2006).

The amount paid to MCDC during the year ended on 30 Dhul-Hijjah 1436H (14 October 2015) amounting to SR 50 million was settled in return for the receivable.

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At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**10. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

Accordingly, Jabal Omar Development Company acquired rights to use these lands and accordingly Jabal Omar Development Company completed construction on these lands and the authorities issued during the year 2020 a unified title deed in the name of the Company for the entire area of the project in the name of Jabal Omar Development Company. The fact that the Company subscribed to the shares on behalf of the owners who were unable to present the legal title deeds for their title deeds, the corresponding amount was recognized as a liability of Jabal Omar Company. The receivables from Jabal Omar Company will be settled when the owners who were unable to present their title deeds earlier, are able to do so, with a corresponding redistribution of ownership between the Company and that owner. Management expects these amounts due from a related party to be settled on demand and hence recorded as current assets.

The management assessed that; in the absence of a formal contract signed with Jabal Omar Company to indicate any payments terms with specific dates, that the amount due is on demand in nature and therefore, the recorded amount classified as current assets (see note 29).

**c) Key management compensation**

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly, including any director (whether executive or otherwise).

	<i>Period ended 14 Dhul-Qi'dah 1443H SR</i>	<i>Year ended 29 Rabi' II 1443H SR</i>
Salaries, allowances, and incentives	<b>2,055,706</b>	3,650,412
Rents and consultation contracts	<b>2,239,420</b>	2,131,869
	<b>4,295,126</b>	5,782,281

**11. TRADE RECEIVABLES**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
The Commercial Center	<b>120,034,433</b>	112,749,504
Hotels and towers – Guests	<b>5,969,620</b>	4,088,552
Unbilled revenue (Refer to note 29)	<b>4,855,772</b>	-
Net due from the hotel operator and towers (Millennium) (note 28)	<b>11,075,954</b>	11,075,954
Tenants of Jabal Omar Real state 2	<b>2,504,166</b>	-
	<b>144,439,945</b>	127,914,010
Less: allowance for expected credit loss	<b>(29,943,528)</b>	(14,201,962)
	<b>114,496,417</b>	113,712,048

- a) Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 90 to 180 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party trade receivables and these are, therefore, unsecured. The company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at 14 Dhul-Qi'dah 1443H, Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values. The ageing of trade receivables along with related expected credit loss matrix have been disclosed in (note 30).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**11. TRADE RECEIVABLES (continued)**

- b) The movement in provision of impairment in trade receivables:

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Balance at the beginning of the period / year	<b>14,201,962</b>	95,029,104
Charge for the period / year	<b>15,741,566</b>	12,117,345
Written off (Refer to note d)	-	(92,944,487)
Balance at the end of the period / year	<b>29,943,528</b>	14,201,962

- c) Unbilled revenue is initially recognized for lease income earned from investment properties rendered but to be billed to customers. Upon Billing of invoice, the amounts recognized as unbilled revenue are reclassified to trade receivables.
- d) Old balances were written off during the year ended 29 Rabi' II 1443H, as per the resolution of the Company's Board of Directors ("BOD") no. 220/A dated 27 Rabi' II 1443H corresponding to 2 December 2021.

**12. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Advance to suppliers	<b>22,771,811</b>	1,385,486
Advance for western parallel road project (note a)	<b>17,364,143</b>	17,364,143
Prepaid expenses	<b>11,664,016</b>	4,590,246
Employee's receivables and advances	<b>3,669,132</b>	2,451,921
Other debit balances (note b)	<b>5,386,213</b>	16,858,821
	<b>60,855,315</b>	42,650,617
<b>Less:</b>		
Impairment of prepayments and other receivables	<b>(17,364,143)</b>	(13,023,108)
<b>TOTAL</b>	<b>43,491,172</b>	29,627,509

- a) This represents various costs incurred by the Company related to certain services including but not limited to consulting fees, designs, and models in relation to studies of the Western Parallel Road project based on the Royal order No. 22589 dated 14 Jumada Al-Ula 1424(H) which was assigned later to Umm Al-Qura for Development and Real Estate Development Company with a total amount of approximately SR 17.36 million. The Company raised lawsuit against Makkah Region Development Authority ("the Authority") for the recoverability of the outstanding balance. On 5/4/1441(H), a court order was issued in favor of the Company for case No. 10900/10/Q dated 1440(H) against the Authority obligating the Authority to compensate the Company for the cost incurred by the Company. The Authority appealed against the case during the year ended 29 Rabi' II 1443(H) and is still pending with court (see note 28 (a)). The Company has maintained full provision against amount claimed.
- b) Other debit balance included capitalized interest-bearing loans and borrowings amounted SR 3,702,993 till transfer to property and equipment when the construction activities commence (refer to note 15).

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**12. PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)**

c) Movement in allowance for impairment of other receivables is as follows:

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Balance at the beginning of the period / year	<b>13,023,108</b>	8,682,072
Charge for the period / year	<b>4,341,035</b>	4,341,036
	<b>17,364,143</b>	13,023,108

**13. BANK BALANCES AND CASH**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Cash at banks	<b>206,544,878</b>	162,631,413
Cash on hand	<b>67,945</b>	184,544
	<b>206,612,823</b>	162,815,957

The cash is held in accounts with banks having sound credit ratings. The fair value of bank balances and cash equivalent approximates the carrying value at 14 Dhul-Qi'dah 1443H and 29 Rabi' II 1443H.

