JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2021

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company – A Saudi Joint Stock Company - (the "Company" or the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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

As of 31 December 2021, the net carrying value of property, plant and equipment and investment properties (collectively "the Assets") reported in the Group's consolidated statement of financial position amounted to SR 19,369 million and SR 5,024 million, respectively. In view of substantial reduction in cash generated from the Group's hotels and other commercial operations, as well as the interruption in the development of the Group's real estate projects primarily due to the outbreak of COVID-19 pandemic, and in accordance with the requirements of IAS 36 Impairment of assets, the Group's management performed an impairment assessment on its Assets as of 31 December 2021 by comparing the Assets' carrying values with the recoverable amount, being the higher of fair value less costs to sell and value-in-use (VIU). Accordingly, the Group's management engaged external valuers ("valuers") to determine the fair values of the assets and carried out an internal assessment to determine the VIU. As a result of the Group management's assessment, it concluded that no impairment provision is required on its Assets as of 31 December 2021. We reviewed and challenged the significant judgments, assumptions and estimates used by the Group's management including its determination of the appropriate valuation methodologies, and noted that in our view recoverable values of certain Assets that comprised property, plant and equipment and investment properties with net carrying values of SR 9,672 million and SR 391 million, respectively as at 31 December 2021, were determined mainly using cost approach, while a permitted valuation approach by the applicable accounting standards, is not appropriate considering the nature and current and expected use of the Assets. We also noted that certain significant assumptions used in the calculation of certain Asset's VIUs and fair values using income approach were not supported by reasonable basis. Had the Group management used valuation methodology that is aligned with the requirements of the applicable accounting framework, as well as assumptions that are reasonably supported, certain elements in the accompanying consolidated financial statements together with the related disclosures would have been materially affected. The effects on the consolidated financial statements have not been determined.

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

Material Uncertainty Relating to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by SR 2,280 million and the Group had accumulated losses amounting to SR 1,179 million as at 31 December 2021. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditors' 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 we have determined the matters described below to be the key audit matters to be communicated in our audit.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Consolidated 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 consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Accounting for zakat claims from the Zakat, Tax and Customs Authority ("ZATCA"), As at 31 December 2021, the Group received the zakat assessments from ZATCA for the years since inception of the Parent Company (i.e. 1427H) to 2020G claiming additional zakat amounting SR 669 million. The Group has filed appeals against the assessments raised by ZATCA and maintained a provision SR 274 million as at 31 December 2021. The Group engaged an external zakat consultant to evaluate and determine the potential zakat exposure and recognise provision based on best estimate. We considered this as a key audit matter because of the materiality of the additional amounts claimed by ZATCA and the determination of zakat provision involves significant management estimates and 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, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. Refer to note (4) of the consolidated financial statements for more details regarding the significant accounting policies, note (2.4) regarding significant accounting estimates and judgements, and note (21) regarding details about relevant disclosures.	Our audit procedures performed included, among others, the following: ‣ Obtained understanding of management's process in estimating zakat provision for open assessments. ‣ Involved our internal zakat experts, to assess significant assumptions and judgments used by the Company's management and its external zakat consultant. ‣ Reviewed correspondences between the Group and ZATCA to determine the amount of the additional assessments being claimed by ZATCA. ‣ Participated in meetings with those charged with governance and the Group's management to obtain an update on the zakat-related matters and the results of their interactions with ZATCA relevant committees. ‣ Assessed the adequacy of related disclosures in the accompanying consolidated financial statements.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Accounting for financial restructuring During the year ended 31 December 2021, the Group entered into two restructuring agreements related to the syndicated Islamic loan and Ministry of Finance loan, on 4 October 2021 and 14 November 2021, respectively, having principal value of SR 4.7 billion and SR 3 billion respectively and accrued commission of SR 79 million and SR 439 million, respectively which constitute 65% of total loans and borrowings as of 31 December 2021. The loan restructuring includes significant modifications of loan terms such as extending the maturity of the existing loans, additional credit limits, waiver of the accrued commission, capitalization of commission for certain period, inclusion of grace period for commencing repayments, revision in commission rates and conversion of certain portion of the existing loan into a subordinated perpetual instrument. The accounting for these loan restructuring involves significant management estimates and judgements, including estimates of market rate for similar commercial lending, SIBOR curves, and projected cashflows. The Group engaged an external consultant, to assess the accounting treatment of the loan restructuring, which resulted in the recognition of a net modification gain of SR 1.3 billion in consolidated statement of profit or loss. We considered this as a key audit matter due to the complexity of accounting for loan restructuring, the use of significant judgements and estimates applied by the management, and the magnitude of modification gain recognized in the consolidated statement of profit or loss. In addition, loan restructuring is part of management's forecasted cash flows in supporting the Group's going concern assumption. Refer to notes 4, of the consolidated financial statements for more details regarding the significant accounting policies, note 2.4 regarding significant accounting estimates and judgments, and note 15 regarding details about relevant disclosures.	Our audit procedures performed included, among others, the following: ‣ Inspected the Board of Directors approval relating to the loan restructuring, and loans restructuring agreements including term sheets and traced significant modifications of loans' terms and conditions. ‣ Involved our internal specialist to evaluate the accounting treatment made by the management based on the assessment received from its external consultant; and to evaluate the significant assumptions and judgements, including estimates of market rates for similar commercial lending, SIBOR curves, and projected cashflows. ‣ Evaluated competence, capabilities and objectivity of the management's external consultant. ‣ Reviewed whether the forecasted cash flows used are consistent with the terms in the loan restructuring agreements. ‣ Obtained bank confirmations with respect to the revised terms of the loans as at 31 December 2021. ‣ Assessed the adequacy of related disclosures in the accompanying consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 07 April 2021 (25 Sha'ban 1442H).

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Group's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

for Ernst & Young Professional Services

Ahmed I. Reda
Certified Public Accountant
License No. 356

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CR 4030276644
شركة ارنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Jeddah: 10 April 2022G
09 Ramadhan 1443H

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	19,369,516	17,875,110
Intangible assets		4,646	2,112
Investment properties	6	5,024,028	5,041,831
Investment in a joint venture	7	121,762	114,590
Investment held at fair value through profit or loss	8	304,122	304,716
Restricted cash	9	242,590	242,590
Other non-current assets	10	18,396	19,944
TOTAL NON-CURRENT ASSETS		25,085,060	23,600,887
CURRENT ASSETS			
Properties for development and sale	11	24,806	1,419,044
Other current assets	10	95,230	32,222
Trade and other receivables	12	548,060	101,528
Investment held at fair value through profit or loss	8	24,475	67,836
Restricted cash - current portion	9	716,520	348,319
Cash and cash equivalents	9	328,427	51,225
		1,737,518	2,020,174
Non-current asset classified as held for sale		-	115,821
TOTAL CURRENT ASSETS		1,737,518	2,135,995
TOTAL ASSETS		26,822,578	25,736,882
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	9,294,000	9,294,000
Statutory reserve	14.2	108,506	108,506
Accumulated losses		(1,179,491)	(2,128,187)
Reserve for advances to certain founding shareholders	14.3	(285,960)	(287,296)
Equity attributable to the equity holders of the Parent before subordinated perpetual instrument		7,937,055	6,987,023
Subordinated perpetual instrument	15(a)	689,668	-
Net Equity attributable to the equity holders of the Parent after subordinated perpetual instrument		8,626,723	6,987,023
Non-controlling interest		1,503	1,719
TOTAL EQUITY		8,628,226	6,988,742

(continued)

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	15	**8,042,845**	8,347,880
Liabilities against lease	16	**11,309**	14,181
Payable to other unitholders of investment fund	20	**4,964,244**	4,644,263
Provision for employees' terminal benefits	17	**27,309**	33,400
Other non-current liabilities	18	**1,131,480**	1,146,791
TOTAL NON-CURRENT LIABILITIES		**14,177,187**	14,186,515
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	**1,766,085**	2,592,201
Accounts payable and other current liabilities	19	**1,539,866**	1,483,627
Payable to other unitholders of investment funds - current portion	20	**406,199**	406,199
Liabilities against lease – current portion	16	**3,247**	10,857
Zakat payable	21	**301,768**	68,741
TOTAL CURRENT LIABILITIES		**4,017,165**	4,561,625
TOTAL LIABILITIES		**18,194,352**	18,748,140
TOTAL EQUITY AND LIABILITIES		**26,822,578**	25,736,882

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

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Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
Revenue	23	310,359	176,682
Cost of revenue	24	(534,994)	(601,367)
GROSS LOSS		(224,635)	(424,685)
Selling and marketing expenses		(4,133)	(6,748)
General and administration expenses	25	(237,620)	(243,113)
Reversal/ (allowance) of impairment loss on financial assets	12	34,036	(83,070)
Other operating income	26	7,262	18,502
Other operating expenses		(33,246)	(51,583)
OPERATING LOSS		(458,336)	(790,697)
Gain on disposal of non-current assets	13	1,068,808	-
Net gain on loan restructuring	15	1,275,581	-
Financial costs	27	(736,029)	(488,935)
Share of results from investments in a joint venture		7,172	9,157
PROFIT/ (LOSS) FOR THE YEAR BEFORE ZAKAT		1,157,196	(1,270,475)
Zakat	21	(211,206)	(68,741)
PROFIT/(LOSS) FOR THE YEAR		945,990	(1,339,216)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:			
Re-measurement loss on employees's terminal benefits	17	2,490	(1,822)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		948,480	(1,341,038)
PROFIT /(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Parent Company		946,206	(1,339,005)
Non-controlling interest		(216)	(211)
		945,990	(1,339,216)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Parent Company		948,696	(1,340,827)
Non-controlling interest		(216)	(211)
		948,480	(1,341,038)
EARNINGS / (LOSS) PER SHARE:			
Weighted average number of ordinary shares (number in thousand)	28	929,400	929,400
Earnings/ (loss) per share attributable to ordinary equity holders of the Parent Company (basic and diluted)	28	1.02	(1.44)

Wael Emad El-Turk
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Chairman of the Board of Director

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Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital SR '000	*Statutory reserve SR '000*	*Accumulated losses SR '000*	*Reserve for advances to certain founding shareholders SR '000*	*Equity attributable to the equity holders of the Parent before subordinated perpetual instrument SR '000*	*Subordinated perpetual instrument SR '000*	*Net Equity attributable to the equity holders of the Parent after subordinated perpetual instrument SR '000*	*Non-controlling interests SR '000*	*Total equity SR '000*
Balance at 1 January 2020	9,294,000	108,506	(787,360)	(302,458)	8,312,688	-	8,312,688	2,316	8,315,004
Loss for the year	-	-	(1,339,005)	-	(1,339,005)	-	(1,339,005)	(211)	(1,339,216)
Other comprehensive loss	-	-	(1,822)	-	(1,822)	-	(1,822)	-	(1,822)
Total comprehensive loss for the year	-	-	(1,340,827)	-	(1,340,827)	-	(1,340,827)	(211)	(1,341,038)
Dividend paid to Non-controlling interest	-	-	-	-	-	-	-	(386)	(386)
Payments received against advance to certain founding shareholders	-	-	-	15,162	15,162	-	15,162	-	15,162
Balance at 31 December 2020	9,294,000	108,506	(2,128,187)	(287,296)	6,987,023	-	6,987,023	1,719	6,988,742
Profit for the year	-	-	946,206	-	946,206	-	946,206	(216)	945,990
Other comprehensive income	-	-	2,490	-	2,490	-	2,490	-	2,490
Total comprehensive income for the year	-	-	948,696	-	948,696	-	948,696	(216)	948,480
Subordinated perpetual instrument	-	-	-	-		689,668	689,668	-	689,668
Payments received against advance to certain founding shareholders	-	-	-	1,336	1,336	-	1,336	-	1,336
Balance at 31 December 2021	**9,294,000**	**108,506**	**(1,179,491)**	**(285,960)**	**7,937,055**	**689,668**	**8,626,723**	**1,503**	**8,628,226**

Wael Emad El-Turk
Chief Financial Officer

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Saeed Mohammed AlGhamdi
Chairman of the Board of Director

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	*31 December 2021 SR'000*	*31 December 2020 SR'000*
OPERATING ACTIVITIES			
Profit/ (loss) for the year before zakat		**1,157,196**	(1,270,475)
Adjustments to reconcile profit/ (loss) before zakat to net cash flows:			
Depreciation on property, plant and equipment	5	**242,474**	279,523
Depreciation on investment properties	6	**29,095**	30,020
Amortization of intangible assets		**1,267**	1,190
Provision for employees' terminal benefits	17	**7,694**	9,884
Reversal/ (allowance) of impairment loss on financial assets	12	**(34,036)**	83,070
Net gain on loan restructuring	15	**(1,275,581)**	-
Loss from disposal of property, plant and equipment		**1,602**	3,730
Write-off of property, plant and equipment		**-**	10,640
Share of results of investment in a joint venture	7	**(7,172)**	(9,157)
Finance costs	27	**736,029**	488,935
Gain on disposal of non-current assets	13	**(1,068,808)**	-
Change in fair value of investments held at fair value through profit or loss	8	**(256)**	23,982
		(210,496)	(348,658)
Working capital adjustments:			
Other non-current assets		**1,548**	3,347
Properties for development and sale		**(820)**	4,258
Other current assets		**(63,008)**	(7,490)
Trade and other receivables		**(262,032)**	99,373
Other non-current liabilities		**(15,311)**	(12,574)
Accounts payable and other current liabilities		**(152,661)**	17,719
Cash used in operations		**(702,780)**	(244,025)
Financial costs paid		**(110,462)**	(19,531)
Employees' termination benefits paid		**(11,034)**	(7,829)
Net cash used in operating activities		**(824,276)**	(271,385)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	**(454,259)**	(342,215)
Proceeds from disposal of non-current assets		**1,045,000**	-
Additions to investment properties		**-**	(13,902)
Purchase of intangible assets		**(3,801)**	-
Proceed from disposal of investment held at fair value through profit or loss		**44,205**	139,999
Proceed from disposal of investment held at amortized cost		**-**	150,441
Net change in restricted cash balances		**(368,201)**	97,925
Net cash from investing activities		**262,944**	32,248

