Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

KPMG

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License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company

Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of SR 393 million during the year ended December 31, 2019 and, as of that date, the Group's current liabilities exceeded its current assets by SR 3.2 billion. As stated in Note 1, these events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

Revenue recognition from property for development and sale

See Note 4 to the consolidated financial statements for the accounting policy relating to revenue recognition from property for development and sale ('properties for development').

The key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2019, the Group recognized revenue from the sale of properties for development amounting to SR 73 million (December 31, 2018: SR 1,209 million). This represents sale of developed properties as well as properties under development via off-plan sale arrangements. In accordance with the requirements of the relevant accounting standards, the Group is required to assess the sale transactions under the five step model for revenue recognition as stipulated in IFRS 15. This requires the exercise of judgment by the management in, among other matters, the identification of separate performance obligations, measurement and allocation of transaction price to such obligations and the determination of whether the control is transferred at a point in time or over time. In lieu of the exercise of considerable management judgement in making the foregoing determinations, we have determined revenue from properties for development to be a key audit matter.	Procedures performed in response to the assessed risk of material misstatement in the timing and amount of revenue from property for development and sale are as follows: - Obtained an understanding of the Group's process for the recognition of revenue from property for development and sale in light of the requirements of IFRS 15 ('revenue recognition process') - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group, including anti fraud controls, as part of the revenue recognition process. - For a selected sample of sales executed during the year, inspected the related agreements and assessed whether: ○ Performance obligations were appropriately identified; ○ Transaction price was accurately computed; ○ Variable consideration was identified, appropriately estimated and accounted for. ○ Modality and timing of transfer of control was accurately assessed as either point in time or over time. In respect of over time revenue recognition, the percentage of completion was appropriately assessed and applied - Recalculated the revenue to be recognised for the year ended December 31, 2019 and agreed it to the amounts recognised by the Group. - Assessed the appropriateness of the related disclosure in the consolidated financial statements

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

Impairment review of properties and related capital work-in-progress

See Note 4 to the consolidated financial statements for the accounting policy relating to impairment of non-financial assets.

The key audit matter	How the matter was addressed in our audit
The Group holds certain properties, included under Property and Equipment and Investment Property as at December 31, 2019. The aggregate carrying values of these properties and related capital work in progress (collectively 'properties') amounted to SR 23,823 million as of that date (December 31, 2018: SR 23,040 million). In accordance with the requirements of IFRS, the Group is required to assess whether there are indicators of impairment on its properties at each reporting date. In case such indicators are identified, the Group is required to determine the recoverable amounts of such properties. As part of the assessment of impairment indicators, the Group reviews both the internal and external sources of information, including but not limited to net cash outflows, operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques. In lieu of the net operating losses incurred by the Group during the year ended December 31, 2019 and net current liability position as at the reporting date, the Group has conducted an assessment of the recoverable amounts of its property and equipment and investment properties. Since, the evaluation of impairment indicators and determination of recoverable amounts, involve the exercise of significant judgment, hence, this has been determined to be a key audit matter.	Procedures performed in response to the assessed risk of material misstatement in valuation of properties and related work-in-progress are as follows: - Obtained an understanding of Group's process in respect of: ▪ assessment of impairment indicators, and ▪ recoverable amount determination. (collectively referred to as 'impairment review process'). - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the impairment review process. - Assessed: ▪ the appropriateness and completeness of factors considered by the Group in the impairment indicator assessment. ▪ the appropriateness and reasonableness of the basis used for the identification of cash generating units ('CGU'), which is the level at which recoverable amounts are determined. - Engaged internal valuation specialists and: ○ Assessed the recoverable amount assessment prepared by the Group, based on independent certified valuer's report, and assessed the model, assumptions and estimates used in the calculation ○ Assessed that the key assumptions and estimates used, including but not limited to discount rate and cashflows forecasts are reasonable in the circumstances of each cash generating unit. - Checked the sensitivity of key assumptions used by management in determination of recoverable amount. - Compared the recoverable amount of each CGU with its carrying value.

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our 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 of Jabal Omar Development Company ("the Company") (and its subsidiaries) ("the Group").

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

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

Auditors' 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 KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamed Al Fozan
License No. 348

Shaban 14, 1441H
Corresponding to April 7, 2020

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Certified Public Accountants
KPMG Al Fozan & Partners

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Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
Expressed in Saudi Riyal "000"

ASSETS	Notes	As at 31 December 2019	As at 31 December 2018
NON-CURRENT ASSETS			
Investment properties	6	6,192,633	7,653,796
Property and equipment	7	17,630,023	15,386,289
Restricted cash	8	242,590	342,590
Investment held at fair value through profit or loss	9	1,497,986	1,220,000
Investment in an associate	10	87,082	-
Intangible assets	11	3,302	966
Advances to certain founders	12	302,458	306,702
Other non - current assets	13	23,291	135,264
TOTAL NON - CURRENT ASSETS		25,979,365	25,045,607
CURRENT ASSETS			
Property for development and sale	14	1,928,376	1,508,443
Other current assets	13	216,730	284,946
Trade and other receivables	15	342,322	400,212
Restricted cash - current portion	8	446,244	573,060
Cash and cash equivalents	8	237,860	642,314
		3,171,532	3,408,975
Investment in an associate classified as held for sale	10(a)	-	82,858
TOTAL CURRENT ASSETS		3,171,532	3,491,833
TOTAL ASSETS		29,150,897	28,537,440
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16.1	9,294,000	9,294,000
Statutory reserve	16.2	108,506	108,506
(Accumulated losses) / retained earnings		(181,653)	376,024
Equity attributable to Company's shareholders		9,220,853	9,778,530
Non-controlling interests	29	2,316	4,700
TOTAL EQUITY		9,223,169	9,783,230
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	17	4,948,012	5,659,030
Liabilities against finance lease	18	6,599,357	6,611,603
Provision for employees' terminal benefits	19	29,523	23,860
Other non-current liabilities	20	1,947,087	2,094,260
TOTAL NON-CURRENT LIABILITIES		13,523,979	14,388,753
CURRENT LIABILITIES			
Loans and borrowings - current portion	17	5,262,821	3,613,183
Accounts payable and other current liabilities	21	1,119,154	729,035
Liabilities against finance lease - current portion	18	21,774	17,909
Zakat payable	22	-	5,330
TOTAL CURRENT LIABILITIES		6,403,749	4,365,457
TOTAL LIABILITIES		19,927,728	18,754,210
TOTAL EQUITY AND LIABILITIES		29,150,897	28,537,440

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

Mohammed Abdullah Alqatari
Group Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Ziyad Othman Ibrahim Al-Hogail
Chairman of the Board of Directors

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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 2019
Expressed in Saudi Riyal "000"

	Notes	2019	2018
Revenue	23	904,122	1,962,644
Cost of revenue	24	(779,136)	(1,164,807)
GROSS PROFIT		124,986	797,837
Selling and marketing expenses		(29,853)	(44,111)
General and administrative expenses	25	(311,737)	(218,370)
Other income, net	26	539,681	277,181
OPERATING PROFIT		323,077	812,537
Financial charges	27	(720,708)	(621,915)
Share of results from investment in an associate	10	4,224	4,372
(LOSS) / PROFIT BEFORE ZAKAT		(393,407)	194,994
Zakat	22	-	-
(LOSS) / PROFIT FOR THE YEAR		(393,407)	194,994
OTHER COMPREHENSIVE (LOSS) / INCOME			
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement of provision for employees' terminal benefits	19	1,471	(4,859)
Other comprehensive income / (loss) for the year		1,471	(4,859)
Total comprehensive (loss) / income for the year		(391,936)	190,135
(LOSS) / PROFIT ATTRIBUTABLE TO:			
Owners of the Company		(393,838)	193,779
Non-controlling interests	29	431	1,215
		(393,407)	194,994
TOTAL COMPREHENSIVE (LOSS) / INCOME ATTRIBUTABLE TO:			
Owners of the Company		(392,367)	188,920
Non-controlling interests	29	431	1,215
		(391,936)	190,135
(LOSS) / EARNING PER SHARE (SAR):			
Basic and diluted (loss) /earnings per share attributable to owners of the Company	28	(0.42)	0.21

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

Mohammed Abdullah Alqatari Group Chief Financial Officer	Khaled Mohammed Al Amoudi Chief Executive Officer	Ziyad Othman Ibrahim Al-Hogail Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019
Expressed in Saudi Riyal "000"

	Equity Attributable to Company's shareholders					
	Share capital	Statutory reserve	(Accumulated losses) / retained earnings	Total	Non-controlling interests	Total equity
Balance at 01 January 2018	9,294,000	89,128	206,482	9,589,610	(15)	9,589,595
Profit for the year	-	-	193,779	193,779	1,215	194,994
Other comprehensive loss for the year	-	-	(4,859)	(4,859)	-	(4,859)
Total comprehensive loss for the year	-	-	188,920	188,920	1,215	190,135
Capital contribution during the year	-	-	-	-	3,500	3,500
Transfer to statutory reserve (Note 16.2)	-	19,378	(19,378)	-	-	-
Balance at 31 December 2018	9,294,000	108,506	376,024	9,778,530	4,700	9,783,230
Balance at 01 January 2019	9,294,000	108,506	376,024	9,778,530	4,700	9,783,230
Impact of initial application of IFRS 16 (note 4g)	-	-	(166,073)	(166,073)	-	(166,073)
Balance at 01 January 2019 (restated)	9,294,000	108,506	209,951	9,612,457	4,700	9,617,157
(Loss) / profit for the year	-	-	(393,838)	(393,838)	431	(393,407)
Change in interest in subsidiary without change in control (Note 29)	-	-	763	763	(2,815)	(2,052)
Other comprehensive income for the year	-	-	1,471	1,471	-	1,471
Total comprehensive loss for the year	-	-	(391,604)	(391,604)	(2,384)	(393,988)
Balance at 31 December 2019	9,294,000	108,506	(181,653)	9,220,853	2,316	9,223,169

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

Mohammed Abdullah Alqatari	Khaled Mohammed Al Amoudi	Ziyad Othman Ibrahim Al-Hogail
Group Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

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Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
Express in Saudi Riyal "000"

	Notes	2019	2018
CASHFLOW FROM OPERATING ACTIVITIES			
(Loss) / Profit before zakat		(393,407)	194,994
Adjustments for:			
Depreciation on property and equipment	7	236,809	218,352
Depreciation on investment properties	6	78,195	79,669
Amortization of intangible assets	11	1,048	435
Provision for employees' terminal benefits, net		6,758	4,771
Provision for expected credit losses		8,601	4,810
Amortization of deferred gain on sale and finance leaseback assets	7a(ii)	(183,230)	(183,230)
Share of results of investment in an associate	10	(4,224)	(4,372)
Financial charges	27	720,708	621,915
Change in fair value of FVTPL investments		(277,986)	-
		193,272	937,344
Changes in:			
Other non-current assets		(41,778)	(121,248)
Property for development and sale		(419,933)	557,930
Other current assets		55,892	159,457
Trade and other receivables		49,289	(648,104)
Other non-current liabilities		36,432	152,506
Accounts payable and other current liabilities		384,789	(161,478)
Cash generated from operations		257,963	876,407
Financial charges paid		(989,361)	(878,209)
Net cash used in operating activities		(731,398)	(1,802)
CASHFLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment		(478,952)	(813,771)
Additions to investment properties		(257,672)	(192,411)
Purchase of intangible assets	11	(3,384)	(252)
Net change in restricted cash balances		226,816	(152,759)
Movement in NCI		(2,052)	-
Net cash used in investing activities		(515,244)	(1,159,193)
CASHFLOW FROM FINANCING ACTIVITIES			
Net change in advance to certain founders		4,244	88
Net change in loans and borrowings		846,325	841,373
Capital contribution by non-controlling interest		-	3,500
Net change in liabilities against finance lease		(8,381)	(14,476)
Net cash from financing activities		842,188	830,485
DECREASE IN CASH AND CASH EQUIVALENTS		(404,454)	(330,510)
Cash and cash equivalents at beginning of the year		642,314	972,824
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	237,860	642,314

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

Mohammed Abdullah Alqatari Group Chief Financial Officer	Khaled Mohammed Al Amoudi Chief Executive Officer	Ziyad Othman Ibrahim Al-Hogail Chairman of the Board of Directors

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Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2019
Express in Saudi Riyal "000"

MAJOR NON-CASH TRANSACTIONS	Notes	2019	2018
Property for development and sale transferred from property and equipment	7b	-	1,674,761
Investment property transferred from property and equipment	7b(i)	-	2,321,296
Property and equipment transferred from investment property	7b(ii)	1,888,352	-
Acquisition of investment held at fair value through profit or loss	9	-	220,000
Amortization of deferred gain on sale and finance lease back	7a(ii)	183,230	183,230
Capitalization of borrowing cost on investment property	6b	123,384	111,684
Capitalization of borrowing cost on property and equipment	7f	237,567	206,768
Right of use assets - previously classified as operating leases	4g & 7	15,824	-
Impairment of right of use asset charged to retained earnings	4g	166,073	-

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

Mohammed Abdullah Alqatari Group Chief Financial Officer	Khaled Mohammed Al Amoudi Chief Executive Officer	Ziyad Othman Ibrahim Al-Hogail Chairman of the Board of Directors

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1. GENERAL INFORMATION

Jabal Omar Development Company ("the 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 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.

The Company's project (the "Project") comprises of seven phases, each phase has a number of podiums and towers. The Company has completed development work for first few phases, including site demolition, debris clearance, surface levelling and related infrastructure works. Therefore, majority of properties situated in these phases are either operational or ready to be monetized. However, remaining phases are still being developed and require sizable amounts of investment thereof. Since the Company utilizes external sources of financing to fund the construction of the Project, the magnitude and extent of revenues from the current operational assets, does not fully cover the aggregate debt servicing requirements. Moreover, large part of the Company business is seasonal whereby income from hotels peaks in the Hajj & Umrah season while sales of *property for development and sale* during similar season slows down. At 31 December 2019, these factors, along with prior unexpected delays in completion of projects, have adversely impacted the Group's financial performance and liquidity position, represented by net loss of SR 393 million for the year ended 31 December 2019 and net current liability position of SR 3.2 billion as of that date (which includes SR 5.2 billion in respect of repayments of loans).

In lieu of the foregoing factors, along with aspects such as planned restructuring of loans, new loan disbursements and sale of assets, the Group identified the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. This was further exacerbated by the outbreak of novel coronavirus (COVID-19) subsequent to the year end, classified as a pandemic in March 2020, causing significant macro-economic uncertainty and disruptions to economic activities. While the outbreak was concluded to represent a non-adjusting event, however, management and those charged with governance carried out an initial assessment of the directional impact of COVID 19 on the Group's core operations. The assessment indicated further stress on various operational aspects of the Group, including expectations of:

- reduction in revenue from hotel operations relative to FY 2019 as a result of nil to very low activity during otherwise peak occupancy periods in lieu of restricted travel and religious pilgrimage.
- insignificant sale of residential units due to anticipated liquidity crunch in the country
- delays in collections of trade receivables

As a result of the aforementioned adverse indicators and events, management carried out a detailed exercise for developing a mitigation plan comprising of various steps aimed at addressing the anticipated operational challenges, especially liquidity gaps. These include, among others, restructuring of current debt obligations, sale of assets and cost optimization. Key highlights of the mitigation plan with respect to these aspects and their corresponding status are described below.