At 14 Dhul-Qi'dah 1443H, the Company had available SR 275 million (29 Rabi' II 1443H: SR 275million) of undrawn committed borrowing facilities.

**14. SHARE CAPITAL AND RESERVES**

**14.1 Share capital**

As at 14 Dhu Al-Qi'dah 1443H and 29 Rabi' II, the share capital of the Company is divided into 164,816,240 shares of SR 10 each.

**14.2 Statutory reserve**

In accordance with Companies Regulations in Saudi Arabia and the Company's By-Laws, the Company is required to set aside 10% of its net annual income until it reaches 30% of paid share capital. The shareholders have decided to maintain the statutory reserve 50% achieved in prior years and to discontinue further transfer to statutory reserve. This reserve is not available for distribution.

**15. TERM LOAN**

Details of the Company's loans and borrowings are as follows:

	<i>14 Dhul- Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Loan and borrowing	<b>162,498,850</b>	174,998,850
Accrued interest on a term loan	<b>1,798,718</b>	-
	<b>164,297,568</b>	174,998,850
Current portion	<b>(26,798,718)</b>	(25,000,000)
Non- current portion	<b>137,498,850</b>	149,998,850

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**15. TERM LOAN (continued)**

**Non- current portion**

	<i>Interest rate</i>	<i>Maturity</i>	<i>14 Dhul- Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Facilities from al Bilad Bank (note A below)	SIBOR + 1,25%	2028	<b>137,498,850</b>	149,998,850
			<b>137,498,850</b>	149,998,850

**Current portion**

	<i>Interest rate</i>	<i>Maturity</i>	<i>14 Dhul- Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Facilities from Al Bilad Bank (note A below)	SIBOR +1,25%	2023	<b>25,000,000</b>	25,000,000
Current Interest-bearing loans and borrowings (note B below)			<b>1,798,718</b>	-
Current Portion			<b>26,798,718</b>	25,000,000

- a) The Company signed a facility agreement with Al Bilad Bank on 3 Muharram 1441 H corresponding to 2 September 2019 for credit facilities arrangements with a credit limit of SR 450 million with interest rate of SIBOR + 1,25% (in compliance with Islamic Shariah) to finance the renovation and development works of Makkah Construction and Development Company hotels and towers. The credit facility is repayable in a period of 9 years from the date of signing the agreement in semiannual payments with last instalment due in September 2028.

- b) Interest-bearing loans and borrowings amounted SAR 3,702,993 are capitalized to other debit balances till transfer to property and equipment when the construction activities commence (Refer to note 12)

The loan is secured by a promissory note for the interest of the granting Bank at an amount of SR 488 million.

The below schedule represents the due installments of the credit facility balance as at 14 Dhul-Qi'dah 1443H

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Year		
2022	<b>25,000,000</b>	25,000,000
2023	<b>25,000,000</b>	25,000,000
2024	<b>25,000,000</b>	25,000,000
2025	<b>25,000,000</b>	25,000,000
2026	<b>25,000,000</b>	25,000,000
2027	<b>25,000,000</b>	25,000,000
2028	<b>25,000,000</b>	25,000,000
	<b>175,000,000</b>	175,000,000
Plus: Facilities not yet withdrawn	<b>275,000,000</b>	275,000,000
	<b>450,000,000</b>	450,000,000

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**16. EMPLOYEES' DEFINED BENEFITS OBLIGATION**

The Company operates a defined benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans, and the benefit payment obligation are met when they fall due upon termination of employment. The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position.

	<b>14 Dhu Al- Qi'dah 1443H SR</b>	<b>29 Rabi' II 1443H SR</b>
Defined benefits obligation at beginning of the period / year	<b>32,738,269</b>	32,758,055
<b><i>Included in profit or loss statement</i></b>		
Current service cost	<b>1,587,104</b>	3,313,714
Interest Cost	<b>400,653</b>	686,979
	<b>1,987,757</b>	4,000,693
<b><i>Included in other comprehensive income</i></b>		
Actuarial (gain)/losses arising from:		
Experience adjustments	<b>2,173,658</b>	448,414
	<b>2,173,658</b>	448,414
<b><i>Others</i></b>		
Benefit paid	<b>(2,225,932)</b>	(4,468,893)
	<b>(2,225,932)</b>	(4,468,893)
Defined benefits obligation at the end of the period/ year	<b>34,673,752</b>	32,738,269

The following undiscounted payments are expected to the defined benefit plan in future years:

	<b>14 Dhu Al- Qi'dah 1443H SR</b>
Within the next 12 months (next annual reporting period)	<b>2,475,393</b>
Between 1 and 5 years	<b>19,717,186</b>
Between 5 and 10 years	<b>17,785,071</b>

**Actuarial assumptions**

The following is the principal actuarial assumptions applied at the reporting date:

	<b>14 Dhul-Qi'dah 1443H</b>	<b>29 Rabi' II 1443H</b>
Discount rate (%)	<b>4.15%</b>	2.30%
Future salary growth (%)	<b>4.15%</b>	2.30%

On 14 Dhul Qidah 1443H, the weighted average duration of the defined benefit obligation was 6 years (29 Rabi' II: 5.55 years).