(continued)

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Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

	Note	31 December 2021 SR'000	31 December 2020 SR'000
FINANCING ACTIVITIES			
Payments received against advance to certain founding shareholders		1,336	15,162
Loans and borrowings drawdown		1,184,411	773,151
Loans and borrowings repayment		(285,831)	(533,106)
Dividend paid to other unitholders of investment fund		(50,900)	(203,601)
Dividend paid to Non-controlling interest		-	(386)
Repayments of lease		(10,482)	-
Net cash from financing activities		838,534	51,220
Net decrease in cash and cash equivalents		277,202	(187,917)
Cash and cash equivalents at beginning of the year		51,225	239,142
Cash and cash equivalents at end of the year		328,427	51,225

MAJOR NON-CASH SUPPLEMENTAL INFORMATION:

	Note	31 December 2021 SR'000	31 December 2020 SR'000
Capitalization of borrowing cost on investment property	6 (a)	11,292	57,905
Capitalization of borrowing cost on property, plant and equipment	5 (d)	47,835	117,058
Transfer from development property to property, plant and equipment	5	1,395,058	-
Transfer from property, plant and equipment to properties for development and sale	5	-	61,546
Transfer from investment property to properties for development and sale	6	-	54,275
Addition of property, plant and equipment against due to related party	5	-	18,352

Wael Emad El-Turk	Khaled Mohammed Al Amoudi	Syed Mohammed AlGhamdi
Chief Financial Officer	Chief Executive Officer	Chairman of Board of Director

1. CORPORATE INFORMATION

Jabal Omar Development Company ("the Company" or “the Parent Company”), a Saudi Joint Stock Company, was established under the Regulations for Companies in the Kingdom of Saudi Arabia (“KSA”) as per Royal Decree No. M/63, dated 18 October 2006 (corresponding to 25 Ramadan 1427H). The Ministerial Resolution No. 253/S dated 28 October 2007 (corresponding to 16 Shawal 1428H) declared the incorporation of the Company. The Company is registered in Makkah Al Mukkaramah City under Commercial Registration number 4031051838 dated 25 November 2007 (corresponding to 15 Dhul Qida 1428H).

The Company’s and its subsidiaries (the “Group”) main activity is to own Jabal Omar area adjacent to the western side of the Holy Mosque in Makkah and develop it into plots of land to manage, invest, sell and lease them for the Company’s interest; in addition to carrying out operations necessary for construction, maintenance, management, demolishing, surveying, and furnishing hotels, commercial facilities and staff residences, as well as importing and exporting hotels’ equipment and furniture and operating the hotels.

Going concern
The Group utilizes debt financing to fund the development of each of the Project’s phases. However, the revenues from the Group’s operational assets are insufficient to meet the servicing requirements of the Group’s debt structure.

Moreover, this shortfall was exacerbated by the outbreak of novel coronavirus (COVID-19), classified as a pandemic, in March 2020. The outbreak of COVID-19 led to a substantial reduction in cash generated from the Group’s hotel and commercial area operations. The Group’s current liabilities exceeded its current assets by SR 2,280 million (31 December 2020: SR 2,426 million) and the Group had accumulated losses amounting to SR 1,179 million (31 December 2020: SR 2,128 million) as of 31 December 2021.

Consequently, the Group is critically dependent on the cash that will be generated from debt financing, restructuring and the sale of certain plots of land to meet its obligations when they become due and to continue its operations without a significant curtailment. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted cash flows:

At 31 December 2021	Within 1 year *SR’000*	1-2 years *SR’000*	2-5 years *SR’000*	Over 5 years *SR’000*	**Total** ***SR’000***
Loans and borrowings	1,398,958	1,801,557	1,935,187	5,724,645	**10,860,347**
Payable to other unitholders of investment fund	812,398	812,398	1,218,596	5,801,087	**8,644,479**
Accounts payable and other current liabilities	1,539,867	-	-	-	**1,539,867**
Liabilities against leases	3,407	11,683	-	-	**15,090**
Other non-current liabilities	62,239	437,595	186,717	903,189	**1,589,740**
	3,816,869	**3,063,233**	**3,340,500**	**12,428,921**	**22,649,523**

**Since Alinma Makkah Real Estate Fund ("the Fund") was consolidated, and as a result of consolidating the Fund, a liability is payable to the remaining unitholders of the Fund. The liability consists of accrued interest payable on a semi-annual basis of 9.6 % and the redemption amount payable on liquidation of the Fund. The Group has pledged Phase 1 to the lender as mortgage against this transaction Please refer Note 6 for further details. As the unitholders receive a fixed return and redemption amount is fixed, the liability was accounted for at amortized cost.

1. CORPORATE INFORMATION (continued)

Going Concern (continued)

The Group's obligations against lenders and banks carry financial covenants for the following (refer note 15):

- Covenants in respect of loans amounting to SR 70 million and SR 636 million, respectively included in current liabilities
- covenants in respect of syndicated loan with local banks amounting to SR 4,889 million included in non-current liabilities

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern. The plan comprises the Group's liquidity and forecasted cash flows taking into account reasonably possible outcomes over a 12-month period from the date of approval of these consolidated financial statements. This plan principally includes:

- On 5 October 2021, the Group announced the restructuring of loan facility amounting to SR 4.7 billion with an additional SR 1.2 billion credit limit to be drawn down, taking the total financing to SR 5.9 billion. The restructured loan agreement would require the Group to sell phase 5. The Group has appointed a real estate broker for the sale of plots of land belonging to phase 5. The total available undrawn facility as at reporting period amounts to SR 1 billion. The cash expected to be generated from this sale would be utilized to partially repay the loan, amounting to SR 1.2 billion. An amount of SR 1.5 billion, will be made within twelve months from the date of the consolidated statement of financial position. The funds from additional facility will go towards the completion of phase 2 and 4 of the Group's master plan. This loan has been considered in maturity profile as per restructured repayment plan.

- During the year ended 31 December 2021, the Group announced the restructuring of loan facility from the Ministry of Finance ("MoF") which involves significant modifications of loan terms such as extending the maturity of the existing loans, waiver of the accrued commission, capitalization of commission for certain period for commencing repayments, revision in commission rates and conversion of certain portion of the existing loan into a subordinated perpetual instrument. Modified financial liability has been considered as non-current in maturity profile while subordinated perpetual instrument is not considered in foreseeable future.

  The MoF has supported the Group by acting as guarantor for the new financing arrangement amounting to SR 1.6 billion referred to below (note 15).

- The Group also intends to sell certain plots of land in phase 7 along with the plots of land belonging to phase 5 (as mentioned above) and expects to generate aggregate cash amounting to SR 3.8 billion within 12 months from the date of the consolidated statement of financial position. The Group entered in agreements with buyers to sell plots of land in phase 5 and 7 for an amount of SR 1,347 million having cost of SR 227 million (see note 13).

- During the year ended 31 December 2021, the Group entered into a financing arrangement amounting to SR 1.6 billion with a lender for the completion of phase 3 and made a drawdown of SR 547 million. Remaining drawdowns from this facility is SR 1,053 million out of which SR 929 million, is planned to be made within 12 months from the date of the consolidated statement of financial position.

- During the year ended 31 December 2021, the Group obtained approval from another lender to roll-over a loan facility amounting to SR 1 billion due to mature on 30 November 2021 to 23 February 2022. The loan facility has a history of roll-over in the past and, on this basis, the Group's management is confident that further roll-over will be granted. This contractual flow is reflected in 1-5 years rather below 1 year in maturity table above.

- On 26 September 2021, the Group signed a revised facility with another lender, as per the terms of the agreement the facility will increase from SR 0.6 billion to SR 1 billion. Remaining drawdowns of 0.4 billion, is planned to be made within twelve months from the date of the interim condensed consolidated statement of financial position. The repayment for the facility will be due in 18 months from the day of the first withdrawal.

- During the year, the Group is at an advanced stage of discussions with a lender to avail new loan facility amounting to SR 225 million, the Group is confident that drawdowns would be available for said amount within 12 months from the date of consolidated statement of financial position.

- On 13 September 2021, JODC announced the submission of a non-binding offer to the manager of the Alinma Makkah Real Estate Fund ("Fund") relating to full settlement of the rights and obligation in respect of the funds' assets. JODC offered the unitholders of the fund a total of 193,068,966 Company's own newly issued shares in exchange of:

  - All payment obligation of the Group to the fund/unitholders deemed to be completely and finally settled
  - Fund surrendering to the Company all the rights over JODC's assets
  - All collaterals granted by JODC to the fund should be released and terminated

1. CORPORATE INFORMATION (continued)

Going Concern (continued)

The Company has revised its offer on 23 December 2021 whereby the Company shall issue to the unitholders of the Fund a total number of 225,134,162 new shares instead of 193,068,966 shares.

Subsequent to the year ended 31 December 2021, on 9 January 2022, the Company received a notification from the Fund informing the Company that the Fund's unitholders have approved the Transaction in the unitholder General Assembly. As a result, liability payable to unitholders would be settled by issuing Company's own shares; hence this liability would not result in any cash outflow. Further, subsequent to year end on 2 April 2022, the Group has executed an agreement with the Fund Manager to settle this liability in exchange of Company's new 225,134,162 shares. In accordance with terms of agreement, the transaction is binding and non-revocable.

Based on the above plan, the Group's cash flow forecast for the 12-month period from the reporting date indicates a net positive cash flow position. Although there is a material uncertainty created by COVID-19 and its impact on travel restrictions besides the successful execution and conclusion of the above plan, management continues to believe that it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months.

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's ("SCTA") letters. These consolidated financial statements include the results of the operating activities relating to the following hotels in addition to its four branches bearing commercial registration numbers 4030291056, 40301097883, 40301098207 and 1010465230.

Name	*Commencement of operation*	*Registration number*	*Registration date*	*SCTA's-letter No.*	*SCTA's-letter date*
Hilton suites Makkah	01 July 2014 (corresponding to 4 Ramadan 1435H)	4031077081	25 May 2013 (corresponding to 15 Rajab 1434H)	AVM/5887/34	04 March 2013 (corresponding to 22 Rabi II 1434H)
Hyatt Regency	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031087547	09 September 2014 (corresponding to 14 Dhul Qida 1435H)	8957	25 May 2014 (corresponding to 26 Rajab 1435H)
Conrad	30 July 2016 (corresponding to 25 Shabaan 1437H)	4031091636	29 April 2015 (corresponding to 10 Rajab 1436H)	9347	16 March 2015 (corresponding to 25 Jumada I 1436H)
Hilton Convention	31 March 2017 (corresponding to 3 Rajab 1438H)	4031097174	10 August 2016 (corresponding to 07 Dhul Qida 1437H)	16474	19 July 2016 (corresponding to 14 Shawwal 1437H)
Double Tree by Hilton	01 August 2019 (corresponding to 29 Dhul Qida 1440H)	4031214815	15 May 2018 (corresponding to 29 Shaban 1439H)	1651	14 May 2018 (corresponding to 28 Shaban 1439H)
Marriott Makkah	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031085088	07 May 2014 (corresponding to 8 Rajab 1435H)	AVM/8332/35	17 March 2014 (corresponding to 16 Jumada I 1435H)

Further to the above operating hotels, the Company has two additional hotels, the operations of which are not yet commenced, bearing commercial registration numbers 4031215100 and 4031247845, respectively.

1. CORPORATE INFORMATION (continued)

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December 2021. The Group is incorporated in the Kingdom of Saudi Arabia except for Jabal Omar Sukuk Company Limited which is incorporated in the Cayman Island. Except for Alinma Makkah Real Estate Fund, remaining subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of the Subsidiary	***Registration Number***	***Registration date***	***Ownership interest***	***Financial year end***	***Principal activities***
Shamikhat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company	4031210499	22 October 2017 corresponding to 02 Safar 1439H	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	1 January 2018 corresponding to 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishrakat for logistic services Company	4030303509	06 May 2018 corresponding to 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for marketing Company	4030326220	05 March 2019 corresponding to 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services
Rasyat Company	4031051838	8 August 2017 corresponding to 15 Dhul Qadah 1438H	100%	31 December	Investment in infrastructure facilities
Alinma Makkah Real Estate Fund	CMA letter no. 7/4432/5/3	22 August 2017 corresponding to 30 Dhul Qadah 1438H	16.42%	31 December	Acquire a number of income generating real estate assets located within the first phase of Jabal Omar project next to the Grand Mosque in Makkah
Jabal Omar Sukuk Company Limited	334209	12 March 2018 corresponding to 24 Jumada Al Thani 1439H	100%	31 December	Issuance of sukuks

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

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

Items	Measurement basis
Provisions for employee terminal benefits	Present value of the defined benefit obligation using projected credit unit method
Investment held at fair value through profit or loss	Fair value

The consolidated financial statements of the Group are presented in Saudi Riyals (SR), which is also the functional currency of the Group. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands (SR '000) unless when otherwise stated.

2.2 Statement of compliance

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit or loss. Any investment retained is recognized at fair value.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the 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 assets or liabilities affected in future periods.

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

2.4 Significant accounting judgments, estimates and assumptions (continued)

Other disclosures relating to the Group's exposure to risks and uncertainties includes
- Sensitivity analyses disclosure (note 5, note 6 and note 17)
- Financial instruments risk management (note 30)
- Capital management (note 30)

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

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Revenue recognition from sale of residential units
The Group exercises judgment in determining whether the performance obligation(s) included in contracts for sale of Properties for development and sale are satisfied at a point in time or over time. This includes careful consideration of the relevant terms of each sale agreement to assess whether:

- the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

When one or more of the aforementioned criteria is met, the Group recognizes revenue over time.