GENERAL INFORMATION (CONTINUED)

Aspect	Description of financial statement account	Measures taken	Status
Debt restructuring	Loan due to a Government entity – note 17(b) *(Principal amount: SR 3 billion, amount included under current liabilities: SR 3 billion)*	The Group had requested the lender for the execution of a restructuring plan comprising of: - deferral in current repayments falling due within 12 months - grant of further liquidity support	Subsequent to the reporting date, the Group has received official communication from the Government entity confirming the: - postponement of all installments due on or before 31 December 2020 until 30 June 2021 - willingness to provide support to the Group on restructuring of other debts and extend financial support to meet cashflow requirements to meet Phase 3 funding needs.
	Bilateral loans due to a local bank – notes 17(e) & 17(h) *(Principal amount: SR 1.6 billion, amount included under current liabilities: SR 1.6 billion)*	The Group had requested the lender for the execution of a restructuring plan comprising of: - deferral in current repayments falling due within 12 months - rescheduled repayments to be linked with operational cashflows of the Group	Subsequent to the reporting date, the Group has received a communication from the lender confirming the approval of the deferral of total loan amount for 18 months starting April 2020. The deferred repayments will be linked with the assigned operating cashflows. The Group is in process of finalizing the detailed terms and conditions of restructuring with the lender.
	Loan due to other financiers – notes 17(c), (d), (f), (g) & (i) *(Principal amount: SR 5.3 billion, amount included under current liabilities: SR 0.7 billion)*	The Group has requested for the restructuring of the existing loan balance, especially, in light of the support measures announced by Saudi Arabian Monetary Authority in response to COVID 19.	Subsequent to the reporting date, the Group has received short-term deferral on instalment for one loan facility due on or before 31 March 2020 until the latter part of FY 2020. Deferral of other instalments on other loans and completion of detailed restructuring plan, in line with the operational cash flows of the Group, is expected prior to the next respective repayment date.
	Finance lease arrangement *(Lease carrying value: SR 6 billion, amount included under current liabilities: SR nil)*	The Group is in process of negotiating the lease restructuring with the lessor.	The negotiations are in process and various options are being contemplated upon by both parties to the lease. The Group expects to complete the restructuring prior to the end of FY 2020.
Sale of assets*	Unencumbered/un-pledged assets included under investment properties and property and equipment – notes 6, 7 & 17	Subsequent to the Board of Director's approval for sale of available assets, the Group commenced an exercise to identify interested buyers.	The Group is currently carrying out pre-offer discussions with interested buyers and also holds a non-binding offer for certain asset valid until August 2020.
Cost optimization*	Operational cost	The Group has commenced an exercise to identify operational areas for cost optimization. Various measures being considered in this regard.	The optimization plan is currently being developed and is expected to be implemented within FY 2020.

**the associated cashflows forecasted by the Group in preparing its mitigation plan represent management's best estimate of the corresponding timing and amounts of proceeds/savings considering the impact of COVID 19 and retention of key staff.*

GENERAL INFORMATION (CONTINUED)

Based on the aforementioned factors, the Group's cashflow forecast for the foreseeable future, including the 12 months period from the reporting date depicts a net positive cashflow position. As such the Group expects to be able to meet its obligations as and when they fall due without a need for curtailing core operations or carrying out forced sale of existing operational assets. In preparing its forecast, the Group has considered all reasonably probable cashflows with such timing and amount as supported by the circumstances and facts available as of the date of issuance of these consolidated financial statements, including the impact of COVID 19. Moreover, the Group has also considered various scenarios to assess the sensitivity of key assumptions used. Accordingly, management believes that the Group continues to be a going concern and the consolidated financial statements have been prepared on that basis.

Moreover, while the Group has considered the impact of COVID 19 in carrying out its going concern assessment (as above), however, due to the fluidity of COVID 19 situation, the management and those charged with governance continue to monitor the corresponding impacts in order to consider further mitigation measures, where required, and for updating stakeholders on the basis of further emerging quantitative information. The Group believes that changes in circumstances may require enhanced disclosures and/or recognition of adjustments in the financial statements of the Group for the subsequent periods in the financial year 2020.

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 two branches in Jeddah and Riyadh bearing commercial registration numbers 4030291056 and 1010465230 respectively.

Name	*Commencement of operation*	*Registration No.*	*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 (1(a))	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)

1. GENERAL INFORMATION (CONTINUED)

1(a) Effective 1 November 2019, the operating lease agreement with respect to Marriott Makkah was terminated. Accordingly, the operating results of the hotel for the month of November and December 2019 are included in these financial statements.

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 2019. The Group is incorporated in Kingdom of Saudi Arabia.

Name of the Subsidiary	*Registration No.*	*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 (Note 29)	4031210499	22 October 2017 corresponding to 02 Safar 1439H	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	01 January 2018 corresponding 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishrakat for logistic services Company	4030303509	06 May 2018 corresponding 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for marketing Company	4030326220	05 March 2019 corresponding 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of Measurement

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 on an alternative basis on each reporting date:

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

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentational currency of the Company and all components. All amounts have been rounded to the nearest thousands unless otherwise indicated.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity 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, and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Generally, there is a presumption that a majority of voting rights result 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 period 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 other comprehensive income (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.

Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses and cash flows relating to transactions arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosure of contingent liabilities at the reporting date. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. However, uncertainty about these assumptions and estimates could result in outcomes that could require an adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements, estimates and assumptions

Key areas where the Group exercises judgments, makes estimates and uses assumptions, and that have a significant impact on the consolidated financial statements of the Group are discussed below:

Revenue recognition from sale of residential units

The Group exercises judgment in determining whether the performance obligation(s) included in contracts for sale of property 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 judgment the Group assesses and estimates the impact of any variable consideration in the contract, due to discounts, penalties, non-cash considerations and guaranteed returns.

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.

Defined benefit plans (employees' terminal benefits)

The present value of Group's obligation under defined benefit plans is determined using actuarial valuation. This 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 sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

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

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

When value in use calculations are undertaken, management applies judgment in determining what constitutes a cash generating unit and uses assumptions to make estimates of the expected future cash flows from the asset or cash- generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual value of property and equipment, intangibles and investment property
The Group determines the estimated useful lives of property and equipment, intangibles and investment properties for calculating depreciation and amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. 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.

Fair value measurement of assets
The fair value of unquoted financial instruments is measured using valuation techniques including the discounted cash flow (DCF) model/ adjusted Net asset value model. Information used in these models are based on observable inputs where ever possible, but where this is not possible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Provision for net realizable value adjustment in property for development and sale
The Group determines provision for net realizable value adjustment in property for development and sale based upon historical experience, inventory aging and current condition, current and future expectations with respect to sales. Assumptions underlying the provision include future sales trends, and the expected requirements necessary to support these future sales. The estimate of the Group's provision could materially change from period to period due to changes in sales.

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

Change in estimates
During the year ended 2019 pursuant to a technical study, the Group has reassessed and prospectively adjusted the residual values of certain of its equipment and furniture and fixtures to 15% and 11%-21% respectively.

The effect of the change in residual value on actual and expected depreciation expense in the year ended 31 December 2019 and beyond is as follows:

SR in "000"	2019	2020	2021	2022	2023	later
Decrease in depreciation expense	(10,308)	(41,232)	(41,232)	(41,232)	(41,232)	(41,232)

4. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied to all periods presented in these consolidated financial statements except for the implementation of IFRS 16, Leases, from 1 January 2019, as described below.

Investment in an associate
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. 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. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. Investments in equity accounted investees are accounted for using the equity method and are recognized initially at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (continued)

These consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Unrealized profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of interest in associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the loss in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the equity accounted investee, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee

upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification.

Assets:

An asset is current when it is:

- Expected to be realized or intended to sold or consumed in within twelve months or normal operating cycle;
- Held primarily for the purpose of trading; 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 held primarily for the purpose of trading; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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 management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

a. Revenue recognition

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

Step 1 - Identify the contract(s) 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 for every contract 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. When determining the transaction price, the Group considers the impact of factors such as variable consideration, existence of significant financing component, non-cash consideration and consideration payable to customer.

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.

If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. The promised consideration can also vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Revenue recognition (continued)

The variability relating to the consideration promised by a customer may be explicitly stated in the contract. In addition to the terms of the contract, the promised consideration is variable if either of the following circumstances exists:

a) the customer has a valid expectation arising from the Group's customary business practices, published policies or specific statements that the entity will accept an amount of consideration that is less than the price stated in the contract. That is, it is expected that the Group will offer a price concession.

b) other facts and circumstances indicate that the Group's intention, when entering into the contract with the customer, is to offer a price concession to the customer.

The Group estimates the amount of variable consideration by using either of the following methods, depending on which method is expected to better predict the amount of consideration to which it will be entitled:

a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts and is generally applied when the Group has a large number of contracts with similar characteristics.

b) The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount is generally appropriate if the contract has only two possible outcomes.

The Group applies the above methods consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the Group will be entitled. In addition, the Group considers all the information (historical, current and forecast) that is reasonably available and identifies a reasonable number of possible consideration amounts.

i) Revenue from contracts with customers for sale of properties

In respect of contracts with customers for sale of property for development and sale, in addition to the five step model, the Group determines whether the performance obligations included in the contract are satisfied over time if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. 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(s) is/are satisfied.

The Group recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligations. The Group considers the below mentioned indicators to assess the transfer of control of the promised asset:

- the Group has a present right to payment for the asset
- the customer has legal title to the asset
- the Group has transferred physical possession of the asset
- the customer has the significant risks and rewards of ownership of the asset
- the customer has accepted the asset

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Revenue recognition (continued)

i) Revenue from contracts with customers for sale of properties (continued)

The Group has elected to apply the input method in allocating the transaction price to performance obligations under sale agreements where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the residential units in order to determine the amount of the revenue to be recognized.

ii) Rental income
Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

iii) Revenue from hotel services
Revenue from hotel services 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.

iv) Other income
Other income that are incidental to the Group's business model are recognized as income as they are earned or accrued.

Income on Murabaha term deposits with banks is recognized on an effective yield basis.

b. Expenses
Selling and marketing expenses and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses are classified as general and administrative expenses. Allocations of common expenses between cost of revenues and marketing and general and administrative expenses, when required, are made on a consistent basis.

c. Zakat
The Company and its subsidiaries in the Kingdom of Saudi Arabia are subject to regulations issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on Zakat base. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and annually evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

d. Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate 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 based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset 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, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

Investment income earned from temporary investment of specific borrowings are adjusted against the borrowing costs eligible for capitalization.

f. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Capital work in progress is stated at cost which 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. 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 consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated based on the depreciable amount, which is the cost of an asset, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight line basis over the estimated useful lives of the assets. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within the consolidated statement of profit or loss and other comprehensive income.

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

	31 December 2019 (in years)	31 December 2018 (in years)
Buildings	**85**	85
Equipment	**10-85**	10-85
Infrastructure assets	**20-85**	20-85
Central district cooling system	**30**	30
Furniture and fixtures	**10-12**	10-12
Other assets	**4 - 8**	4 - 8

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property and equipment (continued)

Transfers are made from property and equipment to investment properties only when there is a change in the intended use. Such transfers are made at the carrying value of the property and equipment at the date of transfer.

Property 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.

g. Leases

<u>Policies applicable before 1 January, 2019</u>

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group's incremental borrowing rate.

Classification and measurement of Leased assets
Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Assets held under leases classified as operating leases are not recognized in the Group's consolidated statement of financial position.

Lease payments under operating leases
Payments made under operating leases are recognized in consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Sale and leaseback
Accounting of the transactions involving sale and lease back of assets depends on the type of lease involved.

In case of sale and lease back transaction resulting in finance lease, the excess of sale proceeds over the carrying amount is deferred and recognized as income over the lease term.
In case of sale and lease back transaction resulting in operating lease;
- profit or loss on transaction established at fair value is recognized immediately
- profit or loss on transaction established at a sale price below the fair value will be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used,
- excess of sale proceeds on transaction established at a sale price above fair value are deferred and amortized over the period for which the asset is expected to be used.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Leases (continued)

Policies applicable from 1 January, 2019

The Group has adopted IFRS 16 *Leases* from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets (representing its rights to use the underlying assets) and lease liabilities (representing its obligation to make lease payments). Lessor accounting remains similar to previous accounting policies. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported in the last annual audited financial statements for the year ended 31 December 2018, under IAS 17 and related interpretations.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It has applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 have not been reassessed. Therefore, the definition of a lease under IFRS 16 has been applied, only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone values.

Policies applicable from 1 January 2019

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities (at the lease commencement date) for most leases - i.e. these leases are recognized on the statement of financial position.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is included under investment property. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for those lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Leases (continued)

Transition

Previously, the Group classified property leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets have measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At transition, those leases which were classified as finance lease before 1 January 2019, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases. The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Policies applicable from 1 January 2019

Impact on financial statements

Impact on transition

Upon transition to IFRS 16, the Group has recognized right of use assets and corresponding lease liabilities. The Group has also conducted an impairment assessment of these right of use assets. As a result of this assessment, the Group has determined that the carrying amount of the right of use asset for one lease (the rentals of which were prepaid as at 31 December 2018, classified under other non-current assets (SR 116 million) and other current assets (SR 50 million), and reclassified as right of use asset upon transition to IFRS 16), is in excess of its recoverable amount and accordingly an impairment of SR 166 million has been recognized as part of the transition adjustment. In addition to the foregoing impact, the Group has also recognized depreciation of right of use asset and imputed financial charges on the unwinding of the corresponding lease liability. Refer table below and note 6 and 7 for details of impact relating to transition. The carrying value of right of use assets and lease liabilities as at 31 December 2019 amounts to SR 6,102 million and SR 6,621 million respectively.

Impact of adoption of IFRS 16 as of 1 January 2019	SR in "000"
Additional right-of-use assets recorded (included under property and equipment)	15,824
Additional lease liabilities recorded (included under liabilities under leases)	12,590
Retained Earnings	166,073

h. Investment properties
Investment properties include property (land or a building or part of a building or both) held by the Group to earn rentals or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated based on the depreciable amount, which is the cost of an asset or other amount substitute for cost, less its residual value. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. The cost is depreciated on a straight line basis over the estimated useful lives of the assets. When parts of an item of investment property have different useful lives, they are accounted for as separate items (major components) of investment property.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Investment properties (continued)

The cost of replacing a part of an item of investment property 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 investment property are recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

Capital work in progress is stated at cost which 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.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in consolidated statement of profit or loss and other comprehensive income. The estimated useful lives of the investment property for the calculation of depreciation are as follows:

	31 December 2019 (in years)	31 December 2018 (in years)
Buildings	**85**	85
Equipment	**15-40**	15-40
Infrastructure assets	**20-85**	20-85

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required. Transfers are made from investment properties to other operating assets categories only when there is a change in use evidenced by commencement of related activity such as development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer.