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.



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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**16. EMPLOYEES' DEFINED BENEFITS OBLIGATION (continued)**

**Sensitivity Analysis**

Reasonably the balance if changes happen at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	<i>14 Dhul-Qi'dah 1443H</i>		<i>29 Rabi' II 1443H</i>	
	<i>Increase SR</i>	<i>Decrease SR</i>	<i>Increase SR</i>	<i>Decrease SR</i>
Discount rate (5% movement)	<b>1,910,474</b>	<b>1,960,858</b>	236,572	(308,523)
Future salary growth (5% movement)	<b>2,046,444</b>	<b>1,830,408</b>	(306,852)	(237,840)

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

**17. DEFERRED INCOMES**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Commercial Center	<b>22,603,642</b>	6,615,019
Hotels and towers	<b>2,589,465</b>	1,711,038
Leased residential units	<b>386,891</b>	162,499
Jabal Omar Real estate 2	<b>288,000</b>	-
	<b>25,867,998</b>	<b>8,488,556</b>

**Deferred income movement**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Balance at beginning of the period/ year	<b>8,488,556</b>	17,713,177
Deferred during the period / year	<b>98,264,501</b>	179,612,930
Recognized as revenue during the period/ year	<b>(80,885,059)</b>	(188,837,551)
Balance at the end of the period / year	<b>25,867,998</b>	<b>8,488,556</b>

**18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<i>14 Dhul-Qi'dah 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Advances from customer	<b>28,386,806</b>	27,015,682
Accrued Expense	<b>18,690,503</b>	22,929,368
Travel allowances and leaves	<b>3,722,550</b>	3,630,070
Value added tax	<b>32,765</b>	3,600,080
Deposits from others	<b>3,479,366</b>	2,833,545
Other Payable	<b>13,460,667</b>	17,307,802
	<b>67,772,657</b>	<b>77,316,547</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**19. DIVIDENDS PAYABLE**

There were no declared dividends during period ended 14 Dhul-Qi'dah 1443H (29 Rabi' II 1443H: nil). Below is the movement in dividend distributions payable:

	<b>14 Dhul-Qi'dah 1443H SR</b>	<b>29 Rabi' II 1443H SR</b>
Balance at the beginning of the period / year	<b>192,364,589</b>	205,043,020
Dividend payments during the period/ year	<b>(7,440,381)</b>	(12,678,431)
Balance at the end of the period / year	<b>184,924,208</b>	192,364,589

The dividends payable as of 14 Dhu Al-Qi'dah 1443H represent remaining balance related to dividends declared for the years from 1415H up to 1441H, pending completion of necessary bank transfer procedures by certain shareholders before the payments can be made. The Company holds separate bank accounts amounting to SR 114.18 million (29 Rabi' II 1443H: SR 115.36 million) related to dividends payable to the Company's shareholders.

**20. ZAKAT**

The Zakat charge for the period ended 14 Dhu Al-Qi'dah consists of:

	<b>For the Period from 1 Jumada Al-Ula 1443 to 14 Dhu Al-Qi'dah 1443H SR</b>	<b>Six-month period ended 29 Shawwal 1443H SR</b>	<b>29 Rabi' II 1443H SR</b>
Charged to the period / year	<b>9,944,525</b>	-	7,972,031

**Movement in zakat provision**

	<b>14 Dhul-Qi'dah 1443H (Audited)</b>	<b>29 Rabi' II 1443H (Unaudited) Restated (note 19)</b>
Balance at beginning of the period/ year	<b>51,612,036</b>	43,917,802
Charged to the period / year	<b>9,944,525</b>	7,972,031
Paid during the period / year	<b>(7,972,031)</b>	(277,797)
Balance at the end of the period / year	<b>53,584,530</b>	51,612,036

A- The Company finalized its Zakat status up to the year ended 30 Rabi' II 1436H, filed its zakat returns and financial statements for the years from 1437H up to 30 Rabi' II 1442H and paid zakat. The Company received an assessment for the years 1438H and 1439H amounting to SR 15,019,502. The Company appealed against these assessments which was rejected by Zakat, Tax and Customs Authority (ZATCA). The Company appealed to the General Secretariat of Tax Committees "GSTC". The appeal is still under review by the General Secretariat of Tax Committees "GSTC". The Company also believes it has an opportunity to file a request to the Settlement Internal Committees to obtain a settlement.

During the year ended 29 Rabi' II 1443H, the assessments have been raised for the years 1440H and 1441H amounting to SR 28,620,237. The Company objected against this assessment which was rejected. The Company appealed against this rejection during the statutory period.

During the period, the Company recognised additional of SR 35,955,072 by restating as prior year (see note 29).