Determination of transaction prices
The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgement the Group assesses and estimates the impact of any variable consideration in the contract, due to discounts, penalties, non-cash considerations and guaranteed returns.

In addition to the stand-alone selling price, the sales contract also includes variable consideration in the form of delay penalties, which the Group is required to pay if the units are not delivered in time according to the contractual terms and conditions. This delay penalty is adjusted against revenue. In this regard, a significant judgement has been made as the Group has not been able to deliver the units in time and as such the impact of the delay penalties has been estimated, using the expected value . When assessing the amount of the delay penalties which should be recognized at the reporting date, management has made a judgement in relation to the timing of when the units will be available for operational readiness for the Buyer, and as such will no longer be obligated to make these payments.

Allocation of cost of land, construction and infrastructure assets to operating properties
The Group exercises judgment in determining reasonable basis for allocating cost of land, construction and infrastructure assets to operating properties for the purpose of impairment assessment. This includes consideration of factors such as the nature of items of infrastructure assets, covered and built-up areas as well as respective market values.

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

2.4 Significant accounting judgments, estimates and assumptions (continued)

Assessment of joint arrangements
The Group has concluded that the investment in Central District Cooling Company ("CDCC") is a joint venture arrangement. The Group exercises judgment in its assessment of joint arrangements and whether the Group's investment in such arrangements should be classified as a joint operation or a joint venture. In making this judgement the Group considers whether the investee is a separate legal entity and whether terms of the contractual arrangement between the parties to the joint arrangement specify that the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. The Group also considers whether the arrangement establishes an allocation of revenues and expenses on the basis of relative performance of each party of the joint arrangement and whether parties to the joint arrangement are provided any guarantees to rights and obligations as joint ventures.

The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 Joint Arrangements. As a consequence, it accounts for its investments using the equity method.

Going concern
The Group exercises judgement in assessing its ability to continue as a going concern. For details refer note 1.

Determining the timing of gain recognition on the sale of non-current assets
The Group has evaluated the timing of revenue recognition on the sale of non-current assets based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed non-current assets are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

Classification of real estate properties
The Group exercises judgment in classification of real estate properties as property, plant and equipment, investment properties or properties for development and sale. The Group considers the recognition criteria as per the relevant accounting standard supported with management's intention and active plan. The hotels are owner occupied properties that are held for use in the supply of services while the commercial malls are classified as investment properties since these are held for rentals to others. Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when group purchase properties with an intention to sale.

Zakat
The determination for zakat provision 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, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. In determining the amount payable to GAZT, the Group has applied their judgement and interpretation of the GAZT requirements for calculating Zakat.

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

Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

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

2.4 Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets (continued)
During the current year it was determined that indicators of impairment existed and as such a detailed impairment assessment was performed. Refer note 5 and 6 for the details on the impairment testing. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 5 and 6.

Useful lives and residual value of property, plant and equipment, intangibles and investment property
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. Management periodically reviews the useful lives, residual value, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Estimation of net realizable value of Properties for development and sale
Properties for development are stated at the lower of cost and net realizable value ("NRV"). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale.

NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions.

Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV.

Impairment for expected credit losses (ECL) in trade and other receivables
The Group 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 Group's determination of ECL in trade and other receivables requires the Group to take into consideration certain estimates for forward-looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) 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.

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

2.4 Significant accounting judgments, estimates and assumptions (continued)

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

The Group has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusted the historical loss rates based on expected changes in 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 amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 12.

Employees' terminal benefits plan

The cost of the employees' terminal benefit plan and the present value of the 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 rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these 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 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 country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 17.

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 judgement 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

Zakat assessments

As noted, in Note 21 on Zakat payable, the Group has received a zakat assessment from GAZT for the year 1427H-2020 of approximately Saudi Riyals 669 million and recorded zakat payable based on the received assessment of SR 274 million. The Group has filed an appeal against the open assessments.

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 new and amendments to standards and interpretations which are applicable for the first time in 2021, but either not relevant or do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment 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 consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.1 New and amended standards and interpretations (continued)

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 date of issuance of the Group’s financial statements are disclosed below, if they are expected to have an impact on the Group’s financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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. However, in November 2021, the IASB published an exposure draft which included a proposal to defer the effective date to no earlier than 1 January 2024.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.2 Standards issued but not yet effective (continued)

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduced 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 Group.

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.

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 Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures. The amendments are not expected to have a material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Current versus non-current classification

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

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

All other assets are classified as non-current.

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 Group classifies all other liabilities as non-current.

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Investment in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after zakat and non-controlling interests in the subsidiaries of the associate or joint venture

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 7.

4.3 Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group 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 at the functional currency spot rates of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other 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 the gain or loss on the change in fair value of the item (i.e., 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 or income (or part of it) 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 Group 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 Group determines the transaction date for each payment or receipt of advance consideration

4.4 Property, plant and equipment

Recognition and measurement

Property, plant and equipment is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant 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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Recognition and measurement (continued)
When parts of Property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognizes such parts as individual assets and depreciate them accordingly.

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, 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 Group, 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 consolidated statement of profit or loss and other comprehensive income as incurred.

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

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

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

	Number of years
● Building	85
● Central district cooling system	30
● Equipment	10 – 85
● Furniture and fixtures	10 - 12
● Infrastructure assets	20 – 85
● Other assets	4 - 8

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, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income within “Other income, net” at the time the item is derecognised.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant 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 recognised impairment. Capital work-in-progress is not depreciated. 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, plant and equipment includes 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 Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Derecognition
Property, plant and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the consolidated statement of profit or loss and other comprehensive income within “Other income, net” at the time the item is derecognized.

Property, plant and equipment includes 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 Group.

Capital work in progress
Capital work in progress represents assets under construction and improvements to the existing assets, recorded at cost less accumulated impairment losses, 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 Group’s policies.

4.5 Intangible assets
Intangible assets comprise software licenses for computer, which have finite lives and are amortized over the period of its useful life on a straight-line basis and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. Any changes in the estimated useful life or the expected pattern of consumption of economic benefits are treated as change in accounting estimates.

The useful life for an intangible asset is reviewed at least at the end of each reporting period. The amortization expense on intangible assets is recognized in the consolidated statement of profit or loss and other comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

The estimated useful lives for the current and comparative periods are 4 years.

4.6 Investment properties
Properties held for long-term rental yields or for capital appreciation or both as well as those held for undetermined future use but not for sale in the ordinary course of business, which is not occupied by the Group is classified 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 includes property that is being constructed or developed for future use as investment properties. Investment properties is measured at its cost, including related transaction costs and where applicable borrowing costs.

Investment properties are carried at cost, net of accumulated depreciation, except for properties under construction which is stated at cost. Cost includes expenditure that is 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 asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Capital work in progress represents the construction work at the Group’s project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose.

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 or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. 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 gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognized in the consolidated statement of profit or loss and other comprehensive income.

Owner-occupied property is property held by the owner, or a right-of-use asset relating to property held by a lessee, for use in the production or supply of goods or services or for administrative purposes. Owner-occupied property is used in conjunction with the other assets of the entity, such as plant and machinery and inventory. It 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 deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Depreciation on assets is charged to consolidated statement of profit or loss and other comprehensive income using the straight-line method to allocate their costs over their estimated useful lives as follows:

	Number of years
● Building	85
● Equipment	16 – 20
● Infrastructure assets	20 – 85

Investment property includes infrastructure assets that do not ordinarily generate cash flows independent of the investment properties of the Group.

4.7 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 (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 contracts with customers.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

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 an 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 Group'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 amortized 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 Group 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.

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 Group's financial assets at amortized cost includes cash and 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 consolidated 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 Group 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 consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. Currently, the Group does not have any equity instrument designated at fair value through OCI.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

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 Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are 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 group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Impairment
The Group recognizes an allowance for expected credit losses (ECLs) 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 Group 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a 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 and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or 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 Group's financial liabilities include accounts payable, accruals and 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.

Gains or losses on liabilities held for trading are recognized in the consolidated 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 Group 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 Group. After initial recognition, interest-bearing loans and borrowings 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.

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 derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated 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 consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Modification of financial assets and liabilities
When the contractual cash flows of a financial asset/ liability are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that instrument, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss under "Gain on loan modification". The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

Conversely, the Group accounts for an exchange with a lender of debt instruments with 'substantially different' terms to be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, (whether or not due to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)
Modification of financial assets and liabilities (continued)

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.

The Group accounts for modifications in terms of a debt instrument that result in the instrument meeting the definition of an equity instrument consistent with the foregoing.

4.8 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 for the amount 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 the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized on goodwill are not reversible.

4.9 Leases

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

Group as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities 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 Group 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 Group 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 interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the 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 assessment of an option to purchase the underlying asset.

Lease liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Leases (continued)

Group as a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Refer Note 4.19. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised 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 Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

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 Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the consolidated statement of profit or loss.

4.10 Development properties

Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when group purchase properties with an intention to sale or where there is a change in use of investment properties evidenced by the commencement of development with a view to sale. The investment properties are reclassified as development properties at their carrying amount at the date of their reclassification. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

4.11 Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

4.12 Cash and cash equivalents

For the purpose of statement of financial position, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

4.13 Restricted cash

Restricted cash that is subject to certain restrictions and are not available for general use by the Group, and therefore, do not form part of cash and cash equivalents. Classification between current vs non-current restricted cash depends on the relevant agreement. If the payment is on demand, then restricted cash is reported as current.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Employee benefits

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

Post-employment benefits
The Group'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 Group 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 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 consolidated statement of profit or loss and other comprehensive income.

The Group uses the yield available on the high-quality corporate bonds as a reasonable assumption for the discount rate.

4.15 Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, 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 recognized as a finance cost.

4.16 Payable to other unitholders of investment fund
The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognized at the present value of redemption amount. All subsequent changes in liability is recognized in the consolidated statement of profit or loss. The liability comprises accrued interest and redemption amount payable as per the terms and conditions of the investment fund. Other unitholders receive a fixed return and redemption amount is fixed; hence, the liability is accounted for at amortized cost.

4.17 Zakat
The Company and its Saudi Arabian subsidiaries are 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 consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenues

The Group 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 Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group 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 Group satisfies a performance obligation by delivering the promised goods or 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.

Sale of development properties

Sale of development properties includes multi-unit properties in residential or hotel developments. Typically, these developments take a number of years to complete. Revenue recognition regarding the sale of such units is determined by the contractual terms and conditions for each arrangement.

Performance obligations

The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land, parking spaces, operational readiness (normally for units in hotels) and other amenities. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units is typically considered one performance obligation.

Transaction price and allocation of transaction price

The revenue is measured at the transaction price agreed under the contract and allocated to the performance obligation. In some cases the transaction price also includes variable consideration.

Revenue recognition

Revenue on sale of development properties is recognized when control over the properties has been transferred to the customer, in some circumstances this is over time, where the criteria as per IFRS 15 paragraph 35 is met and in other circumstances revenue is recognized at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenues (continued)

Over time contracts
However, the Group has determined that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Point in time contracts
Where the criteria for overtime revenue recognition is not met, revenue is recognized at a point in time, only when the control criteria as per IFRS 15 paragraph 38 is met. Control is normally obtained by the customers when they are able to obtain economic benefits from the properties, this is typically on handover of the properties. In order for the properties to be ready for handover, all the individual promises in the contract must be complete, this will include properties which require the units to be available for operational readiness, such as hotel units.

Significant financing
In cases where deferred payment terms are agreed, the transaction price is adjusted for the effects of a significant financing component.

Rental income from investment properties
Rental income from investment properties is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire 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.

4.19 Selling, marketing and general and 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, marketing and general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

4.20 Borrowings costs
Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. 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 interest capitalized is calculated using the Group'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 from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Finance income and finance costs

Finance income and expenses are recognised 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 capitalised as part of the cost of that asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income or finance expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts

4.22 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). The CODM assesses the financial performance and position of the Group, and makes strategic decisions.

An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- whose financial information is separately available.

4.23 Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9 – refer to “Impairment“ in note 12.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer). Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed to and certified by the customer, the difference is recognised (as a contract asset) and presented in the statement of financial position under “Contract assets”, whereas in contracts in which the goods or services transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the Group transfers the remaining goods or services), the difference is recognised (as a contract liability) and presented in the statement of financial position under “Contract liabilities”.