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

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are adjusted prospectively. The amortisation expense on intangible assets with finite lives is recognised 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. Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

j. Impairment of non-financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Impairment of non-financial assets (continued)

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of consolidated profit or loss and other comprehensive income.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

k. Property for development and sale

Properties acquired, constructed or in the course of construction and development for sale are classified as property for development and sale and are stated at the lower of cost and net realizable value. The cost of property for development and sale generally includes the cost of land, construction and other related expenditure necessary to get the properties ready for sale. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Management reviews the carrying values of property for development and sale at each reporting date.

l. Assets classified held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the disposal is highly probable and the asset is available for immediate disposal in its present condition. Actions required to complete the disposal should indicate that it is unlikely that significant changes will be made or that the decision to dispose will be withdrawn. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on re measurement are recognized in the consolidated statement of profit or loss and other comprehensive income. Once classified as held for sale, the respective assets are no longer amortized or depreciated, and equity accounted investee is no longer equity accounted.

m. Financial instruments

Initial recognition - Financial assets and financial liabilities

A Group shall recognize a financial asset or a financial liability in its consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

Financial assets

Initial measurement

At initial recognition, expect for the trade receivables which do not contain a significant financing component, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the consolidated statement of profit or loss and other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of profit or loss and other comprehensive income are expensed in the consolidated statement of profit or loss and other comprehensive income. The trade receivables that do not contain a significant financing component or which have a maturity of less than 12 months are measured at the transaction price as per IFRS 15.

Classification and Subsequent measurement

The Group classifies its financial assets in the following measurement categories:

a) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
b) those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment for ECL. Amortised 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 in finance income/ cost in the consolidated statement of profit or loss and other comprehensive income.

Financial assets measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These are subsequently measured at fair value. The Fair value gain/losses are recognised in other comprehensive income. Moreover, upon initial recognition of an equity financial asset, the Group may irrevocably elect to classify the instrument as measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

A) financial asset shall be measured at fair value through profit or loss unless it is required to be measured at amortised cost or at fair value through other comprehensive income.

After initial measurement, such financial assets are subsequently measured at the fair value as on the reporting date. All the fair value changes and income (interest or dividend) arising from these financial assets are recognized in the profit or loss.

Reclassification

When and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with the above mentioned classification requirements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

De-recognition
On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i)the consideration received (including any new asset obtained less any new liability assumed) and (ii)any cumulative gain or loss that had been recognised in OCI is recognised in the profit or loss. However, in respect of equity securities designated as at FVOCI, any cumulative gain / loss recognized in OCI is not recognized in the profit or loss on derecognition.

Impairment of financial assets
The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group applies simplified approach and measures loss allowances for trade receivables at an amount equal to lifetime ECLs that result from all possible default events over the expected life of a financial instrument except for the bank balance in which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured at 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The carrying amount of financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write - off is later recovered, it is recognized in profit or loss in the period of recovery.

Financial liabilities

Initial measurement

A Financial liability is classified as at fair value through profit or loss if it is designated as such on initial recognition. Directly attributable transaction costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in the consolidated statement of profit or loss and other comprehensive income.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Classification and subsequent measurement
An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

a) financial liabilities at fair value through statement of profit or loss and other comprehensive income.

b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

c) financial guarantee contracts.

d) commitments to provide a loan at a below-market interest rate.

e) contingent consideration recognized by as an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

All of the Group's financial liabilities are subsequently measured at amortised cost using the EIR method.

Amortised 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 profit or loss.

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 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 recognized amounts and there is an intention either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

n. Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, cash at banks in unrestricted accounts and other short-term highly liquid investments with original maturities of three months or less, which are available to the Group without any restrictions.

o. Provisions
A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions expected to be settled after 12 months of the reporting date are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in profit or loss.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

p. Employee benefits

i) Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or any other benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined benefit plans
The Group's obligation under employees' end of service benefit plan 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 by a qualified actuary using the projected unit credit method. Measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in other comprehensive income. The Group determines the net interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the 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 profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Earnings per share

Basic EPS is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

r. Segment reporting

An operating segment is group of assets, operations or entities:

(i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;

(ii) the results of its operations are continuously analyzed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and

(iii) for which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has five reportable segments, which are the Group's strategic business units. For further details of operating segments, refer note 33.

5. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective as at the reporting date are listed below. The Group is currently assessing the implications of these on its financial statements, however, it expects that the impact, if any, would not be material to the financial statements.

Effective for annual periods beginning on or after	Standard ,amendment or interpretation	Summary of requirements
1 January 2020	Amendments to IAS 1 and IAS 8: Defintion of Material	The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both.
1 January 2020	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).
1 January 2020	Amendments to IFRS 3: Definition of a business	The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Expressed in Saudi Riyal "000" unless otherwise stated

6. INVESTMENT PROPERTIES

	Land	Buildings	Equipment	Infrastructure Assets	Capital work in progress	Total
COST:						
Balance at 1 January 2018	-	1,755,978	638,833	92,335	2,694,957	5,182,103
Additions during the year	-	-	-	-	304,095	304,095
Transfers from property and equipment (note 7(b(i)))	1,518,276	541,080	265,042	-	-	2,324,398
Balance at 31 December 2018	**1,518,276**	**2,297,058**	**903,875**	**92,335**	**2,999,052**	**7,810,596**
Additions during the year	-	10,805	4,373	-	414,552	429,730
Transfer to property and equipment (note 7(b(ii)))	(124,328)	(578,390)	(195,629)	-	(990,005)	(1,888,352)
Balance at 31 December 2019	**1,393,948**	**1,729,473**	**712,619**	**92,335**	**2,423,599**	**6,351,974**
ACCUMULATED DEPRECIATION:						
Balance at 1 January 2018	-	30,118	32,205	11,706	-	74,029
Depreciation for the year	-	27,653	49,737	2,279	-	79,669
Transfers from property and equipment (note 7(b(i)))	-	955	2,147	-	-	3,102
Balance at 31 December 2018	**-**	**58,726**	**84,089**	**13,985**	**-**	**156,800**
Depreciation for the year	-	27,786	48,219	2,190	-	78,195
Transfers to property and equipment (note 7(b(ii)))	-	(36,786)	(38,868)	-	-	(75,654)
Balance at 31 December 2019	**-**	**49,726**	**93,440**	**16,175**	**-**	**159,341**
NET BOOK VALUE:						
At 31 December 2019	**1,393,948**	**1,679,747**	**619,179**	**76,160**	**2,423,599**	**6,192,633**
At 31 December 2018	1,518,276	2,238,332	819,786	78,350	2,999,052	7,653,796

Expressed in Saudi Riyal "000" unless otherwise stated

6. INVESTMENT PROPERTIES (CONTINUED)

a) Investment property includes assets under finance leases, Refer note 7(a)(ii) for details.

b) During the year ended 31 December 2019, an amount of SR 123.3 million (31 December 2018 SR 111.7 million) was capitalized as cost of borrowings for the construction of investment properties included in capital work in progress.

c) Investment properties include assets held as a lessee under finance leases, included under the following:

	Land	Building	Equipment	Total
As at 01 January 2019	405,186	1,426,212	535,655	**2,367,053**
Additions during the year	-	10,805	4,373	**15,178**
Depreciation for the year	-	(17,850)	(33,121)	**(50,971)**
As at 31 December 2019	**405,186**	**1,419,167**	**506,907**	**2,331,260**

d) Measurement of fair values:

As at 31 December 2019, the fair value of each completed item of investment property as well as property under development /construction is higher than its carrying value, corresponding to an aggregate fair value of SR 11.6 billion (31 December 2018: SR 11.1 billion). The foregoing fair values has been determined by external independent property valuer certified by Taqeem (Saudi Authority for Accredited Valuers).

To determine the fair value of the investment property, the fair value has been determined using the market value of the property. Market value of the property has been determined in accordance with the Practice Statements and relevant Guidance notes of the Royal Institution of Chartered Surveyors (RICS) appraisal and valuation and approved by the International Valuation Standards Committee (IVSC) as follows: Market value is the estimated amount for which as asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. Market value of the property has been assessed using a combination of Discounted Cash flow ('DCF') approach and Cost approach for properties which are complete and using Cost approach for properties under construction. Independent valuer has applied weights over determined values under both approaches. IVSC allows the concept of weighting to valuation results under DCF approach and Cost approach to arrive at an overall market value of properties. Under cost approach value of land under development has been assessed using market comparative approach that reflects recent transactions prices in the neighbourhood of the project and development value has been assessed based on recent cost developments for similar properties. The discount rate is adopted by reference to the yield rates observed by the independent valuer for similar properties in the locality and adjusted based on the independent valuer's knowledge for the factors specific to the respective properties. Any significant movement in the assumptions used for fair valuation of investment properties such as discount rate, yield, rental growth etc. would result in significantly lower / higher fair value of these assets. The fair value measurement for all of the investment properties has been categorized under Level 3 of the fair value hierarchy.

Expressed in Saudi Riyal "000" unless otherwise stated

7. PROPERTY AND EQUIPMENT

	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
COST:								
Balance at 1 January 2018	4,539,119	3,818,219	505,025	1,465,620	720,789	265,782	7,465,548	18,780,102
Additions during the year	-	20,324	-	4,390	15,423	1,083	949,938	991,158
Transfers to investment properties (note 7(b(i)))	(1,518,276)	(541,080)	-	(265,042)	-	-	-	(2,324,398)
Transfers to property for development and sale (note 7(b))	(585,376)	-	-	-	-	-	(1,089,385)	(1,674,761)
Balance at 31 December 2018	**2,435,467**	**3,297,463**	**505,025**	**1,204,968**	**736,212**	**266,865**	**7,326,101**	**15,772,101**
Impact of adoption of IFRS 16 (note 4(g))	-	-	-	-	15,824	-	-	15,824
Balance at 1 January 2019 (adjusted)	**2,435,467**	**3,297,463**	**505,025**	**1,204,968**	**752,036**	**266,865**	**7,326,101**	**15,787,925**
Transfer from investment property (note 7(b(ii)))	124,328	578,390	-	195,629	-	-	990,005	1,888,352
Additions during the year	-	21,062	-	6,056	46,986	-	577,917	652,021
Transfers from CWIP	-	655,199	-	733,219	87,913	162,191	(1,638,522)	-
Balance at 31 December 2019	**2,559,795**	**4,552,114**	**505,025**	**2,139,872**	**886,935**	**429,056**	**7,255,501**	**18,328,298**

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7. PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
ACCUMULATED DEPRECIATION:								
Balance at 1 January 2018	-	19,465	45,503	26,006	64,050	15,538	-	170,562
Depreciation for the year	-	39,243	15,168	57,668	99,290	6,983	-	218,352
Transfer to investment properties (note 7(b(i)))	-	(955)	-	(2,147)	-	-	-	(3,102)
Balance at 31 December 2018	**-**	**57,753**	**60,671**	**81,527**	**163,340**	**22,521**	**-**	**385,812**
Transfer from investment property (note 7(b(ii)))	-	36,786	-	38,868	-	-	-	75,654
Depreciation for the year	-	45,397	15,168	65,272	103,640	7,332	-	236,809
Balance at 31 December 2019	**-**	**139,936**	**75,839**	**185,667**	**266,980**	**29,853**	**-**	**698,275**
NET BOOK VALUE:								
At 31 December 2019	**2,559,795**	**4,412,178**	**429,186**	**1,954,205**	**619,955**	**399,203**	**7,255,501**	**17,630,023**
At 31 December 2018	2,435,467	3,239,710	444,354	1,123,441	572,872	244,344	7,326,101	15,386,289

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7. PROPERTY AND EQUIPMENT (CONTINUED)

a. As at the reporting date investment properties and property and equipment includes assets under lease arrangement amounting in aggregate to SR 2,331 million (31 December 2018: SR 2,241 million) and SR 3,773 million (31 December 2018: SR 4,438 million) respectively. Details of these lease arrangements are as follows:

   i. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") an associate 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. Since the Agreement with CDCC in respect of DCS contains lease arrangement hence it has been classified as a lease by the Group. At 31 December 2019 the net carrying amount of DCS was SR 603 million (31 December 2018: SR 618 million).
   ii. During the period ended 31 December 2017 the Group signed a Sale Purchase Agreement (the "Agreement") with Alinma Investment Company ("AIC") for the sale of certain towers in phase 1, including hotels and commercial centers, to Alinma Makkah Real Estate Fund (the "Fund") a Fund incorporated in the Kingdom of Saudi Arabia as a closed ended fund managed by AIC (the "Fund Manager") at a sale price of SR 6 billion. In relation to the Agreement the Group signed other agreements through additional supplemental agreements namely Sale Undertaking Agreement Lease Agreement and Exclusive Sale Agency Agreement (together-with the Agreement termed as the "Arrangement") to complete the sale as one linked transaction.

   The key features of the Arrangement are as follows:

   - The Group sold the Properties at a price of SR 6 billion.
   - The Group shall lease back the properties and manage them for a period of 10 years for a semi-annual rent of SR 270 million.
   - The Group has a call option to buy back the properties from end of 5th year till 10th year effectively at SR 6 billion. In effect if the properties are bought back by the Group or sold to a third party the excess amount over SR 6 billion will be the right of the Group.
   - Upon termination of the lease at the end of 10th year in case the properties remain unsold the Fund is free to sell the Properties to any third party. However, the Group will have the first right of offer.

   At the time of execution, the Arrangement was accounted for as a Sale and Lease back based on the commercial substance of the transaction.

   At 31 December 2019 the carrying amount of investment properties and property and equipment under the leaseback is SR 1,926 million and SR 2,862 million (31 December 2018: SR 2,181 million and SR 3,614 million). The Group has deferred the gain on disposal of the properties amounting to SR 1.83 Billion which is being amortized over the term of lease period of 10 years and classified as follows in the condensed consolidated statement of financial position:

   - Long-term portion under other non-current liabilities amounting to SR 1.25 Billion (31 December 2018: SR 1.44 Billion)
   - Current portion under accounts payable and other current liabilities amounting to SR 183 million. (31 December 2018: SR 183 million)

   As at 31 December 2019 prepaid instalment on the lease amount to SR 192 million (31 December 2018: SR 192 million), classified under other current assets.

b. These represent amounts transferred to property for development and sale pertaining to assets determined by management to be used for future sale in the ordinary course of Group's operations.

   (i) These represent amounts transferred to investment properties pertaining to assets determined by management to be used for generating rental income.

   (ii) These represent amounts transferred from investment properties to property and equipment on account of change nature of use.