B) The management believes that the provisions recorded are sufficient against future zakat liabilities but will continue to appeal against such assessments as the Company is confident of the right for such appeals.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**21. REVENUES**

	<i>For the Period from 1 Jumada Al-Ula1443 to 14 Dhul Qidah 1443H SR</i>	<i>Six-month period ended 29 Shawwal 1442H SR</i>	<i>29 Rabi' II 1443H SR</i>
Revenue of rental income of Commercial Center and leased residential units	<b>74,422,345</b>	32,190,396	106,871,041
Hotel revenue	<b>65,704,514</b>	14,003,048	28,378,793
Towers revenue	<b>68,149,831</b>	10,429,279	24,392,696
	<b>208,276,690</b>	<b>56,622,723</b>	<b>159,642,530</b>

	<i>For the period from 1 Jumada Al-Ula1443 to 14 Dhul Qidah 1443H SR</i>	<i>Six-month period ended 29 Shawwal 1442H SR</i>	<i>Financial year ended 29 Rabi' II 1443H SR</i>
<b>Timing of revenue recognition</b>			
Services transferred at a point in time	<b>133,854,345</b>	24,432,327	52,771,489
Services transferred over time	<b>74,422,345</b>	32,190,396	106,871,041
	<b>208,276,690</b>	<b>56,622,723</b>	<b>159,642,530</b>

**22. COSTS OF REVENUE**

	<i>For the period from 1 Jumada Al-Ula1443 to 14 Dhul Qidah 1443H SR</i>	<i>Six-month period ended 29 Shawwal 1442H SR</i>	<i>Financial year ended 29 Rabi' II 1443H SR</i>
Employee salary and related costs	<b>41,641,362</b>	27,797,451	52,120,350
Depreciation of property and equipment (note 6)	<b>14,841,136</b>	11,053,402	21,261,728
Utilities	<b>13,372,791</b>	3,419,734	7,960,220
Travel agent commission	<b>7,106,507</b>	648,095	1,923,344
Consumable materials	<b>8,316,027</b>	2,937,536	2,043,186
Repair and maintenance	<b>4,724,654</b>	3,778,313	6,967,806
Depreciation of investment properties (note 7)	<b>3,398,905</b>	2,874,740	5,778,668
Cleaning materials	<b>2,104,899</b>	148,797	1,738,180
Fees and subscriptions	<b>1,683,668</b>	422,580	1,840,040
Gifts for customers	<b>1,097,116</b>	125,432	402,869
Security	<b>1,047,299</b>	284,833	922,574
Mail and telephone	<b>496,016</b>	530,509	928,208
Insurance	<b>167,934</b>	273,858	459,819
Loading and transportation	<b>139,792</b>	91,500	167,750
Other costs	<b>3,005,541</b>	1,966,110	1,505,662
	<b>103,143,647</b>	<b>56,352,890</b>	<b>106,020,404</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>For the period from 1 Jumada Al-Ula 1443 to 14 Dhul Qidah 1443H SR</i>	<i>Six-month period ended 29 Shawwal 1442H SR</i>	<i>Financial year ended 29 Rabi' II 1443H SR</i>
Salaries and employees' cost	<b>9,028,122</b>	3,839,114	13,218,228
Consultancy and Legal fees	<b>3,793,430</b>	4,584,030	6,514,709
Board of directors' remuneration	<b>2,812,000</b>	2,630,000	2,630,000
Bank charges	<b>849,880</b>	82,276	487,981
Insurance	<b>735,681</b>	360,521	681,560
Rents	<b>189,167</b>	125,000	253,333
Depreciation of property and equipment (note 6)	<b>186,356</b>	172,522	337,805
Stationaries	<b>176,755</b>	17,229	174,831
Fees and subscriptions	<b>131,320</b>	108,170	254,818
Hospitality	<b>125,540</b>	48,220	109,942
Mail and telephone	<b>44,229</b>	44,838	87,453
Repair and maintenance	<b>301,094</b>	96,635	433,903
Others	<b>1,168,700</b>	160,880	794,648
	<b><u>19,542,274</u></b>	<b><u>12,269,435</u></b>	<b><u>25,979,211</u></b>

**24. FINANCIAL INSTRUMENTS**

The Company measures the financial instruments at fair value as at the date of the financial statements. The fair value is the selling price of an asset or the transfer of a liability in a regular transaction between two parties to the market at the measurement date. The measurement is based on the assumption that selling an asset or transferring an obligation will take place either:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants may use when pricing the asset or liability and assuming that the participants act for their best interest.

When measuring the fair value of a non-financial asset, the market participant's ability to generate economic benefits arising from the best use of the asset or its sale to another market participant who may be using the best use is taken into account.

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

All assets and liabilities for which fair values are measured or disclosed in the financial statements are classified within the fair value hierarchy, which is illustrated below, on the basis of the minimum inputs that are important to measure the fair values as a whole:

- Level (1): Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2): Valuation techniques so that the minimum limit that can be determined for significant inputs to measure fair value can be observed directly or indirectly.
- and Level (3): Valuation techniques so that the minimum limit that can be determined for significant inputs to measure fair value cannot be observed.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 24. FINANCIAL INSTRUMENTS (Continued)

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

As at 14 Dhu Al-Qi'dah 1443H and 29 Rabi' II 1443H, there were no transfers between levels.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 14 Dhu Al-Qi'dah 1443H, and 29 Rabi' II 1443H, the fair values of the Company's financial instruments are estimated to approximate their carrying values largely due to the short-term maturities of these instruments.