5. PROPERTY, PLANT AND EQUIPMENT

	Lands SR'000	*Buildings SR'000*	*Central District Cooling System SR'000*	*Equipment SR'000*	*Furniture and fixtures and other Assets SR'000*	*Infra-structure Assets SR'000*	*Capital work in progress SR'000*	*Total SR'000*
Cost:								
Balance at 1 January 2020	2,957,546	4,207,847	505,025	1,968,513	767,263	429,057	7,564,558	18,399,809
Additions during the year	-	-	-	711	6,502	-	452,057	459,270
Disposals during the year	-	-	-	-	(5,164)	-	-	(5,164)
Remeasurement	-	-	-	-	16,996	-	-	16,996
Write-off	-	-	-	-	(26,600)	-	-	(26,600)
Transfers from CWIP	-	-	502,129	-	-	-	(502,129)	-
Transfer to non-current asset classified as held for sale (note 5 (b))	(61,546)	-	-	-	-	-	-	(61,546)
Balance at 31 December 2020	2,896,000	4,207,847	1,007,154	1,969,224	758,997	429,057	7,514,486	18,782,765
Transfers from CWIP	-	-	11,868	-	-	-	(11,868)	-
Transfer from development properties (note 11)	135,997	-	-	-	-	-	1,259,061	1,395,058
Additions during the year	-	-	-	1,031	4,151	-	449,077	454,259
Disposals/write-off during the year	-	-	-	-	(20,825)	-	-	(20,825)
Transfer to held for sale (note 13)	(54,557)	-	-	-	-	-	(56,278)	(110,835)
Reclassification	41,103	-	-	-	-	-	(41,103)	-
Balance at 31 December 2021	**3,018,543**	**4,207,847**	**1,019,022**	**1,970,255**	**742,323**	**429,057**	**9,113,375**	**20,500,422**
Accumulated depreciation:								
Balance at 1 January 2020	-	131,250	75,838	169,072	239,514	29,853	-	645,527
Depreciation for the year	-	53,538	43,616	81,911	92,473	7,985	-	279,523
Relating to disposals during the year	-	-	-	-	(1,435)	-	-	(1,435)
Write-off	-	-	-	-	(15,960)	-	-	(15,960)
Balance at 31 December 2020	-	184,788	119,454	250,983	314,592	37,838	-	907,655
Depreciation for the year	-	49,873	34,227	81,552	68,838	7,984	-	242,474
Disposal	-	-	-	-	(19,223)	-	-	(19,223)
Balance at 31 December 2021	-	**234,661**	**153,681**	**332,535**	**364,207**	**45,822**	-	**1,130,906**
Net book value								
At 31 December 2021	**3,018,543**	**3,973,186**	**865,341**	**1,637,720**	**378,116**	**383,235**	**9,113,375**	**19,369,516**
At 31 December 2020	2,896,000	4,023,059	887,700	1,718,241	444,405	391,219	7,514,486	17,875,110

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has reclassified certain residential units from properties for development and sale to property, plant and equipment as a result of specific use of assets.

a. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") a joint venture for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. The Group is entitled to obtain all economic benefits from the DCS during its entire life and therefore recognizes the DCS from the commencement of construction by CDCC.

b. These represent amounts transferred to non-current assets classified as held for sale pertaining to assets determined by management to be recovered principally through a sale transaction rather than continuing use. Refer to note 13.

c. Land (the 'Land') represents plots situated in the Jabal Omar area, which were received by the Company from the founding shareholders (the 'Owners') against issuance of its shares at nominal value of SR 10 per share by virtue of a Royal Decree (the 'Decree') (note 1). Valuation of land was prepared and approved by Development Commission of Makkah Al Mukkaramah. Legal formalities for the transfer of title deeds from the Owners were completed. The Company had intended to complete the procedures for transferring any remaining title deeds in the name of the Company and issue corresponding shares, as and when their Owners would complete the related statutory and legal documentation (the 'documentation').

However, due to the physical location of the Project and peculiarities attached to the land ownership around Haram area, there were certain plots without identified title deeds. Accordingly, owners of plots amounting to SR 359 million remained unable to complete the documentation even after several years post incorporation of the Company. Accordingly, during 2016, the management of the Company recognized this remaining unrecorded land in its financial statements, considering the following:

- No title deeds had been submitted for the past 2 years;
- In respect of the Owners who could not submit their legal tittle deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") subscribed for shares in the Company on behalf of those owners. This mechanism was ratified by Royal Decree No. M/63, dated 25/9/1427H (corresponding to 18 October 2006) and therefore legal ownership of the land is with the Group;
- The Company possesses substantive rights to the use of complete Land by virtue of the Decree;
- The Group has been in the possession of the Land for the past several years and has started construction thereon; and
- During 2020, the competent authorities issued a unified title deed in the name of the Company for the entire area of the Group's Project which amounts to 235,869.11 square meters.

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of owners who could not submit their legal title deeds, a corresponding payable to MCDC was recognized. The amount payable to MCDC would be settled as and when owners who could not submit their title deeds earlier, would do so, with a corresponding re-allocation in shareholding between MCDC and such owner. Management expects the liability to be settled on demand and hence recorded as current liability.

d. During the year ended 31 December 2021, an amount of SR 47.8 million (31 December 2020: SR 117 million) was capitalized as borrowing cost for the construction of property plant and equipment included in capital work in progress. Further, the capitalization rate used to determine the amount of borrowing cost to be capitalized is the weighted average interest rate applicable to the Group general borrowing during the period, in this case 3.62% per annum (2020: 4.26% per annum).

e. At 31 December 2021, the Group's land in the property and equipment with a carrying amount of SR 2,532 million (31 December 2020: SR 2,532 million) were mortgaged as collateral against loans and borrowings and unitholders of investment fund.

f. Property, plant and equipment include asset under right of use assets as following:

Furniture and fixture and other assets	***31 December 2021 SR'000***	*31 December 2020 SR'000*
As at 1 January	**15,840**	10,490
Remeasurement	**-**	16,996
Depreciation	**(1,673)**	(11,646)
As at 31 December	**14,167**	15,840

5. PROPERTY, PLANT AND EQUIPMENT (continued)

g. The outbreak of COVID-19 led to a substantial reduction in cash generated from the Group's hotel and commercial area operations. It has also interrupted the development of the Group's projects. As a result, management had considered there to be indicators of impairment. There is an impairment indicator that the carrying value of non-financial assets, hotels, commercial properties and land parcels ("properties") associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of each CGU by assessing the fair value less cost of disposal (FVLCOD) and value-in-use (being the higher of both) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Based on the valuation, no impairment was identified.

The valuation methodology and related significant inputs and assumptions used by valuers in estimation of net recoverable amount are as follows:

Valuation methodology:
The Group engaged independent professionally qualified valuation experts 'Dorchester Estates' ("Dorchester") and 'Square Meter' ("SQM") accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Dorchester and SQM have recent experience under IFRS 13, in determining the fair value for properties in the locations and segments where the Group's properties are situated.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) and Chief Risk Officer (CRO) of the Group. Discussions of valuation processes and results are held between the CFO, CRO, the valuation team and the independent valuer at least once in every quarter, in line with the Group's quarterly reporting dates.

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:
- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, CRO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

The Group has a number of operating hotels and hotels under construction. Each hotel is considered a separate CGU for purposes of impairment testing. In determining the fair value, the valuer has used an income approach, residual value approach, cost approach and in certain cases a weighted average of approaches. In case of non-operated assets comprising land parcels only the valuer has used comparable values approach. The Group also has a number of commercial centers and each commercial center is considered a separate CGU. The valuer has used an income approach for developed commercial centers and commercial centers under development.

Income approach: Under this approach, the valuers obtained rental of the relevant property and estimated future rental cash inflows. These future cash inflows are then discounted back to valuation date, resulting in present value of the related investment property. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.

Cost approach: In cost approach appraisal, the market price for the property is equal to the fair value of the land plus cost of construction, less depreciation. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.

Comparable values approach and residual value approach: Under these approaches, the valuer obtains land prices in the neighbouring districts and adjusts them for difference in specification of the Group's properties. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Assumption	**Approach used to determine values**
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 neighbouring 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.
Costs to complete	These are largely consistent with internal budgets developed by the Group’s management, based on its experience and knowledge of market conditions.

The sensitivity analysis provided in the table below represent % change in the fair value due to changes in key assumptions noted as of 31 December 2020.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table sets out the key assumptions for the CGUs of the group as of 31 December 2020:

CGU	***Valuation techniques***	***Discount rate***	***Estimated occupancy rate***	***Average daily rate / lease rate (per square meter) SR***	***Cost to complete***	***Retail developed land value per square meter***	***Capitalization rate (%)***	***Sensitivities***
Hilton suites	Income approach	7%	81.42%	350 – 3,400	-	-	4%	Change in discount rate -1% 0% 1% Change - 30% 13% 3% in 1% 14% 0% -8% Cap 0 rate 1% 1% -11% -18%
Hyatt Regency	Income approach	7%	88.43%	375 – 2,700	-	-	4%	Change in discount rate -1% 0% 1% Change In Cap rate -1% 30% 13% 3% 0 14% 0% -9% 1% 1% -11% -18%
Conrad hotel	Income approach	7%	78.60%	675 – 3,400	-	-	4%	Change in discount rate -1% 0% 1% Change In Cap rate -1% 30% 13% 3% 0 14% 0% -8% 1% 1% -11% -18%
Marriott hotel	Weighted average of cost approach and income approach	7%	58.67%	350 – 1,700	-	Price per square meter (Saudi Riyal per meter square) 10,761-214,286	4%	Change in discount rate -1% 0% 1% Change In Cap rate -1% 4% 2% 0% 0 2% 0% -1% 1% 0% -1% -2%

5. PROPERTY, PLANT AND EQUIPMENT (continued)

CGU	***Valuation techniques***	***Discount rate***	***Estimated occupancy rate***	***Average daily rate / lease rate (per square meter) SR***	***Cost to complete***	***Retail developed land value per square meter***	***Capitalization rate (%)***	***Sensitivities***				
										Change in discount rate		
Hilton Convention Center	Weighted average of cost approach and income approach	7%	73.87%	350 – 4,500	-	Price per square meter (Saud Riyal per meter square) 2,329-214,286	4%	Change in Cap rate		-1%	0%	1%
									-1%	7%	3%	1%
									0	3%	0%	-2%
									1%	0%	-3%	-4%
										Change in discount rate		
Al Khalil Malls (S1 & S2)	Income approach	7.5% - 8%	95% - 97%	3,7765- 7,000	-	-	5.5%	Change In Cap rate		-1%	0%	1%
									-1%	21%	7%	-3%
									0	13%	0%	-9%
									1%	6%	-6%	-14%
										Change in discount rate		
DoubleTree Hotel	Income approach	7%	73.01%	400-1,800	-	-	4%	Change In Cap rate		-1%	0%	1%
									-1%	29%	13%	3%
									0	14%	0%	-8%
									1%	1%	-11%	-18%
										Change in discount rate		
Commercial Area - N3	Income approach	7%	100%	3,000	-	-	4%	Change In Cap rate		-1%	0%	1%
									-1%	31%	10%	-2%
									0	18%	0%	-11%
									1%	7%	-9%	-19%

5. PROPERTY, PLANT AND EQUIPMENT (continued)

<table>
<tr><th>CGU</th><th>Valuation techniques</th><th>Discount rate</th><th>Estimated occupancy rate</th><th>Average daily rate / lease rate (per square meter) SR</th><th>Cost to complete</th><th>Retail developed land value per square meter</th><th>Capitalization rate (%)</th><th>Sensitivities</th></tr>
<tr><td>Phase 2 – Jumeirah (under construction)</td><td>Weighted average of cost approach and Residual approach</td><td>8.5%</td><td>78.01%</td><td>500-2,200</td><td>422,399</td><td>Price per square meter (Saudi Riyal per meter square)
11,400-214,286</td><td>4%</td><td><table><tr><td></td><td></td><td colspan="3">Change in discount rate</td></tr><tr><td>Change</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td>in</td><td>-1%</td><td>7%</td><td>3%</td><td>1%</td></tr><tr><td>Cap</td><td>0</td><td>3%</td><td>0%</td><td>-2%</td></tr><tr><td>rate</td><td>1%</td><td>0.26%</td><td>-3%</td><td>-4%</td></tr></table></td></tr>
<tr><td>Phase 2 – Commercial Mall 2 (under construction)</td><td>Income approach</td><td>8%</td><td>100%</td><td>2,800</td><td>-</td><td>-</td><td>5.5%</td><td><table><tr><td></td><td></td><td colspan="3">Change in discount rate</td></tr><tr><td>Change</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td>In</td><td>-1%</td><td>20%</td><td>11%</td><td>-2%</td></tr><tr><td>Cap</td><td>0</td><td>8%</td><td>0%</td><td>-11%</td></tr><tr><td>rate</td><td>1%</td><td>-2%</td><td>-9%</td><td>-20%</td></tr></table></td></tr>
<tr><td>Phase 3 - The Address H1 (under construction)</td><td>Cost approach</td><td>8.5%</td><td>75.08%</td><td>450-2,000</td><td>295,555</td><td>Price per square meter (Saudi Riyal per meter square)
15,741-214,286</td><td>4%</td><td>Cost to complete +/- 5% leads to change in fair value of (1.1%) and (1.1) % respectively</td></tr>
<tr><td>Phase 3 – Commercial Mall 3 (under construction)</td><td>Income approach</td><td>8%</td><td>100%</td><td>2,300</td><td>-</td><td>-</td><td>5.5%</td><td><table><tr><td></td><td></td><td colspan="3">Change in discount rate</td></tr><tr><td>Change</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td>In</td><td>-1%</td><td>32%</td><td>11%</td><td>-2%</td></tr><tr><td>Cap</td><td>0</td><td>19%</td><td>0%</td><td>-11%</td></tr><tr><td>rate</td><td>1%</td><td>7%</td><td>-9%</td><td>-19%</td></tr></table></td></tr>
</table>

5. PROPERTY, PLANT AND EQUIPMENT (continued)

CGU	***Valuation techniques***	***Discount rate***	***Estimated occupancy rate***	***Average daily rate / lease rate (per square meter) SR***	***Cost to complete***	***Retail developed land value per square meter***	***Capitalization rate (%)***	***Sensitivities***
Phase 4 – Hotels under construction	Cost approach	8.5%	75.08%	300 – 2,000	1,045,858	Price per square meter (Saudi Riyal per meter square) 2000-214,286	4%	Cost to complete +/- 5% leads to change in fair value of (0.7%) and (0.7) % respectively
Phase 4 – Commercial Mall 4 (under construction)	Income approach	7%	100%	-	-	-	4%	see table below
Phase 5 - Land parcels	Comparable values approach	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 227 million and Saudi Riyals (227) million
Phase 6 - Land parcels	Comparable values approach	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 225 million and Saudi Riyals (225) million
Phase 7 - Land parcels	Comparable values approach	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 663.6 million and Saudi Riyals (663.6) million

Sensitivities – Phase 4 – Commercial Mall 4 (under construction):

		Change in discount rate		
Change In Cap rate		-1%	0%	1%
	-1%	35%	12%	-3%
	0	21%	0%	-13%
	1%	8%	-10%	-21%

There were no reasonably possible changes in any of the key assumptions, that would result in an impairment in the CGUs. In case of impact of more material changes in the key assumptions and estimates, the results as of 31 December 2020 were as follows:

Commercial Area - N3

Should capitalization rate and discount rate increase by 1%, this would result in an impairment of Saudi Riyals 3.7 million.