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7. PROPERTY AND EQUIPMENT (CONTINUED)

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 recognised 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

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of owners who could not submit their legal tittle deeds, a corresponding payable to MCDC was recognised. 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 over a period of more than 12 months from the reporting date.

d. Property and equipment include assets held as a lessee under finance leases, included under the following:

	Land	Building	Central District Cooling system	Equipment	Furniture and fixtures and other assets	Total
As at 01 January 2019	471,494	1,860,460	444,355	761,691	350,461	3,888,461
Additions during the year	-	14,093	-	6,046	3,114	23,253
Depreciation for the year	-	(23,058)	(15,167)	(40,183)	(59,753)	(138,161)
As at 31 December 2019	**471,494**	**1,851,495**	**429,188**	**727,554**	**293,822**	**3,773,553**

e. During the year ended 31 December 2019, an amount of SR 237.5 million (31 December 2018: SR 206.7 million) was capitalized as cost of borrowings for the construction of property and equipment included in capital work in progress.

8. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	330	436
Cash Deposit	-	160,964
Cash at banks (see notes (a) below)	926,364	1,396,564
	926,694	1,557,964
Less: Restricted cash – non-current (see note (a) below)	(242,590)	(342,590)
Less: Restricted cash – current (see note (a) below)	(446,244)	(573,060)
Cash and cash equivalents	237,860	642,314

a) Cash at banks includes an amount of SR 462 million placed in Murabaha deposits with commercial banks having original maturity of three to six months (31 December 2018: SR 805 million) and yielding profit at prevailing market rate. However, these Murabaha deposits are restricted under reserve accounts as per the agreement under corresponding arrangement with commercial banks.

b) Balance in bank accounts with entities having common directorship with the Company amount to SR 13.7 million as at reporting date (31 December 2018: SR 12.5 million)

9. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	Carrying value as at		Unrealized gain as at	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018
Alinma Makkah Real Estate Fund	a	1,166,986	1,000,000	166,986	-
Al Bilad Makkah Hospitality Fund	b	331,000	220,000	111,000	-
		1,497,986	1,220,000	277,986	-

a) This represents investment in 100 million units (31 December 2018: 100 million units) of the investee, which is a closed ended fund domiciled in KSA and managed by Alinma Investment Company. The main asset of the investee is represented by finance lease receivables pertaining to the sale and leaseback of certain properties located in Makkah. The investee prepares and publishes financial statements on a semi-annual basis under which its net asset value is reported as per historical carrying values of its underlying assets and liabilities. As at 31 December 2018, due to recent date of incorporation of the investee and in lieu of the non-availability of alternative valuation basis, the Group had valued its investment in Alinma Fund with reference to its net asset value as per latest available financial statements. During the year ended 31 December 2019 as a result of the availability of additional information regarding the investee, such as annual published financial statements, the Group has endeavored to refine its fair value estimate using adjusted net asset value approach via an independent valuation expert. Based on the foregoing, management has determined a net asset value of SR 11.66 to be the best estimate of fair value of the investee as at 31 December 2019. As a result, the investment has moved from level 2 to level 3 of the fair value hierarchy during the year ended 31 December 2019. Significant unobservable inputs used in the valuation include fair value of investee's major asset (estimated using contractual cash flows and terminal value of the asset discounted at risk adjusted discount rate). Accordingly, the fair value of the major asset is most sensitive to this risk adjusted discount rate. As at 31 December 2019, a reasonably possible change in the risk adjusted discount rate, while keeping all other inputs and assumptions constant, would have affected the value of the investment as follows:

	Effect on profit and loss (SR '000)	
	Increase	Decrease
1%(100bps) change in discount	73,095	(79,613)

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9. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

b) This represents investment in 20 million units (31 December 2018: 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'). Since the units of the fund are traded with reference to such Indicative NAV, management believes that it is a reasonable approximation of the fair value of the investee. As per the latest audited financial statements of the investee for the year ended 31 December 2019, the Indicative NAV per unit amounts to SR 16.55 (31 December 2018: SR 15.87), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2019.

10. INVESTMENT IN AN ASSOCIATE

This represents Group's investment in Central District Cooling Company ("CDCC") which is principally engaged in the business of providing central district cooling system services. CDCC is not publicly listed. The Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ('DCS') (note 7a(i)). The principal place of business of associate is Makkah, KSA. Details of ownership and movement in carrying value during the year ended 31 December 2019 is as follows:

	Percentage of ownership	
	31 December 2019	31 December 2018
Central District Cooling Company ("CDCC")	**40%**	40%

	For the year ended 31 December 2019	For the year ended 31 December 2018
At the beginning of the year	**-**	78,486
Transfer from investment in an associate classified as held for sale (see note (a) below)	**82,858**	
Share of results from investment in an associate	**4,224**	4,372
Transfer to investment in an associate classified as held for sale (see note (a) below)	**-**	(82,858)
At the end of the year	**87,082**	-

a) During the year ended 31 December 2018, the Board of Directors approved the sale of Company's ownership in CDCC. Accordingly, the associate was classified as held for sale as at 31 December 2018. During the year ended 31 December 2019, the Board of Directors of the Group in their meeting held on 12 March 2019 reassessed the earlier approved sale of investment in associate and resolved not to sell the investment. As a result, the investment no longer meets the criteria for classification as held for sale. Accordingly, the investment has been carried at its equity accounted value as of 31 December 2019 and share of results of investment in associate from the date of classification as held for sale up to 31 December 2019 have been recognized during the year ended 31 December 2019.

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11. INTANGIBLE ASSETS

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cost:		
Opening balance	2,466	2,214
Additions for the year	3,384	252
Closing balance	5,850	2,466
Accumulated amortization:		
Opening balance	1,500	1,065
Amortization for the year	1,048	435
Closing balance	2,548	1,500
Carrying amount	3,302	966

Intangible assets include licenses and computer software.

12. ADVANCES TO CERTAIN FOUNDERS

This represents amounts advanced to certain founders ("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 II, 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.

13. OTHER ASSETS

Other non-current assets	31 December 2019	31 December 2018
Prepaid rent	-	116,073
Accrued rent	23,291	19,191
	23,291	135,264
Other current assets		
Prepaid rent and other prepayment	13,879	63,331
Prepaid insurance	5,386	5,339
Prepaid finance lease installment (see note (7a(ii))	192,000	192,000
Other	5,465	24,276
	216,730	284,946

14. PROPERTY FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units. Movement during the year ended 31 December 2019 is as follows:

	31 December 2019	31 December 2018
Opening balance	1,508,443	313,605
Additions	463,054	1,703,127
	1,971,497	2,016,732
Less: Charged to cost of revenue	(43,121)	(508,289)
	1,928,376	1,508,443

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15. TRADE AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Accounts receivable (see notes a and b below)	310,443	377,238
Accrued rental income	9,312	3,259
Margin and other deposits	19,771	14,571
Other receivables	23,501	17,248
Less: Allowance for expected credit losses (ECL)	(20,705)	(12,104)
	342,322	400,212

a) Accounts receivables includes balances receivable from related parties amounting to SR 51.6 million (31 December 2018: SR 155.9 million) (see note 30).

b) Accounts receivables include contract assets (unbilled revenue) in respect of off-plan sales of *property for development and sale* amounting to SR 61.1 million (31 December 2018: SR 93.1 million).

16. CAPITAL AND RESERVES

16.1 Share Capital

As at 31 December 2019, the Company's share capital is divided into 929,400,000 shares of SR 10 each allocated as follows:

	31 December 2019	31 December 2018
Shares issued against cash	4,953,565	4,953,565
Shares in-kind against land	4,340,435	4,340,435
	9,294,000	9,294,000

16.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year 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.

16.3 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio represented by net debt (total liabilities less cash and cash equivalents) as a ratio of total equity. Capital signifies equity as shown in the consolidated statement of financial position.

The gearing ratio is as follows:

	31 December 2019	31 December 2018
Total liabilities	19,927,728	18,754,210
Less :Cash and cash equivalents (Refer note 8)	(237,860)	(642,314)
Net debt	19,689,868	18,111,896
Total equity	9,223,169	9,783,230
Capital gearing ratio	2.13	1.85

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17. LOANS AND BORROWINGS

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

	31 December 2019	31 December 2018
Government loan (note (b) below)	3,000,000	3,000,000
Syndicate loan (2) (note (c) below)	3,898,208	3,799,404
Facility from a local bank (note (d) below)	571,770	620,579
Facility from a local bank (note (e) below)	1,000,000	1,000,000
Facility from a local bank (note (f) below)	147,981	117,283
Facility from a local bank (note (g) below)	203,310	76,448
Facility from a local bank (note (h) below)	600,000	-
Subordinated Sukuk (note (i) below)	508,045	503,046
	9,929,314	9,116,760
Less: Deferred financial charges	(31,236)	(38,080)
Accrued commission on term loans	312,755	193,533
	10,210,833	9,272,213
Less: Current portion	(5,262,821)	(3,613,183)
Non-current portion	4,948,012	5,659,030

a) Movement in term loans for the year is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018
Opening balance	9,272,213	8,320,056
Drawdown during the year	1,571,608	1,466,025
Repayment during the year	(632,988)	(513,868)
Closing balance	10,210,833	9,272,213

Term loans

b) The Group signed an agreement with a government entity and obtained a loan amounting to SR 3 billion to develop the Jabal Omar area, which was withdrawn during past years. On 15 February 2016 (corresponding to 6 Jumada I 1437H), the Group obtained an approval from the government entity to postpone the effective date of loan settlement and its financial charges and grace period commissions for an additional term so that the grace period would become 7 years from original disbursement date and was payable in six annual equal instalments commencing 1 January 2019.

During 2018, the Group had further rescheduled the loan in agreement with the government entity to repay in three equal installment annually, commencing on December 31, 2018.The loan carries borrowing costs at commercial rates. The loan is secured by a mortgage of land plots of 30,494 square meters.

Subsequent to the reporting date, the government entity approved deferral of all unpaid installments maturing on or before 31 December 2020 until 30 June 2021.

c) On 16 September 2015 (corresponding to 3 Dhul-Hijjah 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of SR 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 is payable over a period of 12 years from the date of signing the agreement with a grace period of 4 years. The Group has withdrawn an amount of SR 3.9 billion under the facility. The loan carries borrowing costs at commercial rates.

17. LOANS AND BORROWINGS (CONTINUED)

The Group provided the following securities against the loan:

- Mortgage of the above mentioned phases' lands deeds.
- Endorsing lease contracts of the above mentioned stages.
- Restriction on the above mentioned stages' bank accounts.
- Endorsing insurance policies of the above mentioned stages.
- Release of the letter of guarantee provided by the above mentioned phase's contractors.
- Signing a direct agreement with contractors of the above mentioned phase's contractors.
- Promissory note by the Group for the bank.

d) On 30 March 2016 (corresponding to 21 Jumada II 1437H), the Group signed an unsecured facility term agreement with a local bank, with an amount of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities. On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an agreement for the same unsecured facility (as mentioned above) whereby the loan has been restructured to long term and will be repaid over a period of four years. Accordingly, as per the revised repayment terms, the loan is repayable in seven semi-annual equal instalments; the first instalment will be due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment will be on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at commercial rates. On 21 March 2019 (corresponding to 14 Rajab 1441), the Group has 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). Subsequent to the reporting date, the Group has received short-term deferral on the instalment due in March 2020 until the following instalment due date in September 2020.

e) On 03 August 2017 (corresponding to 11 Dhul Qadah 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 months). Original maturity date of the loan was 01 February 2018 (corresponding to 15 Jumada I 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 makes the facility 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 Alinma Makkah Real Estate Fund was due for payment on28 December 2019. The loan carries borrowing costs at commercial rates. Subsequent to the reporting date, the Group has received a communication from the lender confirming the deferral of total loan amount for 18 months starting April 2020. The deferred repayments will be linked with the assigned operating cashflows. The Group is in process of finalizing the detailed terms and conditions of restructuring with the lender.

f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facility 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). At 31 December 2019, the Group has utilized SR 148 million to settle some of the outstanding liabilities. The lender has common directorship with the Company.

g) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured non-funded facility with a local bank, with an amount 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 amount of SR 209.8 million with expiry date of 31 January 2020. The facility carries borrowing costs at commercial rates. At 31 December 2019, the Group has utilized SR 203.3 million to settle some of the outstanding liabilities.

h) On 30 January 2019 (corresponding to 24 Jamada awal 1440), the Group has signed an unsecured 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 is repayable on 27 February 2020. The facility carries borrowing costs at commercial rates. At 31 December 2019, the Group has utilized the facility in full. Subsequent to the reporting date, the Group has received a communication from the lender citing the deferral of total loan amount for 18 months starting April 2020.

i) On 15 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SAR 503 million, with maturity date of 15 November 2023. The outstanding principal is repayable in a single instalment due on the maturity date. The Sukuk carries borrowing cost at commercial rates.

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18. LIABILITIES AGAINST FINANCE LEASE

These include finance lease agreements with CDCC (note 7(a)(i)) and Alinma Makkah Real Estate Fund (note 7(a)(ii)). Details of the finance leases as at the reporting date are as follows:

	31 December 2019	31 December 2018
Total lease payments under finance leases	11,307,031	12,152,526
Finance charges	(4,685,900)	(5,523,014)
	6,621,131	6,629,512
Less: Current portion	(21,774)	(17,909)
Non-current portion	6,599,357	6,611,603

The lease payments under finance leases are as follows:

	Future minimum lease Payment		Unamortized finance charges		Present value of minimum lease payments	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Less than one year	591,919	589,786	570,145	571,877	21,774	17,909
Between one to five years	2,348,324	2,343,825	2,267,128	2,269,445	81,196	74,380
More than 5 years	8,366,788	9,218,915	1,848,627	2,681,692	6,518,161	6,537,223
	11,307,031	12,152,526	4,685,900	5,523,014	6,621,131	6,629,512

19. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended 31 December 2019 is as follows:

	31 December 2019	31 December 2018
Defined benefit liability at the beginning of the year	23,860	15,209
Included in profit or loss		
Current service cost	9,576	7,124
Interest cost	951	462
	10,527	7,586
Included in other comprehensive income		
Re-measurement (gain) / loss:		
- Actuarial (gain) / loss arising from:		
- financial assumptions	(452)	(60)
- experience adjustment	(1,019)	4,919
	(1,471)	4,859
Other		
Benefits paid	(4,934)	(3,794)
Liability transferred	1,541	-
	(3,393)	(3,794)
Defined benefit liability at the end of the year	29,523	23,860

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19. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (CONTINUED)

a) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2019	31 December 2018
Discount rate (%)	**3.43**	4.50
Future salary growth (%)	**2.69**	3.45

At 31 December 2019, the weighted-average duration of the defined benefit obligation was 5.15 years (31 December 2018: 5.08 years).

b) 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 2019		31 December 2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(953)**	**1,850**	(1,081)	1,196
Future salary growth (1% movement)	1,577	(1,283)	1,309	(1,204)

20. OTHER NON-CURRENT LIABILITIES

	31 December 2019	31 December 2018
Makkah Construction and Development Company (note 7 (c))	**309,565**	309,565
Retention payable	**359,465**	327,219
Refundable deposits	**5,403**	5,784
Deferred gain on assets under sale and finance lease (note 7a(ii))	**1,256,107**	1,440,209
Others	**16,547**	11,483
	1,947,087	2,094,260

21. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	31 December 2019	31 December 2018
Contractors accrued balances	**575,223**	289,620
Retention payable	**23,931**	28,494
Accrued expenses and other provisions	**79,967**	52,895
Advances from customers	**59,608**	65,740
Accounts payable	**107,135**	62,216
Due to related parties and other affiliates (note 21(a) and note 30)	**76,448**	25,362
Provision for discount	**13,568**	21,120
Deferred gain on assets under sale and finance lease (note 7(a)(ii)) – current portion	**183,130**	183,130
Accrued withholding tax	**144**	458
	1,119,154	729,035

a) This includes SR 0.8 million (31 December 2018: nil) in respect of balance with an entity having common directorship with the Company.