### 25. EARNINGS (LOSS) PER SHARE

#### Basic earnings (loss) per share

Basic earnings/ (loss) per share for the short period ended 14 Dhul Qidah 1443H and for the year ended 29 Rabi' II 1443H, have been computed by dividing the profit / (loss) for the year attributable to the shareholders of the Company by the number of shares outstanding during such year. As there are no diluted shares outstanding, basic, and diluted losses per share are identical.

	<i>14 Dhul Qidah 1443H SR</i>	<i>29 Shawwal 1443H SR</i>	<i>29 Rabi' II 1443H SR</i>
Profit/ (loss) for the year / period attributable to shareholders of the Company	<b>55,563,643</b>	(14,326,226)	4,245,112
Weighted average number of shares outstanding	164,816,240	164,816,240	164,816,240
Earnings/ (loss) per share (Saudi Riyals) – Basic and diluted	0.34	(0.09)	0.03

#### Diluted earnings (loss) per share

During the period, there were no transitions resulting in diluting the earnings (loss) of the shares, and thus, the diluted earnings (loss) per share doesn't differ from the basic earnings (loss) per share.

### 26. CONTINGENCIES AND COMMITMENTS

The contingent Liabilities against letters of guarantee issued by certain banks on behalf of the Company on 14 Dhu Al-Qi'dah 1443H amounted to SR 2,000,000 (29 Rabi' II 1443H: SR 2,000,000).

At 14 Dhu Al-Qi'dah 1443H, the Company had commitments of SR 42.17 million (29 Rabi' II 1443H: SR 64.54 million) relating to capital expenditures.

### 27. SEASONALITY

The business results for the period do not necessarily represent an accurate indication of the actual results for the full year operations. The revenue of operating suits and hotel rooms increase during Hajj and Omrah seasons and during summer vacations, while revenue decrease during the rest of the year. Such changes are reflected on the financial results of the Company's operations during the period. Therefore, the operation results for this period may not be an accurate indication of the actual results of the full year.

### 28. LEGAL CASES

#### A) Cases filed by the Company against others

- There are lawsuits filed by the Company against others with determined value by total amounts of SR 19.78 million in addition to one lawsuit with undetermined value for property evacuation.

# Makkah Construction and Development Company (A Saudi Joint Stock Company)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 28. LEGAL CASES (Continued)

- The Company has filed a lawsuit against the previous hotel operator, "Millennium and Copthorne Middle East Holding Ltd.", for recovery of a receivable balance amounting to SR 39 million, representing the minimum guaranteed difference in accordance with the signed agreement with Makkah Construction and Development Company at the Economic Court. The lawsuit has not yet been decided and is currently under arbitration at the reporting date. The Company has recorded sufficient allowance against the receivable balance, according to the opinion of the management and its legal advisor.
- A lawsuit raised by the Company against Makkah Region Development Authority ("the Authority") for the recovery of consultancy fees, designs, and models and various other costs that were incurred by the Company amounting to SR 17.36 million on the studies of the Western Parallel Road project under the supreme order no. 22589 dated 14 Jumada Al-Ula, 1424H. The Authority has appealed the case, however, the appeal ruling was issued in favor of Company and obligating the Authority to compensate the Company for the incurred cost. The Authority appealed against the case during the year ended 29 Rabi' II 1443(H) and is still pending with court. The Company believes that sufficient allowance were provided against the receivable balance according to the opinion of the management and its legal advisor (see note 12 (a)).

#### B) Cases filed by others against the Company

There are cases filed against the Company amounting to SR 7,974,417 and one case with no precise amount for a contract termination. The Company has been advised by its legal counsel that the Company has strong position to win the case filed.

### 29. RESTATEMENT OF PRIOR PERIODS FIGURES

During the period ended 14 Dhu Al-Qi'dah 1443H, the management of the Company has performed a comprehensive exercise to assess the appropriateness of applying its accounting policies, estimates and assumptions over financial statements. Based on this exercise, the management concluded that in prior years, the accounting policies had not been correctly applied on certain transactions and balances and that certain reliable financial information available to determine the appropriateness estimates and assumptions have not been considered during determination of the proper assumptions used. Consequently, prior periods balances have been restated and the errors have been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

#### *Restatement 1*

The Company owns 96,392,516 shares in Jabal Omar Development Company ("JODC") (note 7). In accordance with the Company's policy, 86,210,811 share were remeasured at FVTOCI. However, 10,181,705 in-kind capital shares that belongs to same class and transaction were inadvertently remeasured at the par value of SR 10 per share instead of remeasuring the entire shares at FVTOCI in accordance with the Company's policy.

#### *Restatement 2*

The investment properties consist of a commercial center, Hotel and Towers, and other 4 properties that are leased to third parties. On 29 Rabi' II 1443H, the fair values of all the investment properties were calculated based on valuations carried out by the Management's external expert. The valuations indicated an impairment of SR 4.3 million in two properties as at the financial year then ended. Although, the Management determined that these properties were separate cash generating units, their fair values were calculated with reference to appropriate methodology and assumptions and the fair values were lower than the carrying values, the impairment was inadvertently not recognised in the respective financial year.