Double tree Hotel

Should discount rate increase by 1%, this would result in an impairment of Saudi Riyals 4.4 million. Should capitalization rate and discount rate both increase by 1%, this would result in an impairment of Saudi Riyals 125.2 million.

6. INVESTMENT PROPERTIES

	Land	*Buildings*	*Equipment*	*Infrastructure Assets*	*Capital work in progress*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:						
Balance at 1 January 2020	1,393,948	879,983	365,102	92,335	2,423,599	5,154,967
Additions during the year	-	-	2,113	-	69,694	71,807
Transfer to non-current asset classified as held for sale (note 6(c))	(54,275)	-	-	-	-	(54,275)
Balance at 31 December 2020	1,339,673	879,983	367,215	92,335	2,493,293	5,172,499
Additions during the year	-	-	-	-	11,292	11,292
Balance at 31 December 2021	**1,339,673**	**879,983**	**367,215**	**92,335**	**2,504,585**	**5,183,791**
Accumulated depreciation:						
Balance at 1 January 2020	-	28,294	56,179	16,175	-	100,648
Depreciation for the year	-	11,058	17,038	1,924	-	30,020
Balance at 31 December 2020	-	39,352	73,217	18,099	-	130,668
Depreciation for the year	-	10,613	16,557	1,925		29,095
Balance at 31 December 2021	-	**49,965**	**89,774**	**20,024**	-	**159,763**
Net book value:						
At 31 December 2021	**1,339,673**	**830,018**	**277,441**	**72,311**	**2,504,585**	**5,024,028**
At 31 December 2020	1,339,673	840,631	293,998	74,236	2,493,293	5,041,831

6. INVESTMENT PROPERTIES (continued)

a. Investment properties comprise commercial centers, parking areas and properties under development. Developed commercial centers and parking areas generate income through lease agreements. During the year ended 31 December 2021, there was SR 11.3 million capitalized as borrowing costs for the construction of investment properties included in capital work in progress (31 December 2020: SR 57.9 million). Further, the capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Group's general borrowings during the period, in this case 3.62% per annum (31 December 2020: 4.26 % per annum).

b. Capital work in progress represents assets under construction relating to commercial centers and infrastructure development work on the land.

c. These represent amounts transferred to non-current asset classified as held for sale pertaining to assets determined by management to be recovered principally through a sale transaction rather than continuing use. Refer to note 13.

d. Deprecation charged for the year has been allocated to cost of sale.

e. As at 31 December 2021, the Group's land in the investment properties with a carrying amount of SR 1,018 million (31 Dec 2020: SR 1,018 million) were mortgaged as collateral against loans and borrowings and unitholders of investment fund. Also, see note 1.

f. Also refer Note 5(g) for key assumptions and information about fair value measurements using significant unobservable input.

g. Amounts recognized in statement of profit or loss and other comprehensive income for investment properties are as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Rental income from operating leases	**34,334**	26,302
Direct operating expenses on property that generated rental income	**(30,322)**	(78,907)

There were no direct operating expenses on investment properties that did not generate rental income (under development) during 2021 and 2020.

h. Following is the fair value of investment properties, held by the Group:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Rental income	**11,340,000**	8,399,096

All the investment properties held by the Group are for the purpose of generating rental income and it does not hold any investment properties with undetermined use.

Revenues are derived from a large number of tenants and no single tenant more than 20% of the Group's revenues.

i. Leasing arrangements

The investment properties that are leased to tenants are under operating leases with rentals payable on a monthly basis. The Group's rental contract carries rental payments which are fixed in nature and there are no variable payments which are based on percentages of sales.

6. INVESTMENT PROPERTIES (continued)

j. Management has determined the recoverable amount of the investment properties by assessing the fair value less cost of disposal (FVLCOD). No impairment was identified.

k. As at 31 December 2020, the Group has Nil for contractual obligation for future repairs and maintenance which are not recognized as liability.

l. For all investment properties the current use of the property is considered the highest and best use.

7. INVESTMENT IN A JOINT VENTURE

This represents Group's 40% investment in a joint venture arrangement in Central District Cooling Company ("CDCC"), which is principally engaged in the business of providing central district cooling system services. CDCC has share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interest is the same as the proportion of voting rights held. CDCC is not publicly listed and the Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ('DCS'). The principal place of business of the joint venture is Makkah, KSA. The Group's interest in CDCC is accounted for using the equity method in the consolidated financial statements. The information disclosed reflects the amounts presented in the consolidated financial statements of the joint venture. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy. Summarized financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows.

Summarized statement of financial position of CDCC:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Current assets	**183,799**	130,722
Non-current assets	**796,479**	811,589
Current liabilities	**(175,079)**	(148,042)
Non-current liabilities	**(448,565)**	(460,672)
Net assets	**356,634**	333,597

7. INVESTMENT IN A JOINT VENTURE (continued)

Summarized statement of profit or loss of CDCC:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Revenue	**81,048**	80,358
Expenses including zakat	**(63,119)**	(61,507)
Profit for the year	**17,929**	18,851
Other comprehensive loss for the year	**-**	-
Total comprehensive income for the year	**17,929**	18,851

Reconciliation to carrying amounts:

	31 December 2021 SR'000	*31 December 2020 SR'000*
At the beginning of the year	**333,597**	295,559
Additional equity contribution	**5,108**	18,352
Profit for the year	**17,929**	18,851
Cumulative changes in fair value of cashflow hedges	**-**	835
Closing net assets	**356,634**	333,597
Group's share in %	**40%**	40%
Group's share in SR	**142,654**	133,439
Adjustments	**(20,892)**	(18,849)
Carrying amount	**121,762**	114,590

8. INVESTMENT HELD AT FAIRVALUE THROUGH PROFIT OR LOSS

8.1 Equity investments at fair value through profit or loss

		Carrying value as at		***Unrealized (loss) / gain as at***	
	Note	***31 December 2021 SR'000***	*31 December 2020 SR'000*	***31 December 2021 SR'000***	*31 December 2020 SR'000*
Non-current assets					
Al Bilad Makkah Hospitality Fund	a	**304,122**	304,710	**(588)**	(26,290)
Current assets					
Alinma Saudi Riyal Liquidity Fund	b	**24,475**	67,836	**844**	2,308

8. INVESTMENT HELD AT FAIRVALUE THROUGH PROFIT OR LOSS (continued)

8.1 Equity investments at fair value through profit or loss (continued)

a) This represents investment in 20 million units (31 December 2020: 20 million units) of the investee which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'). Management believes that indicative NAV is a reasonable approximation of the fair value of the investee. As per the audited financial statements of the investee for the year ended 31 December 2021, the Indicative NAV per unit amounts to SR 15.2 (31 December 2020: SR 15.24), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2021.

b) This represents investment in Alinma Saudi Riyal Liquidity Fund which is a public investment fund domiciled in KSA and managed by Alinma Investment Company. The objective of the investee is to invest in Murabaha Contracts which complies with Islamic Shari'a.

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

			Fair value measurement using		
	Date of valuation	*Total SR'000*	*Quoted prices in active markets (Level 1) SR'000*	*Significant observable inputs (Level 2) SR'000*	*Significant unobservable inputs (Level 3) SR'000*
Equity investments at fair value through profit or loss	***31 December 2021***	**328,597**	**24,475**	**304,122**	**-**
Equity investments at fair value through profit or loss	*31 December 2020*	372,546	67,836	304,710	-

8.2 Amounts recognized in statement of profit or loss and other comprehensive income

	31 December 2021 SR'000	*31 December 2020 SR'000*
Fair value (loss) recognized in statement of profit or loss and other comprehensive income	**(588)**	(26,290)
Fair value gain recognized in statement of profit or loss and other comprehensive income	**844**	2,308

8.3 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 30.

9. CASH AND CASH EQUIVALENTS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Cash on hand	**85**	462
Cash at banks (see notes (a), (b) and (c) below)	**981,527**	335,747
Term deposits less than three months (note (a) below)	**305,925**	305,925
	1,287,537	642,134
Less: Restricted cash– non-current (see note (a) below)	**(242,590)**	(242,590)
Less: Restricted cash – current (see note (a) below)	**(716,520)**	(348,319)
	328,427	51,225

a) These represent deposit placed in Murabaha deposits with commercial banks having original maturity of three months and yielding profit at prevailing market rate. Further, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks. The classification depends on the contractual arrangement and is classified as current when the payment is on demand.

b) Balance in bank accounts with entities having common directorship with the Group amount to SR 1.5 million as at reporting date (31 December 2020: SR 50.3 million).

c) The cash is held in accounts with banks having sound credit ratings. The fair value of cash and cash equivalent and restricted cash approximates the carrying value at 31 December 2021 and 31 December 2020.

10. OTHER ASSETS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Other non-current assets		
Accrued rent	**18,396**	19,944
Other current assets		
Prepaid expenses	**8,362**	11,194
Hotels other receivables	**37,539**	16,468
Other	**49,329**	4,560
Total	**95,230**	32,222

Current portion of accrued rent and other receivables are generally settled in 12 months from the reporting date. Hence, the carrying amount is considered to be the same as fair value.

11. PROPERTIES FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units which determined by management to be used for future sale in the ordinary course of Group's operations.

Movement during the year ended is as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Opening balance	**1,419,044**	1,423,302
Transfers (note 5 and 11.4)	**(1,395,058)**	-
Additions	**820**	11,771
	24,806	1,435,073
Less: Charged to cost of revenue	**-**	(16,029)
	24,806	1,419,044

11.1 At 31 December 2021 the Group's properties from development and sale amounting to SR Nil (31 December 2020: 146 million) were mortgaged as collateral to the local commercial banks and unitholders of investment fund.

11.2 Properties for development and sale recognized as an expense during the year ended 31 December 2021 amounts to Nil (31 December 2021: SR 16 million) are included in cost of development properties sold.

11.3 At 31 December 2021 and 31 December 2020, the net realizable value of the properties is assessed to be higher than their carrying value.

11.4 The Board of Directors approved the change in business use of property for development and sale, to a property to own and operate. The change of classification and business strategy from sale to operation is due to change of usage and part of the milestone towards the implementation of restructure plan.

Residential units

The management of the Group has carried out an exercise to determine the net realizable value of their residential units. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. At 31 December 2021 and 31 December 2020, the net realizable value of the residential units is assessed to be higher than their carrying value.

12. TRADE AND OTHER RECEIVABLES

	31 December 2021 SR'000	*31 December 2020 SR'000*
Receivables from contract with customers	**16,757**	36,679
Receivables from rental income and land sale	**156,322**	53,382
Receivables in respect of properties for development and sale	**-**	17,532
Contract assets	**56,550**	69,996
Advances to suppliers	**152,904**	6,538
Margin and other deposits	**14,571**	14,571
Other receivables	**211,645**	7,127
Less: net impairment loss on financial assets	**(60,689)**	(104,297)
	548,060	101,528

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 Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2021, five largest customers accounted for 71% (31 December 2020: 36%) of the outstanding receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

Advances to suppliers mainly include advances for undertaking repair and maintenance of infrastructure work.

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment of trade and other receivables is as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Receivables from contract with customers	**9,882**	26,571
Receivables from rental income	**41,921**	47,749
Receivables in respect of properties for development and sale	**-**	17,532
Contract assets	**8,886**	12,445
	60,689	104,297

12.1 Movement in provision for impairment of all receivables are as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Opening balance	**104,297**	21,227
Charge for the year	-	83,070
Reversals during the year	**(34,036)**	-
Provision written off against receivable	**(9,572)**	-
Closing balance	**60,689**	104,297

Contract assets relate to off-plan sales of properties for development and sale. Contract assets are initially recognized for revenue earned from property under development rendered but yet to be billed to customers. Upon Billing of invoice, the amounts recognized as contract assets are reclassified to trade receivables. The group also recognized a loss allowance for contract assets in accordance with IFRS 9.

13. GAIN OF DISPOSAL OF NON-CURRENT ASSETS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Opening balance	**115,821**	-
Transferred from property, plant and equipment	**110,835**	115,821
Non-current assets sold during the year	**(226,656)**	-
Closing balance	**-**	115,821
Proceeds from disposal of non-current assets	**1,145,000**	-
Gain on disposal of non-current assets	**1,068,808**	-

During the year ended 31 December 2021, following sale of plots were made:

1) 2,572 square meters located in Phase 7 of the Group's project amounting to SR 830 million by transferring the plot's legal title to the buyer. Out of SR 830 million, an amount of SR 52 million is deferred and to be recognized on fulfillment of related performance obligation.

2) 2,600 square meters located in Phase 5 of the Group's project by transferring the plot's possession to the buyer with non-cancellable terms. The Group management expect transfer of title deed as protective clause with no further performance obligation.

14. CAPITAL AND RESERVES

14.1 Share capital

As at 31 December 2021 and 31 December 2020, Company's share capital is divided into 929,400,000 shares of SR 10 each.

14.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year (after absorption of accumulated losses) is transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The statutory reserve is not available for distribution. Since the Company has accumulated losses as of year end, no transfer to statutory reserve has been made.