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22. 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 2019 is based on Zakat base, significant components of which are as follows:

		31 December 2019	31 December 2018
Equity		9,778,530	9,589,610
Opening provisions and other adjustments		17,888,393	16,626,368
Book value of long term assets		(28,330,694)	(26,991,846)
		(663,771)	(775,868)
Adjusted (loss) / profit	A	(383,945)	197,942
Zakat base	B	(1,047,716)	(577,926)
Zakat base higher of A and B		(383,945)	197,942
Provision required for Zakat for the year		-	4,949
Available provision as at the year		-	5,330
Zakat charge for the year		-	-

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

Status of assessments

The General Authority of Zakat and Tax ("GAZT"), issued an assessment of the period 23 Ramadan 1427H to 30 Dhul Hijjah 1430H resulting in additional zakat liability of SR 30.4 million. JODC has filed an appeal against GAZT's assessment and submitted a bank guarantee of SR 29.1 million. During the year 2016, Higher Appeal Committee (HAC) rendered its decision reducing the zakat liability to SR 21.8 million. JODC has filed the appeal to Board of Grievance against HAC's unfavorable decision on points under appeal and awaiting decision.

During the year 1435H, GAZT issued Zakat and withholding tax [WHT] assessment with additional Zakat and tax liability of SR 26.8 million for the years ended 30 Dhul Hijjah 1431H through 1433H. JODC has filed an appeal against GAZT along with the submission of a bank guarantee of SR 2.8 million and expects to receive a favorable decision.

The Group has filed its Zakat return for the years ended 30 Dhul Hijjah 1434H to 1437H, periods ended 15 Rajab 1438H and 31 December 2018 and obtained a restricted Zakat certificate for the said years. The GAZT has not completed the review of the Zakat returns and has not issued any assessment for the said years. In addition to above, Group has submitted revised return during 2017 for the years 1434H to 1436H which is acknowledged by the GAZT and awaiting assessment.

23. REVENUE

	For the Year ended 31 December 2019	For the Year ended 31 December 2018
Sale of property for development and sale	72,786	1,209,291
Commercial center revenue	141,732	129,805
Hotels revenue		
- operating	635,317	580,456
- lease (note (1(a))	44,528	33,333
Lease of parking	9,759	9,759
Total revenue	904,122	1,962,644

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23. REVENUE (CONTINUED)

a. DISAGGREGATION OF REVENUE

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 (see Note 32). Further, the Group's revenue is earned in Kingdom of Saudi Arabia.

	2019	2018	2019	2018	2019	2018	2019	2018
	Operating Hotels		Commercial centers		Property for development and sale		Total	
Type of revenue:								
Sale of Property for development and sale	-	-	-	-	72,786	1,209,291	72,786	1,209,291
Hotels								
- Operations	635,317	580,456	-	-	-	-	635,317	580,456
- Lease	44,528	33,333	-	-	-	-	44,528	33,333
Lease of Parking	9,759	9,759	-	-	-	-	9,759	9,759
Lease of Commercial center	-	-	141,732	129,805	-	-	141,732	129,805
	689,604	623,548	141,732	129,805	72,786	1,209,291	904,122	1,962,644
Timing of revenue recognition:								
Point-in-time	136,122	126,705	-	-	-	1,087,614	136,122	1,214,319
Over time	499,195	453,751	-	-	72,786	121,677	571,981	575,428
Revenue from contract with customers	635,317	580,456	-	-	72,786	1,209,291	708,103	1,789,747
Other revenue	54,287	43,092	141,732	129,805	-	-	196,019	172,897
Total	689,604	623,548	141,732	129,805	72,786	1,209,291	904,122	1,962,644

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24. COST OF REVENUE

	For the Year ended 31 December 2019	For the Year ended 31 December 2018
Sale of property for development and sale	43,121	508,289
Commercial center	78,134	51,724
Hotel cost		
- operating	581,314	530,957
- lease	67,128	68,153
Other costs	9,439	5,684
	779,136	1,164,807

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2019	For the year ended 31 December 2018
Employee related costs and travelling expenses	114,155	109,035
Operating lease rentals and premises expenses	-	62,955
Professional and consultancy fees	34,576	15,883
Depreciation and amortization (notes 6, 7 and 11)	25,256	9,224
Attendance fee for board meetings	2,725	4,747
Withholding taxes	1,588	1,411
Hotels pre-opening expenses	9,714	-
Other	123,723	15,115
	311,737	218,370

26. OTHER INCOME, NET

	For the Year ended 31 December 2019	For the Year ended 31 December 2018
Murabaha investment income	13,407	16,231
Fair value gain on FVTPL investment (refer note 9)	277,986	-
Dividend income from FVTPL investments	83,574	91,556
Amortization of deferred gain on sale of assets under sale and finance lease back (note7(a)(ii))	183,230	183,230
Other expense, net	(18,516)	(13,836)
	539,681	277,181

27. FINANCIAL CHARGES

	For the Year ended 31 December 2019	For the Year ended 31 December 2018
Finance leases (note(a) below)	**552,863**	553,247
Loans and borrowings (note(b) below)	**167,845**	68,668
	720,708	621,915

a) Finance lease charges include SR 540 million (2018: SR 540 million) pertaining to sale and finance lease back of assets (note 7a(ii)).

b) It includes SR 132 million (2018: SR 68 million) borrowing cost pertaining to conventional banking products.

28. (LOSS) / EARNINGS PER SHARE

Basic (loss) / earnings per share for the year ended 31 December 2019 and for the year ended 31 December 2018, have been computed by dividing the (loss) / earnings for the year attributable to the owners of the Company by the number of shares outstanding during such year. As there are no diluted shares outstanding, basic and diluted (losses) / earnings per share are identical.

The (loss) / earnings per share calculation is given below:

	For the year ended 31 December 2019	For the year ended 31 December 2018
(Loss) / Profit for the year attributable to owners of the Company	**(393,838)**	193,779
Weighted average number of shares outstanding	**929,400**	929,400
(Loss) / Profit per share (Saudi Riyals) – Basic and Diluted	**(0.42)**	0.21

29. NON-CONTROLLING INTERESTS (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 December 2019	**Warifat**	**Intra-group elimination**	**Total**
NCI percentage	**10%**		
Total assets	25,396	-	25,396
Total liabilities	(2,232)	-	(2,232)
Net assets	23,164	-	23,164
Net assets attributable to NCI	2,316	-	2,316
Total comprehensive income	4,309	-	4,309
Total comprehensive income allocated to NCI	431	-	431

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29. NON-CONTROLLING INTERESTS (NCI) (CONTINUED)

31 December 2018	Warifat	Sahat	Intra-group elimination	Total
NCI percentage	10%	40%		
Total assets	20,289	10,123	-	30,412
Total liabilities	(1,442)	(3,086)	-	(4,528)
Net assets	18,847	7,037	-	25,884
Net assets attributable to NCI	1,885	2,815	-	4,700
Total comprehensive income	3,847	2,076	-	5,923
Total comprehensive income allocated to NCI	385	830	-	1,215

(a) On 13 October 2019, the Group's equity interest in Sahat for Property Management Company ("Sahat") increased from 60% to 100%. The financial information related to Sahat has been adjusted accordingly.

(b) Carrying amount of Sahat's net assets in Group's consolidated financial statement on the date of acquisition was SR 3.8 million. As a result of acquiring additional 40% interest in Sahat,,the impact on equity is as following:

	For the year ended 31 December 2019
Consideration paid for NCI	3,000
Carrying amount of NCI acquired	(3,763)
Difference recognized in retained earnings	(763)

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30. RELATED PARTIES AND OTHER AFFILIATES

In the ordinary course of its business the Group transacts with related parties which are based on prices and terms approved by the management.

The following are the details of major related party transactions during the year and the related balances at year:

Related party	Nature of transaction	For the year ended 31 December 2019	For the year ended 31 December 2018
Alinma Makkah Real Estate Fund	- Finance lease charges (Note 28)	540,000	540,000
	- Dividend	80,000	80,000
Key management employees	Salaries and benefits	6,455	8,277
BOD	BOD meeting attendance fee (Note 25)	2,725	4,747
Central District Cooling Company	- Finance lease rental payments (Note 7(a)(i))	113,364	105,396
	- Rental income	4,057	4,057
	- Concession fee 7%	7,936	6,679
Al Bilad Makkah Hospitality Fund	- Operating lease rentals	-	52,139
	- Sale of residential units	-	1,105,573
	- Subscription of units in the Fund	-	220,000
	- Dividend income (Note 26)	3,574	-

Balances arising from transactions with related parties are as follows:

Related party	Included under	For the year ended 31 December 2019	For the year ended 31 December 2018
Alinma Makkah Real Estate Fund	Trade and other receivables	51,556	110,000
Al-Bilad Makkah Hospitality Fund	(Accounts payable and other current liabilities)/ Trade and other receivables	(20,501)	45,894
Central District Cooling Company	Accounts payable and other current liabilities	55,159	25,362
Makkah Construction and Development Company	Other non-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. The amount paid to MCDC during the year ended 30 Dhul-Hijjah 1436H of SR 50 million was offset against the liability recorded during year 1437H.

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31. CONTINGENCIES AND COMMITMENTS

a) As at 31 December 2019, the outstanding capital commitments in respect of development of the Project amounted to SR 2,891 million (31 December 2018: SR 3,216 million).
b) Operating lease commitments are not significant.
c) As at 31 December 2019, the Group has furnished bank guarantees aggregating to SR 74 million (2018: SR 74 million) (notes 7a(i)) and issued unconditional and irrevocable order notes of SR 75 million in respect of a sale contract.
d) Refer note 22 for Zakat and tax related contingencies.

32. 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.")
Property 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.

	For the year ended 31 December 2019					
	Operating Hotels	*Commercial Centres*	*Property for development and sale*	*Property under construction*	*Corporate*	*Total*
Statement of financial position items as at 31 December 2019:						
Current assets	247,732	104,280	2,014,937	-	804,583	3,171,532
Property and equipment	10,317,628	-	-	7,255,504	56,891	17,630,023
Investment properties	1,029,410	2,739,626	-	2,423,597	-	6,192,633
All other non-current assets	-	-	-	-	2,156,709	2,156,709
Total liabilities	4,664,576	3,021,439	34,801	9,352,897	2,854,015	19,927,728
Statement of profit or loss and other comprehensive income items for the year ended 31 December 2019 :						
Revenues from operations	689,602	141,734	72,786	-	-	904,122
Total comprehensive (loss) / income	(203,454)	(87,256)	29,664	-	(130,890)	(391,936)

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32. SEGMENT REPORTING (CONTINUED)

	For the year ended 31 December 2018					
	Operating Hotels	*Commercial Centres*	*Property for development and sale*	*Property under construction*	*Corporate*	*Total*
Statement of financial position items as at 31 December 2018:						
Current assets	210,828	55,659	1,560,181	-	1,665,165	3,491,833
Property and equipment	8,034,145	483	-	7,326,101	25,560	15,386,289
Investment properties	1,764,743	2,890,001	-	2,999,052	-	7,653,796
Other non-current assets	-	-	-	-	2,005,522	2,005,522
Liabilities	4,733,100	3,047,289	30,739	9,064,556	1,878,526	18,754,210
Statement of profit or loss and other comprehensive income items for year ended 31 December 2018						
Revenues from operations	623,438	129,805	1,209,401	-	-	1,962,644
Total comprehensive (loss) / income	(197,926)	(65,059)	701,112	-	(247,992)	190,135

33. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A) Accounting classifications and fair values

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. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements 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.

33. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

A) Accounting classifications and fair values (continued)

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

2019	**Carrying amount**	**Fair value**		
		Level 1	**Level 2**	**Level 3**
Investment held at fair value through profit and loss	**1,497,986**	**-**	**-**	**1,497,986**

2018	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
Investment held at fair value through profit and loss	1,220,000	-	1,000,000	220,000

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used. Related valuation processes are described in Note 9.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Investment in Real Estate Funds	- Discounted cash flows: The valuation model considers the present value of the cash flows of the Fund discounted using a risk adjusted discount rate (adjusted NAV approach). - Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund.	- Risk adjusted discount rate	The estimated fair value would increase /(decrease) if the risk adjusted discount rate were lower /(higher).

As at the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities (except for investment held at fair value through profit and loss) approximate their fair values.

33. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks. The most important types of risk are credit risk on trade receivables and interest rate risk on credit facilities availed by the Group.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive committee is responsible for developing and monitoring the Group's risk management policies.

Risk management systems are reviewed regularly by the executive committee to reflect changes in market conditions and the Group's activities.

The audit committee oversees compliance by management 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.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur 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. As at the reporting date, the Group's maximum exposure to credit risk is represented by the respective carrying values of individual financial assets such as trade/accounts receivables and bank balances.

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in interest rates. Interest rate risk is managed by careful consideration of the prevailing and forecasted market interest rates at the time of executing credit arrangements as well as the use of appropriate hedging instruments if and when required. As at the reporting date, a 10bps increase or decrease in interest rates with all other variables held constant will decrease / increase profit before zakat for the year by SR 10.57 million (2018: SR 8.9 million).

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than SR and US Dollars, during the year. Since the Saudi Riyal is pegged to the US dollar, accordingly, the Group is not exposed to significant foreign currency risk.

Market price risk is the risk that the fair value of investments decreases as a result of changes in the value of individual units. At the reporting date, a 10% (31 December 2018: 10%) change in the net asset values of the underlying investments would have increased or decreased the net (loss) / income by SR 27.79 million (December 31, 2018: SR nil).

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. 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 (note 1).

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33. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B) Financial risk management (continued)

The following table illustrates the remaining undiscounted contractual maturities of the Group's financial liabilities as at the reporting date:

	Contractual cash flows			
	Gross undiscounted value	1 year or less	1 year to 5 years	More than 5 years
Financial liabilities				
Loans and borrowings	12,306,578	5,749,395	4,475,437	2,081,746
Accounts and other payables	936,024	936,024	-	-
Liabilities against finance lease	11,307,032	591,919	2,348,324	8,366,789
Other non-current liabilities	690,980	309,565	381,415	-
Other	29,523	-	29,523	-
Balance at 31 December 2019	25,270,137	7,586,903	7,234,699	10,448,535
Loans and borrowings	11,698,710	4,092,765	2,992,708	4,613,237
Accounts and other payables	545,906	545,906	-	-
Liabilities against finance lease	12,152,526	589,786	2,343,825	9,218,915
Other non-current liabilities	654,051	309,565	344,486	-
Other	29,190	5,330	23,860	-
Balance at 31 December 2018	25,080,383	5,543,352	5,704,879	13,832,152

34. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform to the presentation in the current year.