#### *Restatement 3*

In prior years, the carrying value of investment in Jarrham for Development Company was adjusted to reflect the absorption of the accumulated losses based on the latest audited financial statements for the year ended 31 December 2017 and was carried at SR 14.9 million till the last reporting period. The management has determined that, in view of the reliable information existed as detailed below but not properly addressed in prior years that clearly indicate impairment factors of the investment, full impairment should have been recognised to the earliest period presented.

- The financial statements of Jurhom for Development Company for the year 2018 were issued and available in prior years showing further losses. These financial statements also indicated recognition of a significant internally generated intangible asset with corresponding credit to equity and presented as prior year adjustments in these financial statements. No sufficient information was made available to the Company determine the appropriateness of recognition of such intangible.
- The financial statements of Jurhom for Development Company for the year 2019 were issued and available in prior years showing further losses.

No business plan of Jurhom for Development Company was made available to the Company.

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**29. RESTATEMENT OF PRIOR PERIODS FIGURES (continued)**

**Restatement 4**

In prior years, Zakat Authority issued zakat assessments claiming additional zakat of SR 43.7 million for the years from 1438H until 1441H. Based on the management's assessment a provision amounting to SR 35.9 million against the total of these additional claims should have been provided for the said years in accordance with the Company accounting policy, and therefore, the management assessed that the zakat provision for the aforementioned prior years was understated and concluded to restate prior years zakat provision.

**Restatement 5**

With reference to the amount due from a related party as stated in Note No. 10 to the accompanying financial statements, the management assessed that in the absence of a formal contract signed with Jabal Omar Company to indicate any payments terms with specific dates, it was expected that the amounts due will be settled on demand, and therefore, these amounts should have been classified as current assets since its initial recognition:

The table below shows the impact of the adjustments on the Company's financial statements.

		<i>As at 29 Rabi' II 1443H- yearend- previous year</i>		
	<i>Restatement Note</i>	<i>Balance as previously presented</i>	<i>Impact of restatements</i>	<i>As restated</i>
<b><u>Impact on statement of financial position</u></b>		<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Non- Current Assets</b>				
Investment properties	2	223,389,824	(4,387,700)	219,002,124
Financial assets at fair value through OCI	1	2,504,666,739	181,234,349	2,685,901,088
Investment in an associate	3	14,897,030	(14,897,030)	-
Amount due from a related party	5	309,564,950	(309,564,950)	-
<b>Current Assets</b>				
Prepayments and other current assets	5	-	309,564,950	309,564,950
Equity				
Unrealized profits from financial assets at FVOCI	1	1,534,717,344	181,234,349	1,715,951,693
<b>Retained earnings</b>	2	164,085,838	(4,387,700)	108,846,036
	3	-	(14,897,030)	-
	4	-	(35,955,072)	-
Current liabilities				
<b>ZAKAT</b>	4	<u>15,656,964</u>	<u>35,955,072</u>	<u>51,612,036</u>

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*As at 1 Jumada Al-Ula 1442H*  
*The beginning of the prior year*

*As at 29 Rabi' II 1443H- yearend- previous year*

As at 29 Rabi' II 1443H, the fair values of the investment properties were calculated based on valuations carried out by Sima for Real state Valuation Company, a member of Saudi Authority for Accredited Valuers, a Company specialized in the valuation of investment properties. The fair values of the properties amounted to SR 4,839,658,959. During the period, the management revisited the bases and assumptions used in the valuations and determined that one of the key assumptions used in the determination of valuations needed to be changed by management to reflect the market conditions, practice and circumstances existed as at that reporting date. Hence, the management believes that the total of the revised fair values of the investment properties considering the reasonable key assumptions would have been SR 2,820,202,997.



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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial liabilities comprise loans, borrowings, trade, and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and short-term deposits derived directly from its operations. The Company also holds investments in equity instruments.

The Company is exposed to market risk, credit risk, and liquidity risk. The Company's management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The board of directors undertakes overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. The Company is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include three types: Interest rate risk, currency risk and price risk.

**Interest rate risk**

Interest rate risks is the risk that the fair value or future cash flows of a financial instrument would fluctuate as a result of the of changes in interest rate in market. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant. Interest bearing financial assets include short term with fixed interest rates and therefore, it is not exposed to cash flow interest rate risk and interest rate risk on fair values.

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

	<b>14 Dhul-Qi'dah 1443H</b>	<b>29 Rabi' II 1443H</b>
	<b>SR</b>	<b>SR</b>
Financial liabilities, principally borrowings	<b>162,498,850</b>	174,998,850

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Company's profit before tax, through the impact of floating rate borrowings with all other variables held constant:

	<b>14 Dhul-Qi'dah 1443H</b>	<b>29 Rabi' II 1443H</b>
	<b>SR</b>	<b>SR</b>
Interest rate-increases by 100 basis points	<b>162,499</b>	174,999
Interest rate-decreases by 100 basis points	<b>174,999</b>	(162,499)

**Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and United States Dollar. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

### 30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Price risk*

Price risk is the risk that the fair flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's exposure to unit price risk arises from investments held by the Company and classified in the statement of financial position at fair value through profit or loss. The Company closely monitors price in order to manage price risk arising from investments in fund.