14.3 Reserve for advances to certain founding shareholders

This represents amounts advanced to certain founding shareholders ("the founders") in prior years, duly approved by the shareholders and stipulated in the By-laws of the Company, and subsequently ceased via shareholder resolution in their extraordinary general assembly meeting dated 28 March 2016 (corresponding to 19 Jumada ll 1437H). The advances are adjustable against future dividend distributions by the Company and / or proceeds from disposal of Company's shares held by the founders.

15. LOANS AND BORROWINGS

Details of the Group's loans and borrowings are as follow:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Loans and borrowings	**9,632,872**	10,529,748
Accrued commission on term loan	**241,320**	433,374
Less: Deferred financial charges	**(65,262)**	(23,041)
	9,808,930	10,940,081
Current portion	**(1,766,085)**	(2,592,201)
Non-current portion	**8,042,845**	8,347,880

15. LOANS AND BORROWINGS (continued)

Non-current portion

	31 December 2021 SR'000	*31 December 2020 SR'000*
Government loan (Note (a) below)	**1,326,088**	3,000,000
Accrued commission	**-**	318,300
Syndicate loan (2) (Note (b) below)	**4,889,028**	3,587,699
Accrued commission	**201,980**	-
Facility from a local bank (Note (c) below)	**-**	331,770
Accrued commission	**-**	2,873
Facility from local bank (Note (f) below)	**29,150**	-
Facility from a local bank (Note (g) below)	**600,000**	600,000
Accrued commission	**-**	15,856
Subordinated Sukuk (Note (h) below)	**506,250**	506,250
Facility from local bank (Note (i) below)	**547,550**	-
	8,100,046	8,362,748
Less: Deferred financial costs	**(57,201)**	(14,868)
	8,042,845	8,347,880

Current portion

	31 December 2021 SR'000	*31 December 2020 SR'000*
Government loan (Note (a) below)	**-**	-
Accrued commission	**-**	42,421
Syndicate loan (2) (Note (b) below)	**-**	957,029
Accrued commission	**-**	840
Facility from a local bank (Note (c) below)	**635,656**	272,973
Accrued commission	**9,496**	11,851
Facility from a local bank (Note (d) below)	**1,000,000**	1,000,000
Accrued commission	**3,171**	28,553
Facility from a local bank (Note (e) below)	**70,000**	135,753
Accrued commission	**1,099**	1,757
Facility from a local bank (Note (f) below)	**29,150**	138,274
Accrued commission	**420**	969
Accrued commission (Note (g) below)	**15,455**	3,560
Accrued commission (note (h) below	**8,318**	6,394
Accrued commission (Note (i) below)	**1,381**	-
	1,774,146	2,600,374
Less: Deferred financial costs	**(8,061)**	(8,173)
Current portion	**1,766,085**	2,592,201

15. LOANS AND BORROWINGS (continued)

Term loans

a) On 13 December 2011 (corresponding to 18 Muharram 1433H), the Group signed an agreement with the Ministry of Finance ("MoF"), a government entity, to obtain a loan amounting to SR 3 billion. The loan was designated for development of Phase 3 of the Group's Project. At origination, the amount was due for settlement in six semiannual installments commencing from 1 January 2014. There are no financial debt covenants related to the facility.

During 2016, the Group obtained an extension on the settlement's commencement date to 1 January 2019.

During 2018, the Group obtained approval from the lender to further reschedule the loan for repayment in three equal installments annually, commencing from 31 December 2018, with interest rate of SIBOR plus 1.75%.

During 2020, the Group obtained approval form the lender to postpone until 31 March 2022 the repayment of all installments that were due on or before 31 December 2020. The Group has also pledged Phase 3 to the lender as mortgage against the loan.

During 2021, the Group entered into a loan restructuring agreement with MoF that involved significant modifications of the loan terms, including waiver of the accrued commission, capitalization of commission for certain period for commencing repayments, revision in commission rates and conversion of SR 1.5 billion of the total existing loan amount into a new unsecured Shariah-compliant subordinated perpetual instrument ("Perpetual instrument"), and maturity extension of the remaining secured SR 1.5 billion to 31 March 2031, with bullet payment ("Bullet Loan").

The SR 1.5 billion Perpetual instrument includes the following main features:

1- Waiver of the entire accrued and unpaid profit amounting to SAR 457 million.
2- The Perpetual instrument do not carry a contractual maturity nor does the government entity hold a contractual right to redemption or repayment in the ordinary course of Group's business.

Moreover, the Group may elect not to make any of the profit payments, except in the event of distribution of dividend to ordinary shareholders, and such non-payment of profit shall neither accumulate nor be considered an event of default.

The Group has analysed the Perpetual Instrument having features of an equity instrument under IAS-32 and hence classified the instrument under equity at its fair value on the date of debt conversion.

The SR 1.5 billion Bullet Loan will be repaid from 31 December 2026 and every six semiannual installments thereafter until its final maturity on 31 March 2031. The Bullet Loan, carries an annual profit commencing immediately after restructuring. Certain updates to the collateral provided against the Bullet Loan.

Pursuant to receipt of binding term sheets from MoF, confirmation from the facility agent and approval of Board of Directors (BoD) of acceptance of term sheets, the Group derecognized the old facility and recognized new facilities. The changes in the terms of the original MoF loan constitute a substantial modification and, accordingly, the difference between the pre-restructuring loan carrying amount and the fair value of the Perpetual Instrument and Bullet Loan, amounting to SR 1.4 billion, has been recognized as net gain on loan restructuring in the statement of profit or loss and other comprehensive income. The Group management is in the process of finalizing the facilities agreement as at 31 December 2021.

b) On 18 May 2015 (corresponding to 29 Rajab 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of Saudi Riyals 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) and another short-term liability in addition to completing the construction of Phases 2 and 4 and executing Phase 5. The syndicated Islamic loan was payable over a period of 12 years from the date of signing the agreement in quarterly payments ending at September 2027. The Group had withdrawn Saudi Riyals amounting to 4.5 billion under the facility, carrying profit at SIBOR plus spread. During 2020, the Group received letter for the deferral of payment due till March 31, 2021.

The Group had provided the following securities against the facility:

- Mortgage of the above-mentioned phases' lands deeds and properties with carrying amount of Saudi Riyals 7,285 million as of 31 December 2020.
- Promissory note by the Group for the syndicate of Saudi Riyals 6.1 billion.

15. LOANS AND BORROWINGS (continued)

Term loans (continued)

During the year ended 31 December 2021, the Group completed the restructuring of the Syndicate loan facility with the following key changes:

- Additional SR 1.2 billion of available limit for future drawdowns.
- Extension in Syndicate Loan's final maturity by 3 years from the original date of maturity with an option to extend by a further 3 years, subject to certain pre-agreed conditions
- Sculpted repayment schedule based on the underlying projects' cash flows
- Scheduled repayments will initiate after a grace period of 3 years
- Scope for step-down in profit rate based on achieved progress on Phases 2 and 4 of the Project and deleveraging of the facility

The Group has analysed the renegotiated terms and identified the changes to represent a non-substantial modification. Accordingly, the resulting modification loss amounting to SR 173 million has been recognized in net gain on loan restructuring presented in the statement of profit or loss and other comprehensive income.

c) On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an unsecured long term loan facility agreement with a local bank having common directorship with the Company (Note 19),the facility limit of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities, whereby the loan will be repaid over a period of four years. Accordingly, as per the repayment terms, the loan was repayable in seven semi-annual equal instalments; the first instalment was due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment would have been due on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at SIBOR plus 5%. On 21 March 2019 (corresponding to 14 Rajab 1441), the Group entered into a revised/ restructured agreement relating to the facility for the outstanding amount of the loan as at the restructuring date. Accordingly, as per the revised terms, the loan is repayable in nine installments: the first installment falling due on 18 August 2019 (Corresponding to 17 Dhual Hijjah 1440) and last installment due on 19 September 2023 (Corresponding to 4 Rabiul awal 1445). During the year ended 31 December 2020, the Group has received short-term deferral on the instalment due in March 2020 and September 2020 until the following instalment due date in March 2021 and remaining amount to be settled till September 2023 based on semi-annual installment schedule. Due to restructuring in current payments, the Group has recognized modification losses amounting to SR 4.9 million during the year ended 31 December 2020. During 2021, the Group received short-term deferral on the instalment due in March 2021 until July 2021. As of 31 December 2021, the Group has utilized SR 636 million. Subsequent to year end loan is repaid in full. There are no financial debt covenants related to the facility.

d) On 17 July 2017 (corresponding to 22 Shawal 1438H), the Group signed an unsecured facility with a local bank, with an amount of SR 500 million for the purpose of settlement of certain Group's outstanding liabilities. The loan carries borrowing costs at commercial rates and was repayable after six months (with an option to extend for a further period of six month). Original maturity date of the loan was 31 August 2018 (corresponding to 20 Dul-Hajjah 1439H). On 16 October 2017 (corresponding to 26 Muharram 1439H), the Group has re-negotiated and signed an agreement to convert the existing unsecured facility with secured facility for an additional amount of SR 500 million which increased the facility to SR 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with SR 1 billion subscribed units of JODC in the Group's subsidiary interest, Alinma Makkah Real Estate Fund and was due for payment on 31 March 2018. The loan carries borrowing costs at commercial rates. During the year ended 31 December 2020, the Group has finalized the terms and condition of restructuring the facilities and accordingly maturity has been extended to November 2021 with borrowing cost of SIBOR plus 3%. The Group has recognized modification losses amounting to SR 36.2 million, as a result of facilities rescheduled during the year ended 31 December 2020. There are no financial debt covenants related to the facilities.

15. LOANS AND BORROWINGS (continued)

Term loans (continued)

e) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured nonfunded facilities with a local bank, with a limit of SR 300 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility was renewed with an amount of SR 209.8 million with an expiry date of 30 January 2020. During the year ended 31 December 2020, the facility had been extended. At 31 December 2021, the Group has utilized SR 70 million to settle some of the outstanding liabilities SIBOR plus 2.5%. As of 31 December 2021, and 2020, under the terms of the borrowing facility, the group is complied with the financial covenant of debt-to-equity ratio of not exceeding 2.5:1.

f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facilities with a local bank, with an amount of SR 200 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and facility was rolled over till 17 September 2022 (corresponding to 21 Safar 1444). The facility carries borrowing costs at SIBOR plus spread. At 31 December 2021, the Group has utilized SR 76 million to settle some of the outstanding liabilities. There are no financial debt covenants related to the facility.

g) On 30 January 2019 (corresponding to 24 Jamada I 1440H), the Group has signed a facility with a local bank, with an amount of SR 600 million for the purpose of financing existing phase 3 project overhead requirements and other financial commitments. The loan was repayable on 27 February 2020. The Group has provided a hotel as mortgage against the loan amount. The facility carries borrowing costs at commercial rates at SIBOR plus 2%. During the year ended 31 December 2020, the Group finalized the terms and condition of restructuring the facility and accordingly its maturity has been extended to December 2025. During 2020, the Group has recognized modification losses amounting to SR 18.5 million due to rescheduling during the year 2020. The deferred repayments will be linked with the assigned operating cashflows of the hotel. There are no financial debt covenants related to the facility.

h) On 12 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SR 506 million, with a maturity date of 15 November 2023. The sukuks were issued under wholly owned subsidiary 'Jabal Omar Sukuk Company Limited' in United States Dollars. The outstanding principal is repayable in a single instalment due on the maturity date. The Sukuk carries a fixed commission rate of 9.85% per annum. There are no financial debt covenants related to the Sukuk.

Subsequent to year end, the Company announces the partial early redemption of Sukuk amounting to USD 67,500,000 in aggregate face amount of its Certificates (out of total face amount of USD 135,000,000) that were issued on November 15, 2018 and its original maturity date is 15 November 2023.

i) During the year ended 31 December 2021, the Group entered into a secured financing arrangement amounting to SR 1.6 billion with a lender for the completion of the Phase 3 of the Group's Project. SR 547 million were drawn which were used to settle some of Phase 3 related liabilities. Remaining drawdowns from this facility will be made within twelve months from the date of the consolidated statement of financial position. Cost of borrowing is SIBOR plus 0.9% per annum. There are no financial debt covenants related to the facility.

16. LIABILITIES AGAINST LEASE

The liabilities against lease are as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Total leases payments under leases	**15,090**	27,061
Finance costs	**(534)**	(2,023)
	14,556	25,038
Less: Current portion	**(3,247)**	(10,857)
Non-current portion	**11,309**	14,181

16. LIABILITIES AGAINST LEASE (continued)

During the year 2021, the Group recorded addition of SR nil (2020: SR 16 million) as remeasurement due to change in lease term based on exercise of extension option.

	Future lease rentals SR'000	*Unamortized finance charges SR'000*	*Lease Liability SR'000*
31 December 2021			
Less than one year	**3,407**	**(160)**	**3,247**
Between one to five years	**11,683**	**(374)**	**11,309**
	15,090	**(534)**	**14,556**
31 December 2020			
Less than one year	11,588	(731)	10,857
Between one to five years	15,473	(1,292)	14,181
	27,061	(2,023)	25,038

17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates a defined benefit plan in line with the Labour 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 Labour 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 consolidated statement of profit or loss and other comprehensive income and amounts recognized in the consolidated statement of financial position.

	31 December 2021 SR'000	*31 December 2020 SR'000*
Defined benefit liability at the beginning of the year	**33,400**	29,523
Included in profit or loss		
Current service cost	**7,992**	10,968
Interest cost	**459**	785
Curtailment gain	**(757)**	(1,869)
	7,694	9,884
Included in other comprehensive income		
Re-measurement (gain) / loss:		
Actuarial (gain) / loss arising from:		
financial assumptions	**(1,236)**	2,875
experience adjustment	**(1,254)**	(1,053)
	(2,490)	1,822
Other		
Benefits paid	**(11,034)**	(7,829)
Liability transferred	**(261)**	-
	(11,295)	(7,829)
Defined benefit liability at the end of the year	**27,309**	33,400

17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (continued)

Actuarial assumptions
The following were the principal actuarial assumptions applied at the reporting date:

	31 December 2021	*31 December 2020*
Discount rate (%)	**2.4%**	1.65%
Future salary growth (%)	**2.25%**	2.30%

At 31 December 2021, the weighted-average duration of the defined benefit obligation was 6 years (31 December 2020: 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.