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 31 March 2020 corresponding to (07 Sha'ban 1441H).

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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Independent auditor's report to the shareholders of Jabal Omar Development Company

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional 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.

Material uncertainty relating to going concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group incurred a total comprehensive loss and negative operating cash flows amounting to Saudi Riyals 1,341 million and Saudi Riyals 271.4 million, respectively, during the year ended 31 December 2020. In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 2,425.6 million and the Group had accumulated losses amounting to Saudi Riyals 2,128.2 million as at 31 December 2020. The Group is dependent on the successful execution of management's plans to generate sufficient cash flows to enable it to meet its obligations as they fall due and for the continuity of its operations without significant curtailment. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key audit matters	• Control assessment of the Group's investment in structured entities • Revenue recognition on sale of certain development properties • Carrying value of property, plant and equipment • Impairment of investment properties • Valuation of properties for development and sale

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Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Our audit approach (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Materiality uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Control assessment of the Group's investment in structured entities The Group has investments in structured entities. The Group determines whether or not to consolidate these structured entities based on an assessment of the criteria to determine whether the Group has control taking into consideration power arising from rights, variable returns, and the link between power and returns. The assessment of the Group's control over the structured entities involves significant judgement on factors such as the purpose and design of the structured entities, the Group's ability to direct the structured entities' relevant activities, determination of variable returns from the structured entity and how the group uses the power over the relevant activity to direct the variable returns from the structured entities. We considered this as a key audit matter because the assessment of control over structured entities requires significant judgment by management and the impact of consolidation with such entities is material to the Group's consolidated financial statements. Refer to Notes 2, 3 and 36 in the consolidated financial statements for the accounting policy, critical accounting estimates and judgements and restatement of the comparative period in connection with such control assessment.	We performed the following procedures in relation to the Group's control assessment of investment in structured entities: • Reviewed management's assessment of structured entities to determine whether the Group is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the structured entities in accordance with the criteria elaborated in the Group's accounting policies. • Evaluated management's assessment of the relevant activities of structured entities and whether the Group had the ability to direct the relevant activities, by virtue of contractual arrangements, in accordance with the criteria elaborated in the Group's accounting policies. We also assessed the adequacy and appropriateness of the disclosures included in Notes 2, 3 and 36 to the accompanying consolidated financial statements.

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Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on sale of certain development properties Revenue recognition on the sale of development properties, including residential units and plots of land, is subject to significant inherent risk due to the judgement and estimation involved. We considered this to be a key audit matter because judgements around the percentage of completion of projects, including the cost incurred against the total cost of the project, is an item which requires significant audit attention. Other considerations included the ability of the Group to enforce payment for work completed under the terms of its contract to recognise revenue over time and the total estimated cost of completion of the project. Further, during 2020, the Group reassessed the requirements of IFRS 15, Revenue from Contracts with Customers, for a sale agreement that was entered in 2018. Management's reassessment of this contract resulted in restatement of the comparative period. Refer to Notes 2, 5, 23 and 36 in the consolidated financial statements for the accounting policy, critical accounting estimates and judgements and restatement of the comparative period.	We performed the following procedures in relation to the Group's revenue recognition assessment on sale of certain development properties: • Reviewed the contracts for the sale of properties, including residential units and plots of land to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time. Our focus when reviewing these contracts was whether the Group has an enforceable right to payment. • Performed test of details to determine whether the costs incurred to date on developments are recorded appropriately by verifying the supporting documents such as invoices and interim payment certificates. We also checked management's allocation of these costs to the sold and unsold units based on the relative area of the respective units. • Evaluated the reasonableness of the Group's estimated costs to complete through a combination of management discussions, test of details and look back analysis. • Recalculated the revenue and compared it with the calculation performed by the management. We also reviewed the adequacy and appropriateness of the disclosures included in Notes 2, 5, 23 and 36 in the consolidated financial statements.

Carrying value of property, plant and equipment
 	
The Group has property, plant and equipment (PPE) amounting to Saudi Riyals 17.9 billion as at 31 December 2020 which represents the most significant balance in the Group's consolidated statement of financial position as of that date.
 	
The Group performed an impairment assessment of PPE as at 31 December 2020 to determine the recoverable amount, being the higher of fair value less costs to sell and value in use.
 	
PPE is carried at cost less accumulated depreciation and impairment losses, if any. The Group assesses whether there are indicators of impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, the Group clusters the PPE at the lowest levels for which there are separately identifiable cash flows, called cash-generating units (CGU).
	We obtained the impairment assessment carried out by management and carried out the following substantive audit procedures:
	• Evaluated whether the methodology used in management's assessment to calculate the recoverable amount for the CGU complies with IAS 36, 'Impairment of assets'.
	• Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed.
	• Tested the mathematical accuracy of the calculations included within management's impairment assessment.
	• Involved our internal valuation experts to assess the methodologies used by the Valuer and the appropriateness of the underlying assumptions by performing the following procedures:
	  ○ Reviewed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the impairment of PPE for the purpose of the consolidated financial statements;
	  ○ Assessed the reasonableness of key underlying assumptions used by management and compared them against market evidence and the properties' actual performance.

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Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of property, plant and equipment (continued) We considered this to be a key audit matter as the evaluation of the recoverable amount of the CGU requires significant estimation and critical management judgement in determining the key assumptions that support the expected future cash flows of the business and the utilisation of these assets. Some of the key assumptions include the discount rate and capitalization rate, occupancy and average daily rate. For the purpose of impairment assessment, management engaged professionally qualified external valuers (the "Valuer") licensed 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 and regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Based on the impairment assessment performed, no impairment loss has been recognised for these assets as at 31 December 2020. A sensitivity analysis has been performed and disclosed within Note 6 to the consolidated financial statements. Refer to Notes 5 and 6 in the consolidated financial statements for the accounting policy, key assumptions and other related financial information.	• Assessed the competence, capabilities and objectivity of the Valuer engaged by management. • Assessed management's sensitivity analysis around the impact of any change in key assumptions used by management to the recoverable amount of the CGU. We also reviewed the adequacy and appropriateness of the disclosures included in Notes 5 and 6 to the accompanying consolidated financial statements.

Impairment of investment properties
 	
The Group owns a portfolio of investment properties, comprising commercial centers, parking areas and properties under development. At 31 December 2020, investment properties amounted to Saudi Riyals 5 billion.
 	
Investment properties are carried at cost, net of accumulated depreciation. The Group assesses whether there are indicators of impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
 	
Management engaged the Valuer for the purpose of impairment assessment and the disclosure of the fair value in the Group's consolidated financial statements, taking into account the requirements of IFRS 13, Fair Value Measurements.
	We performed the following procedures in relation to the Group's assessment of the impairment of its investment properties:
	• Assessed the competence, capabilities and objectivity of the Valuer engaged by management.
	• Involved our internal valuation experts to assess the methodologies used by the Valuer and the appropriateness of the underlying assumptions by performing the following procedures:
	  ○ Reviewed the methodology applied by the valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the impairment of the investment properties for the purpose of the consolidated financial statements;
	  ○ Assessed the reasonableness of key underlying assumptions used by management.
	• Reviewed the sensitivity analysis performed by management around the impact of any change in key assumptions and estimates used by management to the impairment.

Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of investment properties (continued) The Valuers apply certain assumptions such as capitalisation rates and discount rates which are influenced by prevailing market yields and comparable market transactions and specific characteristics, such as property location and occupancy rate of each property in the portfolio, to arrive at the final valuation. The valuation of the Group's investment property portfolio, for the purpose of impairment assessment and the disclosure of the fair value in the Group's consolidated financial statements, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future rentals and associated rental yields for the properties valued under the 'income approach' and comparable selling prices for the properties that have been valued using the 'comparable values approach . We considered this to be a key audit matter because the significance of the estimates and judgements involved in the valuations warranted specific audit focus in this area as any significant variation in determination of the valuation inputs, which have been further exacerbated as a result of challenges posed by COVID-19, could have a material impact, in the event of an impairment, on the value of the Group's investment properties. Refer to Notes 5, 6 and 7 in the consolidated financial statements for the accounting policy, key assumptions and other related financial information.	We also reviewed the adequacy and appropriateness of the disclosures and the associated accounting policy included in Notes 5, 6 and 7 to the accompanying consolidated financial statements.
Valuation of properties for development and sale The Group holds properties for development and sale (PDS) amounting to Saudi Riyals 1.4 billion as at 31 December 2020. PDS is carried at the lower of cost and net realisable value (NRV) and mainly comprises residential units under development. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale. The valuation of the Group's PDS portfolio is inherently subjective due to, among other factors, the individual nature of each residential unit, estimates for costs of construction and comparable selling prices.	We performed the following procedures in relation to the Group's assessment of valuation of properties for development and sale: • Assessed the reasonableness of the estimated selling price of the Group's NRV assessment based on our analysis of different scenarios for sale of the residual units in the ordinary course of business. • Performed test of details to determine whether the costs incurred to date on developments are recorded appropriately by verifying the supporting documents such as invoices and interim payment certificates. We also checked the allocation of these costs to the sold and unsold units based on the relative area of the respective units. • Evaluated the reasonableness of the Group's estimated costs to complete through a combination of management discussions, test of details and look back analysis.

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Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of properties for development and sale (continued) We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of PDS, such as the Group's estimate of the sales price and construction cost for residential units, warrants specific audit focus in this area as any significant change in these estimates, which have been further exacerbated as a result of challenges posed by COVID-19, could have a material impact on the carrying value of the Group's PDS. Refer to Notes 2, 5 and 12 in the consolidated financial statements for the accounting policy, critical accounting estimates and judgments and other related financial information.	We also reviewed the adequacy and appropriateness of the disclosures and the associated accounting policy included in Notes 2, 5 and 12 to the accompanying consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Jabal Omar Development Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 scepticism throughout the audit. We also:

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

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

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

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

PricewaterhouseCoopers

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ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Ali A. Alotaibi
License Number 379

7 April 2021

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JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
As at 31 December 2020
All amounts in Saudi Riyals thousands unless otherwise stated

Assets	Notes	As at 31 December 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
Non-current assets				
Property, plant and equipment	6, 36	**17,875,110**	17,754,282	15,440,404
Intangible assets		**2,112**	3,302	966
Investment properties	7, 36	**5,041,831**	5,054,319	6,488,113
Investment in a joint venture	8	**114,590**	87,082	-
Investment held at fair value through profit or loss	9, 36	**304,710**	331,000	220,000
Restricted cash	10	**242,590**	242,590	342,590
Other non-current assets	11	**19,944**	23,291	19,191
Total non-current assets		**23,600,887**	23,495,866	22,511,264
Current assets				
Properties for development and sale	12	**1,419,044**	1,423,302	1,010,580
Other current assets	11	**32,222**	24,732	43,246
Trade and other receivables	13	**101,528**	302,322	290,212
Investment held at fair value through profit or loss	9	**67,836**	205,527	129,760
Investment at amortised cost		-	150,441	270,989
Restricted cash – current portion	10	**348,319**	446,244	573,060
Cash and cash equivalents	10	**51,225**	239,142	654,488
		2,020,174	2,791,710	2,972,335
Non-current assets classified as held for sale	14	**115,821**	-	82,858
Total current assets		**2,135,995**	2,791,710	3,055,193
Total assets		**25,736,882**	26,287,576	25,566,457
Equity and liabilities				
Equity				
Share capital	15	**9,294,000**	9,294,000	9,294,000
Statutory reserve	15	**108,506**	108,506	108,506
Reserve for advances to certain founding shareholders	36	**(287,296)**	(302,458)	(306,702)
Accumulated losses		**(2,128,187)**	(787,360)	(154,491)
Net equity attributable to shareholders of the Company		**6,987,023**	8,312,688	8,941,313
Non-controlling interests		**1,719**	2,316	4,700
Total equity		**6,988,742**	8,315,004	8,946,013

(Continued)

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk	Khaled Mohammed Al Amoudi	Ziyad Othman Alhekail
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position (Continued)
As at 31 December 2020
All amounts in Saudi Riyals thousands unless otherwise stated

	Notes	As at 31 December 2020	As at 31 December 2019 (Restated)	As at 1 January 2019 (Restated)
Liabilities				
Non-current liabilities				
Loans and borrowings	16	**8,347,880**	4,948,012	5,659,030
Liabilities against leases	17, 36	**14,181**	2,578	7,857
Payable to other unitholders of investment fund	21, 36	**4,644,263**	4,896,260	4,682,033
Provision for employees' terminal benefits	18	**33,400**	29,523	23,860
Other non-current liabilities	19,36	**1,146,791**	1,159,365	1,080,164
Total non-current liabilities		**14,186,515**	11,035,738	11,452,944
Current liabilities				
Loans and borrowings – current portion	16	**2,592,201**	5,262,821	3,613,183
Accounts payable and other current liabilities	20	**1,483,627**	1,465,908	1,138,090
Payable to other unitholders of investment fund – current portion	21, 36	**406,199**	203,601	407,202
Liabilities against lease – current portion	17, 36	**10,857**	4,504	3,695
Zakat payable	22	**68,741**	-	5,330
Total current liabilities		**4,561,625**	6,936,834	5,167,500
Total liabilities		**18,748,140**	17,972,572	16,620,444
Total equity and liabilities		**25,736,882**	26,287,576	25,566,457

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk Chief Financial Officer	Khaled Mohammed Al Amoudi Chief Executive Officer	Ziyad Othman Alhokail Chairman of the Board of Directors

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 2020
All amounts in Saudi Riyals thousands unless otherwise stated

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated)
Revenue	23	**176,682**	885,220
Cost of revenue	24	**(601,367)**	(734,378)
Gross (loss) / profit		**(424,685)**	150,842
Selling and marketing expenses		**(6,748)**	(29,853)
General and administrative expenses	25	**(243,113)**	(238,812)
Net impairment loss on financial assets		**(83,070)**	(8,601)
Other operating income	26	**18,502**	140,969
Other operating expense		**(51,583)**	(21,403)
Operating loss		**(790,697)**	(6,858)
Financial charges	27	**(488,935)**	(632,038)
Share of results from investment in a joint venture		**9,157**	4,224
Loss before zakat		**(1,270,475)**	(634,672)
Zakat	22	**(68,741)**	
Loss for the year		**(1,339,216)**	(634,672)
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement of provision for employee's terminal benefits	18	**(1,822)**	1,471
Total comprehensive loss for the year		**(1,341,038)**	(633,201)
Loss for the year attributable to:			
Shareholders of the company		**(1,339,005)**	(635,103)
Non-controlling interests		**(211)**	431
		(1,339,216)	(634,672)
Total comprehensive loss for the year attributable to:			
Shareholders of the company		**(1,340,827)**	(633,632)
Non-controlling interests		**(211)**	431
		(1,341,038)	(633,201)
Loss per share (Saudi Riyals):			
Basic and diluted earnings per share attributable	28	**(1.44)**	(0.68)