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company manages credit risk by assessing the credit worthiness of counter parties before entering transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, restricted cash, credit exposures to customers, including outstanding receivables, accrued rental income and contract assets.

Credit risk is managed on a Company basis. For trade receivables, accrued rental income and contract assets, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Company's maximum exposure to credit risk for the components of the statement of financial position at 14 Dhu Al-Qidah 1443H and 29 Rabi' II is equal to the respective carrying amounts as disclosed in the notes.

Cash at banks are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, accrued rental income and contract assets, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables, accrued rental income and contract assets based on a provision matrix. To measure the expected credit losses, trade receivables, accrued rental income and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets and accrued rental income relate to unbilled work in progress. Further, the expected credit losses also incorporate forward-looking information.

The provision matrix takes into account historical credit loss experience (48 months-period) and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP growth rate to be the most relevant macro-economic factors of forward-looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

#### *Tenant Receivables*

Tenants are assessed according to Company's criteria prior to entering lease arrangements. Credit risk is managed by requiring tenants to pay rentals and services to tenants in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

#### *Receivables resulting from leases of commercial centers and hotel and towers operations*

Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Company's credit risk in this respect.

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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**  
**Credit risks (continued)**

*Receivables resulting from leases of commercial centers and hotel and towers operations (continued)*

The following table provides information about the exposure to credit risk and ECLs for receivables:

<b>14 Dhul-Qi'dah 1443H</b>	<i>Unbilled revenue</i>	<i>Current</i>	<i>More than 30 days past due</i>	<i>More than 90 days past due</i>	<i>More than 270 days past due</i>	<i>Total</i>
Expected loss rate	-	0.003%	0.02%	5.05%	68.73%	22.45%
Gross carrying amount	<u>4,855,772</u>	<u>334,975</u>	<u>2,184,071</u>	<u>88,964,496</u>	<u>37,024,677</u>	<u>133,363,991</u>
Loss allowance	<u>-</u>	<u>11</u>	<u>602</u>	<u>4,492,489</u>	<u>25,450,426</u>	<u>29,943,528</u>

	<i>Current</i>	<i>More than 30 days past due</i>	<i>More than 90 days past due</i>	<i>More than 270 days past due</i>	<i>Total</i>
29 Rabi' II					
Expected loss rate	10.78%	29.03%	40.95%	10.55%	10.62%
Gross carrying amount	<u>3,119,727</u>	<u>389,663</u>	<u>9,900</u>	<u>130,204,614</u>	<u>133,723,905</u>
Loss allowance	<u>336,470</u>	<u>113,134</u>	<u>4,055</u>	<u>13,748,303</u>	<u>14,201,962</u>

**Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from 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. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Company. The Company's management has developed a plan to enable the Company to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern.

Expected maturity of undiscounted cash flows of financial liabilities are as follows:

	<i>Gross undiscounted value</i>	<i>Up to 1 year</i>	<i>More than 1 year and less than 2 years</i>	<i>More than 2 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b><u>14 Dhul-Qi'dah 1443H</u></b>						
Loans and borrowings	174,997,272	14,297,563	42,020,961	80,354,363	38,186,110	174,858,997
Trade accounts payable	2,221,298	2,221,298	-	-	-	2,221,298
Amounts due to related parties	3,068,450	3,068,450	-	-	-	3,068,450
Accrued expense and other current liabilities	<u>67,772,657</u>	<u>67,772,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,772,657</u>
	<u>248,059,677</u>	<u>87,359,968</u>	<u>42,020,961</u>	<u>80,354,363</u>	<u>38,186,110</u>	<u>247,921,402</u>

	<i>Gross undiscounted value</i>	<i>Up to 1 year</i>	<i>More than 1 year and less than 2 years</i>	<i>More than 2 year and less than 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
<b><u>30 Rabi' II 1442H</u></b>						
Loans and borrowings	189,401,547	28,701,837	28,153,250	81,174,990	51,371,470	189,401,547
Trade accounts payable	6,843,747	6,843,747	-	-	-	6,843,747
Amounts due to related parties	3,136,235	3,136,235	-	-	-	3,136,235
Accrued expense and other current liabilities	<u>77,316,547</u>	<u>77,316,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,316,547</u>
	<u>276,698,076</u>	<u>115,998,366</u>	<u>28,153,250</u>	<u>81,174,990</u>	<u>51,371,470</u>	<u>276,698,076</u>

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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity risk (continued)**

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. Refer to note no. 15 for unutilized credit facilities.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	<i><b>14 Dhul-Qi'dah 1443H</b></i>	<i><b>29 Rabi' II 1443H</b></i>
<b>FINANCIAL ASSETS</b>		
Other current assets	<b>362,182,845</b>	346,973,763
Trade and other receivables	<b>114,496,417</b>	113,712,048
	<i><b>14 Dhul-Qi'dah 1443H</b></i>	<i><b>29 Rabi' II 1443H</b></i>
<b>FINANCIAL LIABILITIES</b>		
Loans and borrowings – current portion	<b>25,000,000</b>	25,000,000
Accounts payable	<b>2,221,298</b>	6,843,747
Accrued expense and other payables	<b>67,772,657</b>	77,316,547