Sensitivity analysis
Reasonably possible changes 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.

	31 December 2021		*31 December 2020*	
	Increase	**Decrease**	Increase	Decrease
	SR'000	***SR'000***	*SR'000*	*SR'000*
Discount rate (1% movement)	**(1,600)**	**1,833**	(1,848)	2,082
Future salary growth (1% movement)	**1,958**	**(1,742)**	2,219	(2,009)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are 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.

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

	31 December 2021 SR'000	*31 December 2020 SR'000*
Within the next 12 months (next annual reporting period)	**4,458**	4,631
Between 1 and 5 years	**11,370**	14,384
Between 5 and 10 years	**7,070**	9,990

18. OTHER NON-CURRENT LIABILITIES

	Note	***31 December 2021 SR'000***	*31 December 2020 SR'000*
Payable to CDCC (see note (b) below)	22	**741,205**	762,595
Retention payable – non–current		**370,363**	358,926
Refundable deposits (see note (a) below)		**6,457**	6,096
Others		**13,455**	19,174
		1,131,480	1,146,791

a) Refundable deposits are received against commercial centers which are to be settled at the end of contract

18. OTHER NON-CURRENT LIABILITIES (continued)

b) Under the arrangement CDCC's purpose is to construct the cooling facilities and provide the cooling service to the Group or other consumers within the project development area. The concession agreement sets out a pricing formula for the sale of services to the Group and consumers which is at a fixed rate subject to contracted cooling capacity and quantity of cooling services.

19. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	31 December 2021 SR'000	*31 December 2020 SR'000*
Contractors accrued balances	**334,152**	567,276
Retention payable - current	**19,117**	8,000
Accrued expenses and other provisions	**578,272**	55,985
Advances from customers	**188,941**	247,765
Accounts payable	**141,071**	159,255
Due to related parties and other affiliates (note 22)	**278,313**	445,346
	1,539,866	1,483,627

a) Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current and non-current based on expected date of settlement.

b) Advance from customer represents amount received against sale of residential units, land parcels and advance rent for commercial centers.

20. PAYABLE TO OTHER UNITHOLDERS OF INVESTMENT FUND

As noted, under the critical estimates and judgements (note 2.4), the Alinma Makkah Real Estate Fund ("the Fund") was consolidated. As a result of consolidating the Fund, a liability is payable to the remaining unitholders of the Fund. The liability consists of accrued interest payable on a semi-annual basis of 9.6 % and the redemption amount payable on liquidation of the Fund. The Group has pledged Phase 1 to the lender as mortgage against this transaction Please refer Note 6 for further details. As the unitholders receive a fixed return and redemption amount is fixed, the liability was accounted for at amortized cost.

21. ZAKAT PAYABLE

Zakat is computed at 2.5% of income subject to zakat or Zakat base, whichever is higher. As such, Zakat for the year ended 31 December 2021 is based on Zakat base, significant components of which are as follows:

		31 December 2021 SR'000	*31 December 2020 SR'000*
Equity		**7,903,214**	8,312,688
Opening provisions and other adjustments		**8,226,168**	17,162,592
Book value of long-term assets		**(26,112,588)**	(25,368,250)
		(9,983,206)	107,030
Adjusted income/ (loss)	A	**1,125,567**	(1,067,317)
Zakat base	B	**(1,680,227)**	(1,174,347)
Zakat base higher of A and B		**1,125,567**	(1,067,317)

Certain items have been adjusted in accordance with the Saudi zakat and income tax law to arrive at the Zakat base.

21. ZAKAT PAYABLE (continued)

The movement in the zakat provision for the year is as follows:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Opening Balance	**68,741**	-
Charge for the year		
Current zakat charge – current year	**29,017**	-
Current zakat charge – prior period	**182,189**	68,741
	211,206	68,741
Transfer from accruals	**21,821**	-
Closing balance	**301,768**	68,741

Status of assessments

During 1433H, the Zakat, Tax and Customs Authority ("ZATCA"), issued an assessment for the intervening period from 23 Ramadan 1427H to 30 Dhul Hijjah 1430H resulting in additional zakat liability of SR 30.4 million. JODC has filed an appeal against ZATCA 's assessment and submitted a bank guarantee of SR 29.1 million. During 2016, the Higher Appeal Committee (HAC) rendered its decision reducing the zakat liability to SR 21.8 million. JODC has filed another appeal to the Board of Grievance (BOG) against HAC's unfavorable decision. This appeal is under assessment and awaiting a decision from the General Secretariate Tax Committee (GSTC). Management expects a favorable outcome. During 2021, JODC has recorded additional zakat payable of SR 17 million for the related assessment.

During 1435H, ZATCA issued an assessment for zakat and withholding tax with a claim for additional zakat and WHT amounting to SR 26.8 million for the years ended 30 Dhul Hijjah 1431H through 1433H. JODC has filed an appeal against ZATCA's assessment along with the submission of a bank guarantee of SR 14.6 million. Management expects a favorable outcome.

The Group has filed its zakat return for the years ended 30 Dhul Hijjah 1434H to 1437H along with the periods ended 15 Rajab 1438H and 31 December 2018 and obtained a restricted zakat certificate for the said years. ZATCA has not completed the review of the zakat returns and has not issued any assessment for the said years. Furthermore, during 2017, the Group has submitted a revised zakat return for the years 1434H through 1436H which has been acknowledged by ZATCA and awaiting assessment. The Group has received zakat assessment from ZATCA till 2018 of approximately SR 421 million and recorded zakat payable based on the received assessment of SR 133.1 million and filed appeal against the open assessments.

During the year 2021 ZATCA has issued assessments for the years 2019 and 2020 resulting in an additional zakat liability of SR 209 million and recorded zakat payable of SR 102 million. The Group has submitted an objection against the aforesaid assessments. The objection is currently being reviewed by ZATCA.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group.

Related party	**Relationship**
Central District Cooling Company	Joint venture
Bank Al-Bilad	Affiliate
Al-Bilad Makkah Hospitality Fund	Investee
Makkah Construction and Development Company	Shareholder

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to related party transactions disclosed in notes to these consolidated financial statements, significant transactions with related parties in the ordinary course of business included in the consolidated financial statements for the year ended 31 December and balances arising there from are summarized below:

Related party	Nature of transaction	***31 December 2021 SR'000***	*31 December 2020 SR'000*
Bank Al Bilad – affiliate	Finance cost on loan from a local bank	**28,291**	33,979
Senior management employees	- Short term employee benefits	**6,714**	3,752
	- Post-employment benefits	**150**	152
	- BOD meeting attendance fee	**557**	585
Central District Cooling Company – Joint Venture	Cooling charges and lease payment (Note 5(a))	**74,530**	43,190
	Construction work in progress acquired from CDCC	**-**	229
	Concession fee 7%	**7,993**	7,175
	Others	**353**	5,280

Key management personnel comprise chief executive officer and heads of departments. Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined Benefit plan.

Balances arising from transactions with related parties are as follows:

Related party	*Relationship*	*Included under*	***31 December 2021 SR'000***	*31 December 2020 SR'000*
Central District Cooling Company	Joint venture	Other non-current Liabilities	**741,205**	762,595
Bank Al-Bilad	Affiliate	Loans and borrowings	**642,277**	619,468
Central District Cooling Company	Joint venture	Accounts payable and other current liabilities	**208,817**	120,256
Al-Bilad Makkah Hospitality Fund	Investee	Accounts payable and other current liabilities	**69,496**	112,519
Central District Cooling Company	Joint venture	Accounts and other Receivables	**(11,467)**	(5,280)
Makkah Construction and Development Company	Shareholder	Other current liabilities	**309,565**	309,565

The amount due to Makkah Construction and Development Company (MCDC), represents cash paid by them for shares in cash against land of which the Owners were not able to submit the statutory and legal documentation. Refer Note 5 for more details. The amount paid to MCDC during the year ended 30 Dhul-Hijjah 1436H (14 October 2015) of Saudi Riyals 50 million was offset against the liability recorded during year 1437H.

23. REVENUE

	Note	***31 December 2021 SR'000***	*31 December 2020 SR'000*
Revenue from contract with customers	A	**276,025**	150,380
Revenue from rental income	B	**34,334**	26,302
		310,359	176,682

23. REVENUE (continued)

A. Disaggregation of revenue from contract with customers

Set out below is the revenue disaggregated by type of revenue and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments. Further, the Group's revenue is earned in Kingdom of Saudi Arabia.

	For the year ended 31 December							
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	Operating Hotels		*Commercial centers*		*Properties for development and sale*		*Total*	
	SR'000	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*
Type of revenue:								
Sale of Properties for development and sale	-	-	-	-	**96,909**	31,043	**96,909**	31,043
Hotel operations								
- Room rent	**142,111**	91,002	-	-	-	-	**142,111**	91,002
- other services	**37,005**	28,335	-	-	-	-	**37,005**	28,335
	179,116	119,337	-	-	**96,909**	31,043	**276,025**	150,380
Timing of revenue recognition:								
Point-in-time	**37,005**	28,335	-	-	-	-	**37,005**	28,335
Over time	**142,111**	91,002	-	-	**96,909**	31,043	**239,020**	122,045
Total Revenue from contract with customers	**179,116**	119,337	-	-	**96,909**	31,043	**276,025**	150,380

B. Rental income

	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	SR'000	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*
Hotel	-	-	-	-	-	-	-	-
Parking	-	2,440	-	-	-	-	-	2,440
Commercial center	-	-	**34,334**	23,862	-	-	**34,334**	23,862
Total revenue from rental income	-	2,440	**34,334**	23,862	-	-	**34,334**	26,302

24. COST OF REVENUE

	31 December 2021 SR'000	*31 December 2020 SR'000*
Cost of property for development and sale	**87,616**	71,705
Commercial center operating costs	**29,548**	38,907
Hotel cost		
- operating cost	**375,113**	401,388
- lease related cost	**39,572**	40,000
Other costs	**3,145**	49,367
	534,994	601,367

25. GENERAL AND ADMINSTRATIVE EXPENSES

	31 December 2021 SR'000	*31 December 2020 SR'000*
Employee related costs and travelling expenses	**136,753**	104,791
Depreciation and amortization	**51,181**	91,498
Withholding taxes	**3,378**	10,075
Professional and consultancy fees	**16,554**	7,673
Attendance fee for board meetings	**594**	735
Hotels pre-opening expenses	**1,668**	518
Other	**27,492**	27,823
	237,620	243,113

26. OTHER OPERATING INCOME

	31 December 2021 SR'000	*31 December 2020 SR'000*
Murabaha investment income	**1,821**	4,522
Fair value gain on FVTPL investments (refer note 8)	**844**	2,308
Concession fee	**1,097**	2,078
Others	**3,500**	9,594
	7,262	18,502

27. FINANCE COSTS

	31 December 2021 SR'000	*31 December 2020 SR'000*
Interest and finance charges paid/ payable for financial liabilities not at fair value through profit or loss	**426,159**	174,692
Conventional borrowing cost	**368,997**	489,204
	795,156	663,896
Amount capitalized (note 5 and 6)	**(59,127)**	(174,961)
	736,029	488,935

a) Conventional borrowing cost included modification loss amounting to SR 49 million (2020: SR 69 million) recognized during the year 2021.

28. EARNINGS/ (LOSS) PER SHARE

Basic earnings/ (loss) per share for the year ended 31 December 2021 and for the year ended 31 December 2020, 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.

	31 December 2021 SR'000	*31 December 2020 SR'000*
Profit/ (loss) for the year attributable to shareholders of the Company	**946,206**	(1,339,005)
Weighted average number of shares outstanding (number in thousand)	**929,400**	929,400
Earnings/ (loss) per share (Saudi Riyals) – Basic and diluted	**1.02**	(1.44)

29. SEGMENT REPORTING

Basis for segmentation

The Group has the following five strategic divisions which are its reportable operating segments. These divisions offer different products and/or services and are managed separately. The following summary describes the operations of each reportable segment.

Reportable segments	**Operations**
Operating Hotels	Includes leasing rooms and selling food and beverages ("the Hotels").
Commercial centers	Includes operating and leasing commercial shopping malls ("the Commercial Centers").
Properties for development and sale	Includes construction and development of property and sale of completed dwellings
Property under construction	Includes construction and development activities of Hotels under all phases.
Corporate (Head office)	Activities of corporate office including selling and marketing.