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk Chief Financial Officer	Khaled Mohammed Al Amoudi Chief Executive Officer	Ziyad Othman Alhekail Chairman of the Board of Directors

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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 2020
All amounts in Saudi Riyals thousands unless otherwise stated

	Equity attributable to shareholders of the Company						
	Share capital	Statutory reserve	Reserve for advances to certain founding shareholders	(Accumulated losses)	Net equity attributable to shareholders of the Company	Non-controlling interests	Total equity
Balance at 01 January 2020 (restated)	**9,294,000**	**108,506**	**(302,458)**	**(787,360)**	**8,312,688**	**2,316**	**8,315,004**
Loss for the year	-	-	-	(1,339,005)	(1,339,005)	(211)	(1,339,216)
Other comprehensive loss for the year	-	-	-	(1,822)	(1,822)	-	(1,822)
Total comprehensive loss for the year	-	-	-	(1,340,827)	(1,340,827)	(211)	(1,341,038)
Dividend paid to NCI	-	-	-	-		(386)	(386)
Payments received against advance to certain founding shareholders	-	-	15,162		15,162	-	15,162
Balance at 31 December 2020	**9,294,000**	**108,506**	**(287,296)**	**(2,128,187)**	**6,987,023**	**1,719**	**6,988,742**
Balance at 1 January 2019 (as previously reported)	9,294,000	108,506	-	376,024	9,778,530	4,700	9,783,230
Impact of initial application of IFRS 16	-	-	-	(166,073)	(166,073)	-	(166,073)
Impact of restatements (Note 36)	-	-	(306,702)	(364,442)	(671,144)	-	(671,144)
Balance at 1 January 2019 (restated)	9,294,000	108,506	(306,702)	(154,491)	8,941,313	4,700	8,946,013
Loss for the year	-	-	-	(635,103)	(635,103)	431	(634,672)
Other comprehensive income for the year	-	-	-	1,471	1,471	-	1,471
Total comprehensive loss for the year	-	-	-	(633,632)	(633,632)	431	(633,201)
Changes in interest in subsidiary without change in control	-	-	-	763	763	(2,815)	(2,052)
Payments received against advance to certain founding shareholders	-	-	4,244	-	4,244	-	4,244
Balance at 31 December 2019 (restated)	**9,294,000**	**108,506**	**(302,458)**	**(787,360)**	**8,312,688**	**2,316**	**8,315,004**

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

[illegible] Othman Alhekail
Chairman of the Board of Directors

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JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
For the year ended 31 December 2020
All amounts in Saudi Riyals thousands unless otherwise stated

	Notes	2020	2019 (Restated)
Cash flows from operating activities			
Loss *before* Zakat		(1,270,475)	(634,672)
Adjustments for:			
Depreciation on property, plant and equipment	6	279,523	212,211
Depreciation on investment properties	7	30,020	50,826
Amortization of intangible assets		1,190	1,048
Provision for employees' terminal benefits		9,884	10,527
Net impairment loss on financial assets		83,070	8,601
Loss from disposal of property, plant and equipment		3,730	-
Write-off of property, plant and equipment		10,640	-
Share of results of investment in a joint venture		(9,157)	(4,224)
Financial charges	27	488,935	632,038
Change in fair value of investments held at fair value through profit or loss		23,982	(114,710)
		(348,658)	161,645
Changes in operating assets and liabilities:			
Other non-current assets		3,347	(41,778)
Properties for development and sale		4,258	(412,721)
Other current assets		(7,490)	56,189
Trade and other receivables		99,373	(20,711)
Other non-current liabilities		(12,574)	36,432
Accounts payable and other current liabilities		17,719	325,163
Cash (used in) / generated from operations		(244,025)	104,219
Financial charges paid		(19,531)	(46,362)
Employees' termination benefits paid		(7,829)	(4,934)
Net cash (used in) / generated from operating activities		(271,385)	52,923
Cash flows from investing activities			
Additions to property, plant and equipment		(342,215)	(478,952)
Additions to investment properties		(13,902)	(257,672)
Purchase of intangible assets		-	(3,384)
Proceed from disposal of investment held at fair value through profit or loss		139,999	-
Additions to investment held at fair value through profit or loss		-	(72,059)
Proceed from disposal of investment held at amortized cost		150,441	120,549
Restricted cash balances received		218,061	347,233
Restricted cash balances disbursement		(120,136)	(120,417)
Net cash generated from / (used in) investing activities		32,248	(464,702)
Cash flows from financing activities			
Payments received against reserve for advance to certain founding shareholders		15,162	4,244
Loans and borrowings drawdown		773,151	1,042,762
Loans and borrowings repayment		(533,106)	(632,938)
Dividend paid to other unitholders of investment fund		(203,601)	(407,202)
Changes in interest in subsidiary without change in control		-	(2,052)
Dividend to paid to NCI		(386)	-
Repayment of lease		-	(8,381)
Net cash from financing activities		51,220	(3,567)
Net decrease in cash and cash equivalents		(187,917)	(415,346)
Cash and cash equivalents at beginning of the year		239,142	654,488
Cash and cash equivalents at end of the year		51,225	239,142

(Continued)

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk	Khaled Mohammed Al Amoudi	[illegible] Alhekail
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

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JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
For the year ended 31 December 2020
All amounts in Saudi Riyals thousands unless otherwise stated.

	Notes	2020	2019 (Restated)
MAJOR NON-CASH SUPPLEMENTAL INFORMATION			
Capitalization of borrowing cost on investment properties		57,905	123,384
Capitalization of borrowing cost on property, plant and equipment		117,056	237,567
Transfer from property, plant and equipment to non-current assets classified as held for sale	6	61,546	-
Transfer from investment property to non-current assets classified as held for sale	7	54,275	-
Transfer from investment property to property, plant and equipment	7	-	1,888,352
Right of use assets – previously classified as operating leases		-	15,824
Impairment of right of use asset charged to accumulated losses		-	166,073
Additional contribution to equity of joint venture against due from a related party		18,352	-
Addition of property, plant and equipment against due to related party			182,208

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Wael Emad El-Turk	Khaled Mohammed Al Amoudi	Ziyad Othman Alhekail
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

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(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

Jabal Omar Development Company ("the 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's envisioned project (hereafter, the "Project") comprises seven phases where each phase will include podiums and towers intended for mixed-use. The Group has completed development work and commenced operations for the first phase. The Group has substantially developed the second, third and fourth phases but the completion of development for these phases still requires a sizable amount of investment to be ready for their intended use. The Group has not commenced development of the remaining phases.

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 incurred a total comprehensive loss and negative operating cash flows amounting to Saudi Riyals 1,341 million and Saudi Riyals 271.4 million, respectively, during the year ended 31 December 2020. In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 2,425.6 million and the Group had accumulated losses amounting to Saudi Riyals 2,128.2 million as at 31 December 2020. Consequently, the Group is critically dependent on the cash that will be generated from debt financing 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 payments:

At 31 December 2020	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	2,793,759	5,766,211	3,103,231	814,870	12,478,071
Payable to other unit holders of investment fund	548,368	812,398	1,218,596	5,543,693	8,123,055
Accounts payable and other current liabilities	1,235,863	-	-	-	1,235,863
Other non-current liabilities	62,239	508,642	211,988	898,002	1,680,871
Provision for employees' terminal benefits	4,631	4,191	10,192	17,738	36,752
Liabilities against leases	11,588	6,494	8,978	-	27,060
Total	4,656,448	7,097,936	4,552,985	7,274,303	23,581,672

1. GENERAL INFORMATION (continued)

Going concern (continued)

The Group's obligations against lenders and banks do not carry financial covenant except for a loan amounting to Saudi Riyals 138 million included in the current liabilities. Also see Note 16.

In assessing the appropriateness of the applying the going concern basis in the preparation of these consolidated financial statements, the 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. The plan comprises the Group's liquidity and forecast cash flows taking into account reasonably possible outcomes over a 12-month period from the approval of these consolidated financial statements. This plan principally includes:

- During the year end, the Group executed the sale of a certain plot of land belonging to the seventh phase of the Project for an amount of Saudi Riyals 830 million and a profit of Saudi Riyals 714.2 million. The Group has already collected an advance payment amounting to Saudi Riyals 100 million. The Group expects to receive the remaining proceeds, amounting to Saudi Riyals 730 million, upon meeting the conditions for sale which includes, among other requirements, the transfer of title deed to the buyer. The remaining proceeds are expected to be received before 30 June 2021. Also see Note 14.

- The Group has committed to the sale of other plots belonging to the seventh phase. These plots are not developed and are in a very favourable location and expected to achieve high sales proceeds. Sale of other plots belonging to the seventh phase of the Project in respect of which the Group has commenced correspondence with real estate brokers and specific potential buyers. The sale of these plots is expected to generate cash from operations amounting to Saudi Riyals 4,460 million within twelve months from the date of the consolidated statement of financial position. Management has also assessed a scenario that the Group will not be able to fully satisfy its cash requirements from the sale of other plots in the seventh phase. In preparation for such scenario, the Group is already engaged in discussions to restructure its borrowing facilities, which are elaborated as follows:

    - During 2021, the Group entered into a financing arrangement amounting to Saudi Riyals 1.6 billion with a lender for the completion of the third phase of the Group's Project. Drawdowns from this facility will be made within twelve months from the date of the consolidated statement of financial position. Also see Note 34.

    - The Group is engaged in negotiations with a lender to defer the repayment of an obligation, amounting to Saudi Riyals 3,000 million, that is due to mature on 31 March 2022. The lender has supported the Group by acting as guarantor for the new financing arrangement amounting to Saudi Riyals 1.6 billion. On this basis, the Group's management is confident that an extension will be granted.

    - The Group is engaged in negotiations with a lender to restructure a loan facility amounting to Saudi Riyals 4,546 million as of 31 December 2020. An amount of Saudi Riyals 957 million is due to be paid during 2021. The negotiations are at an advanced stage and expected to conclude before 30 June 2021.

    - The Group plans to obtain approval from a lender to roll-over for a loan facility amounting to Saudi Riyals 1,000 million as of 31 December 2020 and due to mature on 30 November 2021. The loan facility has a history of roll-over in the past and, on this basis, the Group's management is confident that an extension will be granted. Also see Note 16 (d).

In preparing its forecast, the Group has considered all reasonably probable cash flows with such timing and amount as supported by the circumstances and facts available as of the date of issuance of these consolidated financial statements, including the impact of COVID-19. Based on the above plan, the Group's cash flow forecast for the 12 month period from the reporting date shows a net positive cash flow position. Due to the uncertainty created by COVID-19 and the impact on travel restrictions and / or demand, the aforementioned plan could be exacerbated as a result of a significant reduction in the liquidity during the assessment period. However, management continue to believe that it remains appropriate to prepare the financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months related to sale of other plots belonging to the seventh phase.

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 two branches in Jeddah and Riyadh bearing commercial registration numbers 4030291056 and 1010465230 respectively.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION (continued)

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 to22 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)

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 2020. The Group is incorporated in Kingdom of Saudi Arabia. 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 No.*	*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

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION (continued)

Name of the Subsidiary	*Registration No.*	*Registration date*	*Ownership interest*	*Financial year end*	*Principal activities*
Rasyat Company	4031051838	8 August 2017 corresponding to 15 Dhul Qadah 1438	100%	31 December	Investment in infrastructure facilities
Alinma Makkah Real Estate Fund	CMA letter no. 17/4432/5/3	22 August 2017 corresponding to 30 Dhul Qadah 1438	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

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard "IFRS" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public 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.

2.2 Basis of Measurement

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
Lease liability	Present value of minimum lease payment
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

2.3 New and amended standards adopted by the Group

There are no new standards issued, however, there are a number of amendments to standards which are effective from January 1, 2020 but they do not have a material effect on the Group's Consolidated Financial Statements.

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for the annual reporting period ended 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Basis of preparation (continued)

2.4 Critical accounting estimates, judgments and restatements

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

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.

In prior years, the group had recognised revenue transactions on a point in time for sales to the Albilad Makkah Hospitality Fund in relation to 90 residential units and after consideration of the agreements, it was determined the revenue should be recognised over time, as the Group had right to payment over 88 of those units. There were certain amendments in relation to 2 of the residential units which resulted in the Group no longer having right to payment and as such revenue on those arrangements will be recognized at a point in time, when the units are available for their intended use. Refer to note 36.

Furthermore, the Group's revenue transactions to the Albilad Makkah Hospitality Fund contained a first right of refusal. The Group also exercises judgment in determining whether the existence of a right of first refusal, if any, can give rise to an in-substance call option and whether the likelihood of exercising such call option would preclude the recognition of revenue. Management has determined the existence of first right of refusal would not result in in-substance call option which would preclude revenue recognition. This is on the basis that albeit the Fund has a limited life, the life of the Fund could be extended by the unitholders or alternatively assets in the Fund could be distributed to the unitholders.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers, this is based on the stand alone selling price of each unit. The total transaction price for the units was Saudi Riyals 1,105 million.

2 Basis of preparation (continued)

2.4 Critical accounting estimates, judgments and restatements

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 recognised 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. Management expects both the 88 units and 2 units to be available for operational readiness by October 2021. As a result of this the expected delay penalty is Saudi Riyals 154.8 million. If the units are not available by the expected date and there is a further delay, for every delayed month an additional penalty of Saudi Riyals 3.7 million will be due.

<u>Recognition of revenue overtime</u>

The transaction price for the 88 units was Saudi Riyals 886 million, net of delay penalties. For the 88 units Management have used the percentage of completion method using estimated costs to complete, to determine how much revenue should be recognised overtime. In calculating the amount of revenue to be recognised, management considered reports from appropriate project managers to determine the percentage of completion. The method for estimating the POC used was the input method, and the basis of applying this method were the Group's costs incurred relative to the total estimated costs to complete the satisfaction of the performance obligation. As at 31 December 2020 the estimated POC for the 88 units was 90.1%, the transaction price for the remaining performance obligation to be completed is Saudi Riyals 96.3 million . The Group expects to complete the remaining performance obligations in relation to these units by October 2021.

<u>Recognition of revenue at a point in time</u>

The transaction price for the 2 units was Saudi Riyals 75 million. As described above, there was an amendment to the original sales contract in respect of 2 residential units, which resulted in the Group no longer having right to payment, as such revenue in relation to these units has been reversed, details of which are provided in note 36. As per the terms and conditions of the amendment the Buyer holds 2 promissory notes which it is able to exercise and demand a refund for these units, even when they are complete. As such the Group does not have a present right to payment for these units and a liability has been recognised for the advance which has been received for these units. On this basis management considers that control of these units will not pass to the buyer until the promissory notes expire and the units are handed over to the Buyer. Handover on these units is expected to be in October 2021.

<u>Consolidation of structured entities</u>

The Group consolidates Alinma Makkah Real Estate Fund (the"Fund") by virtue of the Group's ability to control the Fund. The Fund has a limited life and defined purpose, whereas activities are restricted, decisions are largely defined on design of the entity, is thinly capitalised and was set up to provide liquidity to the Group, and as such the Fund was considered a structure entity.