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	<i><b>14 Dhul-Qi'dah 1443H</b></i>	<i><b>29 Rabi' II 1443H</b></i>
<b>FINANCIAL ASSETS</b>		
Investment at fair value through profit or loss ("FVTPL")	<b>2,412,152,803</b>	2,685,901,088
Restricted cash	-	-
Other non-current assets	-	-
<b>FINANCIAL LIABILITIES</b>		
Loans and borrowings	<b>139,297,568</b>	149,998,850
Payable to other unitholders of investment fund	-	-
Liabilities against lease – current portion	-	-
Accounts payables and other liabilities	-	-

**Capital management**

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern, maintain a strong base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimize the capital structure to reduce cost of capital. The capital structure includes all components of shareholders' equity totaling SR 4,109 million at 14 Dhul Qidah 1443H (29 Rabi' II: SR 4,309 million). The Company manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Management is monitoring the cash capital position of the Company and is the process of considering the overall capital structure.

The Company has a financial covenant related to a borrowing facility with an outstanding principal amount of SR 162,498,850. The Company has complied with the requirements of the financial covenant during the 1443H and 1442H of the reporting years. Under the terms of the borrowing facility, the Company is required to comply with the financial covenant of debt-to-equity ratio of not exceeding 2.5:1.

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**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**  
**Capital management (continued)**

The Company's treasury department monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	<i>14 Dhul-Qi'dah 1443H</i>	<i>29 Rabi' II 1443H</i>
Borrowings	<b>164,297,568</b>	174,998,850
Accounts payable	<b>2,221,298</b>	6,843,747
<b>Less: Cash and cash equivalents</b>	<b>(206,612,823)</b>	(162,815,957)
Net debt (A)	<b>(40,093,957)</b>	19,026,640
Shareholders' equity (B)	<b>4,088,882,513</b>	4,309,240,814
Total capital (A+B)	<b>4,048,788,556</b>	4,328,267,454
Gearing ratio (A / (A+B))	<b>-1%</b>	0.44%

**30.1 Fair value measurement of financial instruments**

**Recognized fair value measurements**

The Company measures financial instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous must be accessible by the Company.
  - The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value
  - measurement of non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
  - The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 14 Dhul Qidah 1443H and 29 Rabi' II, the fair values of the Company's financial instruments are estimated to approximate their carrying values.

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At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**30.1 Fair value measurement of financial instruments (continued)**

**Fair values hierarchy**

<i>For the period ended 14 Dhu Al-Qi'dah 1443H</i>						
	<i>Classified at fair value through OCI</i>	<i>Amortized cost</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	-	206,612,823	206,612,823	-	-	206,612,823
Trade and other receivables	-	125,468,202	125,468,202	-	-	125,468,202
Other current assets	-	368,221,885	368,221,885	-	-	368,221,885
Investments held at fair value through profit or loss	2,412,152,803	-	2,412,152,803	2,309,858,885	-	102,293,918
	<u>2,412,152,803</u>	<u>700,302,910</u>	<u>3,112,455,713</u>	<u>2,309,858,885</u>	<u>-</u>	<u>802,596,828</u>
<i>For the Year ended 29 Rabi' II 1443H</i>						
	<i>Classified at fair value through profit or</i>	<i>Amortized Cost:</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>FINANCIAL ASSETS</b>						
Cash and cash equivalents	-	162,815,957	162,815,957	-	-	162,815,957
Restricted cash	-	-	-	-	-	-
Trade and other receivables	-	119,521,943	119,521,943	-	-	119,521,943
Other current assets	-	338,960,542	338,960,542	-	-	338,960,542
Investments held at fair value through profit or loss	2,685,901,088	-	2,685,901,088	2,578,597,270	-	107,303,818
	<u>2,685,901,088</u>	<u>621,298,442</u>	<u>3,307,199,530</u>	<u>2,578,597,270</u>	<u>-</u>	<u>728,602,260</u>

There are no transfers in the fair value levels during the year ended 14 Dul Qidah 1443H.

Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

<i>Type</i>	<i>Valuation technique</i>
Investment in public funds	Quoted market prices
Funds Investment in non- public funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund
Other financial instruments	Discounted cashflow analysis

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 Dhu Al-Qi'dah 1443H (Date of closure of Hijri period)

**31. COMPARATIVE FIGURES**

In addition to the restatement, certain of the prior year numbers have been reclassified to conform with the presentation in the current period.

	<i>Balance before reclasses SR</i>	<i>Reclassified amounts SR</i>	<i>Balance after reclasses SR</i>
Amounts due from related parties	309,564,950	6,077,851	315,642,801
Trade receivables	119,521,943	(5,809,895)	113,712,048
Prepayments and other current assets	29,395,592	231,917	29,627,509
Deferred Income	(11,124,918)	2,636,362	(8,488,556)
Trade accounts payable	(30,118,366)	23,274,619	(6,843,747)
Amounts due to related parties	-	(3,136,235)	(3,136,235)
Accrued expenses and other current liabilities	(54,041,928)	(23,274,619)	(77,316,547)

**32. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issuance by the Board of Directors on 15 December 2022G, corresponding to 21 Jumada Al-Ula 1444H.