29. SEGMENT REPORTING (continued)

	For the year ended 31 December 2021				
	Operating Hotels SR'000	***Commercial Centres SR'000***	***Properties for development and sale SR'000***	***Corporate SR'000***	***Total SR'000***
Current assets	**224,451**	**38,961**	**67,674**	**1,406,432**	**1,737,518**
Property and equipment	**19,309,403**	**44,930**	**-**	**15,183**	**19,369,516**
Investment properties	**1,611,306**	**3,412,722**	**-**	**-**	**5,024,028**
Other non-current assets	**455**	**-**	**-**	**691,061**	**691,516**
Total Assets	**21,145,615**	**3,496,613**	**67,674**	**2,112,676**	**26,822,578**
Total liabilities	**135,127**	**6,470**	**149,005**	**17,903,750**	**18,194,352**
Revenues from operations	**184,835**	**34,334**	**91,190**	**-**	**310,359**
Depreciation and Amortization	**206,298**	**15,336**	**-**	**51,202**	**272,836**
Zakat expense	**-**	**-**	**-**	**211,206**	**211,206**
Share of profit from joint venture	**-**	**-**	**-**	**7,172**	**7,172**
Finance cost	**351,355**	**215,353**	**-**	**169,321**	**736,029**
Total comprehensive Profit/(Loss)	**(579,325)**	**(210,205)**	**9,293**	**1,728,717**	**948,480**

	For the year ended 31 December 2020				
	Operating Hotels SR'000	*Commercial Centres SR'000*	*Properties for development and sale SR'000*	*Corporate SR'000*	*Total SR'000*
Current assets	124,145	83,189	1,503,744	424,917	2,135,995
Property and equipment	17,786,458	-	-	88,652	17,875,110
Investment properties	558,934	4,482,897	-	-	5,041,831
Other non-current assets	-	-	-	683,946	683,946
Total Assets	18,469,537	4,566,086	1,503,744	1,197,515	25,736,882
Total liabilities	941,157	272,736	208,837	17,325,410	18,748,140
Revenues from operations	119,337	26,302	31,043	-	176,682
Depreciation and amortization	279,955	16,813	19,286	-	316,054
Zakat expense	-	-	-	68,741	68,741
Share of profit from joint venture	-	-	-	9,157	9,157
Finance cost	-	-	-	(488,935)	(488,935)
Total comprehensive loss	(494,213)	(92,646)	(40,663)	(713,516)	(1,341,038)

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group is exposed to market risk, credit risk and liquidity risk. The Group management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. 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 Group 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 risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, 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 Group are not significant. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

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

	31 December 2021 SR'000	*31 December 2020 SR'000*
Financial liabilities, principally borrowings	**9,068,322**	9,887,745

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 Group's profit before tax, through the impact of floating rate borrowings with all other variables held constant:

	31 December 2021 SR'000	*31 December 2020 SR'000*
Interest rate-increases by 100 basis points	**90,683**	98,877
Interest rate-decreases by 100 basis points	**(90,683)**	(98,877)

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 Group's transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Group's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

Price risk
Price risk is the risk that the fair value or future cash 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 it's issuer, or factors affecting all similar financial instruments traded in the market.

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

Price risk (continued)

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

The table below summarizes the impact of increases/decreases of the NAV of units on the Group's equity. The analysis is based on the assumption that the NAV of units had increased or decreased by 5% with all other variables held constant, and that all the Group's units moved in line with the market price.

	Impact on profit or loss	
	31 December 2021 SR'000	*31 December 2020 SR'000*
NAV of the units – increases by 5%	**15,206**	18,627
NAV of the units – decreases by 5%	**(15,206)**	(18,627)

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 Group manages credit risk by assessing the credit worthiness of counter parties before entering into 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 Group 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 Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 31 December 2020 is equal to the respective carrying amounts as disclosed in notes 9 and 12.

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 Group 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.

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

Credit risk (continued)

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 Group 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 Group criteria prior to entering into 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 asset.

Receivables resulting from the sale of inventory property, property under development and contract assets
Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

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

31 December 2021	***Current***	***More than 30 days past due***	***More than 90 days past due***	***More than 270 days past due***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Expected loss rate	**0%**	**26%**	**59%**	**48%**	**25%**
Gross carrying amount	**102,463**	**25,446**	**11,908**	**98,655**	**238,472**
Loss allowance	**-**	**6,572**	**7,006**	**46,931**	**60,689**

31 December 2020	*Current*	*More than 30 days past due*	*More than 90 days past due*	*More than 270 days past due*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Expected loss rate	0%	29%	89%	59%	59%
Gross carrying amount	275	5,202	6,802	165,307	177,586
Loss allowance	-	1,493	6,026	96,778	104,297

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

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 Group. The Group's management has developed a plan to enable the Group 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:

	Gross undiscounted value SR'000	*up to 1 year SR'000*	*More than 1 year and less than 2 years SR'000*	*More than 2 year and less than 5 years SR'000*	*More than 5 years SR'000*	***Total SR'000***
31 December 2021						
Loans and borrowings	10,860,347	1,398,958	1,801,557	1,935,187	5,724,645	**10,860,347**
Payable to unit holder	8,644,479	812,398	812,398	1,218,596	5,801,087	**8,644,479**
Accounts and other Payables	1,539,867	1,539,867	-	-	-	**1,539,867**
Liabilities against leases	15,090	3,407	11,683	-	-	**15,090**
Other non-current liabilities	1,589,740	62,239	437,595	186,717	903,189	**1,589,740**
	22,649,523	**3,816,869**	**3,063,233**	**3,340,500**	**12,428,921**	**22,649,523**

	Gross undiscounted value SR'000	*up to 1 year SR'000*	*More than 1 year and less than 2 years SR'000*	*More than 2 year and less than 5 years SR'000*	*More than 5 years SR'000*	*Total SR'000*
31 December 2020						
Loans and borrowings	12,478,071	2,793,759	5,766,211	3,103,231	814,870	12,478,071
Payable to unit holder	8,123,055	548,368	812,398	1,218,596	5,543,693	8,123,055
Accounts and other Payables	1,235,863	1,235,863	-	-	-	1,235,863
Liabilities against Leases	27,060	11,588	6,494	8,978	-	27,060
Other non-current Liabilities	1,680,871	62,239	508,642	211,988	898,002	1,680,871
	23,544,920	4,651,817	7,093,745	4,542,793	7,256,565	23,544,920

Liabilities to unitholders
Payments are made to the Fund by the Company on a half yearly basis of Saudi Riyals 270 million but payments may be deferred for a period of 2 years. As such, contractually the Company must make cash payments to the Fund.

Dividends payable to unitholders as per the terms and conditions of the Fund is two semi-annual payments in a year of the total amount not less than 90% of annually net distributable profits (dividend is not discretionary). The fund has been consolidated by the Group on the basis set out in Note 20 and as such dividends payable have been shown in the periods based on the terms and conditions of the fund thereof.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. Refer to Note 15 for unused credit facilities and Note 9 for closing cash position of the Group.

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.

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

Liquidity Risk (continued)

	31 December 2021 SR'000	*31 December 2020 SR'000*
Financial assets		
Other current assets	**86,868**	21,028
Trade and other receivables	**455,845**	199,287
Investment held at fair value through profit or loss	**24,475**	67,836
Restricted cash	**716,520**	348,319

	31 December 2021 SR'000	*31 December 2020 SR'000*
Financial liabilities		
Loans and borrowings – current portion	**1,766,085**	2,592,201
Payable to other unitholders of investment fund	**406,199**	406,199
Liabilities against lease – current portion	**3,247**	10,857
Accounts payable and other liabilities	**1,350,925**	1,235,862

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.

	31 December 2021 SR'000	*31 December 2020 SR'000*
Financial assets		
Investment held at fair value through profit or loss	**304,122**	304,710
Restricted cash	**242,590**	242,590
Other non-current assets	**18,396**	19,944
Financial liabilities		
Loans and borrowings	**8,042,845**	8,347,880
Payable to other unitholders of investment fund	**4,964,244**	4,644,263
Liabilities against lease – non- current portion	**11,309**	14,181
Other non-current liabilities	**1,131,480**	1,146,791

Capital management

The primary objective of the Group's capital management is to safeguard the Group'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 8,627 million at 31 December 2021 (31 December 2020: SR 6,988 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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. Some of these initiatives have been set out in the note on going concern (Note 1).

The Group has a financial covenant related to a borrowing facility with an outstanding principal amount of SR 70 million. The Group has complied with the requirements of the financial covenant during the 2021 and 2020 reporting years. Under the terms of the borrowing facility, the group is required to comply with the financial covenant of debt-to-equity ratio of not exceeding 2.5:1.

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

Capital management (continued)

The Group'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.

	31 December 2021 SR'000	*31 December 2020 SR'000*
Borrowings	**9,808,930**	10,940,081
Lease liabilities	**14,556**	25,038
Payable to unit holders	**5,370,443**	5,050,462
Less: cash and cash equivalents	**(328,427)**	(51,225)
Less: restricted cash	**(959,110)**	(590,909)
Net debt (A)	**13,906,392**	15,373,447
Shareholders' equity (B)	**8,628,226**	6,988,742
Total capital (A+B)	**22,534,618**	22,362,189
Gearing ratio (A / (A+B))	**0.62**	0.69

(a) Net debt

	31 December 2021 SR'000	*31 December 2020 SR'000*
Borrowings	**9,808,930**	10,940,081
Lease liabilities	**14,556**	25,038
Payable to unit holders	**5,370,443**	5,050,462
Less: cash and cash equivalents	**(328,427)**	(51,225)
Less: restricted cash	**(959,110)**	(590,909)
Net debt (A)	**13,906,392**	15,373,447
Gross debt – fixed interest rates	**5,384,999**	5,566,898
Gross debt – variable interest rates	**9,808,930**	10,448,683
Cash and liquid investments	**(1,287,537)**	(642,134)
Net debt (A)	**13,906,392**	15,373,447

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

Capital management (continued)

(b) Net debt reconciliation

	Cash and cash equivalent	*Restricted Cash*	*Borrowings*	*Payable to unitholders*	*Lease liabilities*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
January 1, 2020	239,142	688,834	(10,210,833)	(5,099,861)	(7,082)	(14,389,800)
Finance cost / others	-	-	(489,204)	(154,202)	(960)	(644,366)
Remeasurement	-	-	-	-	(16,996)	(16,996)
Cash flows, net	(187,917)	(97,925)	(240,044)	203,601	-	(322,285)
31 December 2020	51,225	590,909	(10,940,081)	(5,050,462)	(25,038)	(15,373,447)
Finance cost / others	-	-	(397,185)	(319,980)	-	(717,165)
Remeasurement	-	-	1,500,000	-	10,482	1,510,482
Cash flows, net	277,202	368,201	28,336	-	-	673,739
31 December 2021	**328,427**	**959,110**	**(9,808,930)**	**(5,370,442)**	**(14,556)**	**(13,906,391)**

30.1 Fair value measurement of financial instruments

Recognized fair value measurements
The Group measures financial instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 31 December 2021 and 31 December 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

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

30.1 Fair value measurement of financial instruments (continued)

Fair value hierarchy

	For the year ended 31 December 2021					
	FVTPL SR'000	***Amortized cost SR'000***	***Total SR'000***	***Level 1 SR'000***	***Level 2 SR'000***	***Level 3 SR'000***
Financial assets						
Cash and cash equivalents	**-**	**328,427**	**328,427**	**-**	**-**	**328,427**
Restricted cash	**-**	**959,110**	**959,110**	**-**	**-**	**959,110**
Trade and other receivables	**-**	**537,628**	**537,628**	**-**	**-**	**537,628**
Other current assets	**-**	**95,230**	**95,230**	**-**	**-**	**95,230**
Investments held at fair value through profit or loss	**328,597**	**-**	**328,597**	**24,475**	**304,122**	**-**
	328,597	**1,920,395**	**2,248,992**	**24,475**	**304,122**	**1,920,395**

	For the year ended 31 December 2020					
	FVTPL SR'000	*Amortized Cost SR'000*	*Total SR'000*	*Level 1 SR'000*	*Level 2 SR'000*	*Level 3 SR'000*
Financial assets						
Cash and cash equivalents	-	51,225	51,225	-	-	51,225
Restricted cash	-	590,909	590,909	-	-	590,909
Trade and other receivables	-	107,593	107,593	-	-	107,593
Other current assets	-	32,223	32,223	-	-	32,223
Investments held at fair value through profit or loss	372,546	-	372,546	67,836	304,710	-
	372,546	781,950	1,154,496	67,836	304,710	781,950

There are no transfers in the fair value levels during the year ended 31 December 2021.

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.

Type	**Valuation technique**
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

Loans and borrowings, liabilities against leases, payable to other unitholders in investment fund and other liabilities are the Group's financial liabilities. All financial liabilities as of 31 December 2021 and 31 December 2020 are measured at amortised cost except payable to other unitholders in investment fund. The carrying values of the financial liabilities under amortised cost approximate their fair values.

The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

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

Fair value measurements using significant unobservable inputs (level 3)

	31 December 2021 SR'000	*31 December 2020 SR'000*
Opening balance	**304,710**	331,000
Loss recognised in profit or loss	**(588)**	(26,290)
Closing balance	**304,122**	304,710

Valuation process

In line with the Group's reporting dates, the Group's finance department determines fair value of the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Also refer Note 9 for details on main level 3 inputs used by the Group.

31. COMMITMENTS AND CONTINGENCIES

a) As at 31 December 2021, the outstanding capital commitments in respect of development of the Project amounted to SR 4,297 million (31 December 2020: SR 2,778 million).
b) Operating lease commitments are not significant.
c) Refer note 22 for Zakat and tax related contingencies.
d) As at 31 December 2021, the Group has bank letter of credits amounting to SR 56.2 million (31 December 2020: SR 21.5 million) issued from local bank in the Kingdom of Saudi Arabia
e) As at 31 December 2021, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 50 million (31 December 2020: SR 50 million).

32. SUBSEQUENT EVENTS

The events subsequent to year end are as follows:

- the Company announces the partial early redemption of Sukuk amounting to USD 67,500,000 in aggregate face amount of its Certificates (out of total face amount of USD 135,000,000) that were issued on November 15, 2018 and its original maturity date is 15 November 2023.

- on 9 January 2022, the Company received a notification from the Fund informing the Company that the Fund's unitholders have approved the Transaction in the unitholder General Assembly. As a result, liability payable to unitholders would be settled by issuing Company's own shares; hence this liability would not result in any cash outflow. Further, subsequent to year end on 2 April 2022, the Group has executed an agreement with the Fund Manager to settle this liability in exchange of Company's new 225,134,162 shares. In accordance with terms of agreement, the transaction is binding and non-revocable.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized to issue by the Board of Directors on 31 March 2022G corresponding to (28 Sha'ban 1443H).