As the Fund was considered a structured entity, the Group's ability to control the Fund is determined by assessing power arising from contractual rights with the Fund and analysis of the purpose and design of the Fund taking into consideration the following factors:

- *Purpose and design*: The purpose of the transaction and the Fund structure was to provide the Group with liquidity to settle obligations which were due. The Fund was designed to provide unitholders with a fixed rate of return on their investment and the unitholders would not benefit from the increase in the fair value of the underlying properties. Certain contractual arrangements, such as the repurchase right, would allow the Group to continue to benefit from the properties as if such properties were owned.

2 Basis of preparation (continued)

2.4 Critical accounting estimates, judgments and restatements (continued)

Consolidation of structured entities

- *Assessment of what relevant activities are*; The most relevant activity was determined as management of the residual value of the underlying assets.

- *How decisions about the relevant activities are made*; The Group analyzed evidence of how decisions about the most relevant activity are made and its current ability to manage the most relevant activity of the investee according to the specific business needs (including any decisions that may arise only in particular circumstances). The Group determined the existence of a repurchase option [which when exercised during certain periods of the lease at a predetermined price] grants the Group the current ability to direct the most relevant activity of the Fund.

- *Whether the Group is exposed to or has rights to variable returns from its involvement with the investee*; The Group considered the most variable returns to be the Group's ability to purchase the properties at a fixed price. As the fair value of the properties in excess of this value, this provides the Group with significant variable returns. Furthermore, the Group currently holds an investment in the units of the Fund which would also provide the Group with variable return albeit not the most significant.

- *The ability to use the Group´s power over the investee to affect the amount of the Group's returns*; As can be noted above, the Group is able to exercise the option to purchase the properties at a fixed price and as such as the ability to extract the value from the Fund by exercising the repurchase right.

Considering the various contracts, the repurchase right of the leased assets was considered to provide the Group with the ability to manage both the residual value of the assets and to some extent the credit risk related to the variable returns from the Fund.

Assessment of Al Bilad Makkah Hospitality Fund for consolidation

The Group holds an investment of 20 million units in Albilad Makkah Fund ("Albilad Fund"). The Fund was established in 2016 and certain transactions related to the sale of residential units were conducted with the Albilad Fund. The Albilad Fund is a property Fund with a limited life of 10 years. Refer Note 9 and 36 for more information on the transaction with the Albilad Fund.

The Albilad Fund is considered a structured entity from an IFRS perspective and would need to be considered for consolidation. Management considered the requirements for structured entities and applied judgement in determining whether the Albilad Fund should be consolidated. In the case of the AlBilad Fund, the Group does not hold a repurchase right but merely a right of first refusal and this right would be exercised at fair value. There are other contractual agreements with the Albilad Fund, but management assessed these and determined these do not provide power to the Group. Currently, the Albilad Fund is managed by the Fund manager, Albilad Investment Company, and the Fund manager has the ability to make decisions in relation to the residual units. The Group is not exposed to substantial variable returns as any repurchase occurs at fair value. Furthermore, the exposure of the Group via the units held in Albilad Fund is not considered significant.

On this basis, the requirements of control are not met as the Group does not appear to have power nor significant variable returns.

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.

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

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 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.

2 Basis of preparation (continued)

2.4 Critical accounting estimates, judgments and restatements (continued)

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.

During the current year it was determined that indicators of impairment existed and as such a detailed impariment assessment was performed. Refer note 6 for the details on the impairment testing.

Useful lives and residual value of property, plant and equipment, intangibles and investment property

The Group determines the estimated useful lives of property, plant and equipment, intangibles and investment properties for calculating depreciation and amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. 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.

Refer Note 12 for the details on the NRV.

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.

Going concern

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

Zakat assessments

As noted, in Note 22 on Zakat payable, the Group has received a zakat assessment from GAZT till 2018 of approximately Saudi Riyals 477 million and recorded zakat payable based on the received assessment of Saudi Riyals 68 million. The Group has filed an appeal against the open assessments. In determining the amount payable to GAZT, the Group has applied their judgement and interpretation of the GAZT requirements for calculating Zakat.

3. Basis of consolidation

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note 1. The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

Consolidation of structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements". Such entities generally have restricted activities, have a narrow and well defined objective, such as:

- to effect a specific structure (for example, a tax-efficient lease);
- to perform research and development activities; or
- to provide a source of capital or funding to an entity or to provide investment opportunities for investors by passing risks and rewards associated with the assets of the structured entity to investors.
- Thin capitalisation (that is, the proportion of 'real' equity is too small to support the structured entity's overall activities without subordinated financial support).
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (tranches).

The key criterion in determining whether an entity is a structured entity is whether voting or similar rights are dominant, such that they convey substantive decision-making powers, or whether substantive powers have been prescribed through contractual terms (for example, an 'autopilot' arrangement). Where voting rights are the dominant factor in decision-making powers over an entity, that entity is not a structured entity.

Consolidation of structured entity is not decided solely by legal ownership. The key to determining whether an investor should consolidate a structured entity is whether the investor controls that structured entity. IFRS states that "an investor controls an investee when the investor 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". This definition applies to all entities, including structured entities. The difference with structured entities is that, often, the normal substantive powers (such as voting rights) are not the means by which the investee is controlled. Rather, relevant activities are directed by means of contracts. If those contracts are tightly drawn, it might initially appear that none of the parties has power over the structured entity. As a result, additional analysis is required to ascertain which party controls the structured entity.

As such, understanding the purpose and design of the entity and consideration of the following matters need to be considered when assessing who has the power to direct a structured entity's relevant activities:

- Involvement in, and decisions made at, the structured entity's inception as part of its design.
- Contractual arrangements established at the structured entity's inception.
- Rights to direct the structured entity's relevant activities that are only activated when certain events occur.
- Commitment to ensure that the structured entity operates as designed.

In particular, decision-making rights that take effect only when particular circumstances arise or events occur need to be considered carefully in assessing control. An investor with these rights can have power over the structured entity, even if those circumstances have not yet arisen, where the rights give the investor the practical ability to direct the investee's relevant activities.

3 Basis of consolidation (continued)

Another key factor in structured entities is understanding the variable returns. Variable returns should be considered more and may include returns, from dividends, fees and tax benefits to economies of scale and cost savings. The analysis therefore covers not only financial, but also operational, benefits and risks. For further guidance on variability.

If the Group has power to direct the relevant activities, is exposed to the variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, the structured entity is consolidated.

4. Functional and Presentation Currency

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

5.1 Principles of consolidation and equity accounting

a) Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (including structured entities) for all the periods presented. 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; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result 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 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 other comprehensive income (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 subsidiaries 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus in statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

5. Summary of significant accounting policies (continued)

5.1 Principles of consolidation and equity accounting (continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

Joint operations
The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

Joint ventures
Interests in joint ventures are accounted for using the equity method (see *(c)* below), after initially being recognised at cost in the consolidated Statement of Financial Position.

c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 5.7.

d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statement of profit or loss and other comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

5. Summary of significant accounting policies (continued)

5.2 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The financial statement are presented in Saudi Riyals , which is functional currency of all Group entities.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective 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.

Differences arising on settlement or translation of monetary items are recognised in the Group's 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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

5.3 Current versus non-current classification

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 realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised 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.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in 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.

5.4 Property, plant and equipment

Property, plant and equipment is recognised 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 recognised 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 recognised as a provision).

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 recognises 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.

The cost of replacing a part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. Summary of significant accounting policies (continued)

5.4 Property, plant and equipment (continued)

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.

5.5 Intangibles assets

Intangibles assets comprise software licenses for computer, which have finite lives and are amortised 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 amortisation expense on intangible assets is recognised 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 recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

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

5. Summary of significant accounting policies (continued)

5.6 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 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. Refer to note 5-9 for initial and subsequent measurement.

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 recognised 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 recognised in the consolidated statement of profit or loss and other comprehensive income.

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
● Buildings	85
● Equipment	16 – 20
● Infrastructure assets	20 – 85

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of profit or loss and other comprehensive income during the reporting period in which they are incurred.

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. If an investment property becomes owner-occupied, it is reclassified as properties, plant and equipment. Its carrying amount at the date of reclassification becomes its cost for subsequent accounting as properties plant and equipment. Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the properties is transferred to 'development properties' at its carrying amount for subsequent accounting as development properties.

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

5. Summary of significant accounting policies (continued)

5.7 Impairment on 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 recognised. 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.

5.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated statement of profit or loss and other comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Classification of financial liabilities

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

5. Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short-term or long-term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments
Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of profit or loss and other comprehensive income and presented in other gains / (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in consolidated statement of profit or loss and other comprehensive income and presented net within other gains / (losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated statement of profit or loss and other comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of profit or loss and other comprehensive income as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

5. Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Group determines impairment methodology for other receivables.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

5.9 Leases

a) Group as a lessee

(i) At initial recognition

The Group acting as lessee recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The right-of-use asset is measured at its cost which includes the amount of the initial measurement of the lease liability, 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, unless those costs are incurred to produce inventories.

The lease liability is measured at the present value of the lease payments that are not paid at the date of the consolidated statement of financial position.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured at the applicable index or rate at the lease commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, or the penalty payable on the exercise of a termination option unless the Group is reasonably certain not to exercise the option; and
- any amounts expected to be payable under residual value guarantees

Lease payments to be made under reasonably certain extension options are also included in the measurement of the labilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group is using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(ii) Depreciation of Right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

5. Summary of significant accounting policies (continued)

5.9 Leases (continued)

Depreciation is charged to consolidated statement of profit or loss and other comprehensive income using the straight-line method to allocate their costs over their lease term.

(iii) Subsequent measurement

Right-of-use assets
The Group adopts the cost model to measure right of use assets. After recognition as an asset, right-of-use assets are carried at its initial recognition amounts less any accumulated depreciation and impairment losses, if any.

Lease liabilities

The lease liability is measured as follows:
a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Where the Group is exposed to potential future increases in variable lease payments based on an index or rate, these are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

b) Group as a lessor

(i) Operating leases
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 5.23. 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.

(ii) Finance lease
Leases in which the Group transfer substantially all the risk and rewards are classified as finance lease. Amounts due from lessees under finance lease are recognized as receivables at the amount of the Company's net investments in the leases. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Gross investment in finance lease represents the gross lease payments receivable to the Company, and the net investment in finance lease represents the present value of these lease payments including any guaranteed residual value, discounted at interest rate implicit in the lease. The difference between the gross investment in finance lease and unearned finance income represents net investment in finance lease which is stated net of allowance for impairment.

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. The letting fees are capitalised within the carrying amount of the related investment properties and are amortized over the lease term.

5.10 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.

5. Summary of significant accounting policies (continued)

5.11 Trade receivables

Trade receivables are amounts due from customers for properties sold and services performed in the ordinary course of business. If collection is due in one year or less, they are classified as current. If not, they are presented as non-current. Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less loss allowance. Refer Note 5.8 for a description of the Group's impairment policies. Such provisions are charged to the consolidated statement of profit or loss and other comprehensive income. When trade receivables are uncollectible, they are written-off against the provision for doubtful debts.

5.12 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.

5.13 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.

5.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

5.15 Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. Summary of significant accounting policies (continued)

5.16 Employee benefits

a) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Post-employment obligation

The Group operates a post-employment benefit scheme of defined benefit plans driven by the labour laws requirement in the Kingdom of Saudi Arabia for the Group.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of profit or loss and other comprehensive income as past service costs.

The Company also provides certain post-employment healthcare benefits to Saudi employees and certain dependents. These benefits are unfunded. The cost of providing these benefits under the defined benefit plans is determined using an actuarial valuation method. Actuarial gains or losses are recognized in the consolidated statement of profit or loss and other comprehensive income.

The past service cost is recognized as an expense on a straight-line basis over the average year until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the statement of financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yield (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-retirement benefit obligations.

The Group uses the yield available on the Sukuk bonds as a reasonable assumption for the discount rate.

5.17 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

5.18 Provisions

Provisions are recognized when:

- the Group has a present legal or constructive obligation as a result of a past event
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated

5. Summary of significant accounting policies (continued)

5.18 Provision (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the consolidated statement of the comprehensive income, net of reimbursements.

5.19 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 recognised at the present value of redemption amount. All subsequent changes in liability is recognised 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 amortised cost.

5.20 Zakat

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of General Authority for Zakat and Tax ("GAZT"). 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 finalisation 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.

5.21 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

5.22 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

5.23 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.

5. Summary of significant accounting policies (continued)

5.23 Revenues (continued)

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

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

3. 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.

a) 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.

a) 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.

b) 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.

c) Revenue recognition

Revenue on sale of development properties is recognised 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 recognised 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

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).

5. Summary of significant accounting policies (continued)

5.23 Revenues (continued)

Point in time contracts

Where the criteria for overtime revenue recognition is not met, revenue is recognised 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.

b) 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.

c) 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.

5.24 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.

5.25 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 t0 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.

5 Summary of significant accounting policies (continued)

5.26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to shareholders of the Group.
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

5.27 Segmental Reporting

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:

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Property, plant and equipment

	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
Cost:								
Balance at 1 January 2019 (Restated)	2,833,218	2,953,196	505,025	1,033,610	629,128	266,866	7,577,023	15,798,066
Additions during the year	-	21,062	-	6,055	50,222	-	636,052	713,391
Transfers from investment properties (note 6(b))	124,328	578,390	-	195,629	-	-	990,005	1,888,352
Transfers from CWIP	-	655,199	-	733,219	87,913	162,191	(1,638,522)	-
Balance at 31 December 2019 (restated)	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
Remeasurement	-	-	-	-	16,996	-	-	16,996
Disposals during the year	-	-	-	-	(5,164)	-	-	(5,164)
Write - off	-	-	-	-	(26,600)	-	-	(26,600)
Transfers from CWIP	-	-	502,129	-	-	-	(502,129)	-
Transfer to non-current asset classified as held for sale (note 6(d))	(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

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Property, plant and equipment (continued)

	Land	Buildings	Central district cooling system	Equipment	Furniture and fixtures and other assets	Infrastructure assets	Capital work in progress	Total
Accumulated depreciation:								
Balance at 1 January 2019 (Restated)	-	53,117	60,670	72,671	148,683	22,521	-	357,662
Depreciation for the year	-	41,347	15,168	57,533	90,831	7,332	-	212,211
Transfer from investment properties (note 6(b))	-	36,786	-	38,868	-	-	-	75,654
Balance at 31 December 2019 (Restated)	-	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
Disposals during the year	-	-	-	-	(1,435)	-	-	(1,435)
Write - off	-	-	-	-	(15,960)	-	-	(15,960)
Balance at 31 December 2020	-	184,788	119454	250,983	314,592	37,838	-	907,655
Net book value:								
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
At 31 December 2019 (Restated)	2,957,546	4,076,597	429,187	1,799,441	527,749	399,204	7,564,558	17,754,282
At 1 January 2019 (Restated)	2,833,218	2,900,079	444,355	960,939	480,445	244,345	7,577,023	15,440,404

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 recognises the DCS from the commencement of construction by CDCC. Refer to the restatement note at Note 36.

b. These represent amounts transferred from investment properties to property, plant and equipment on account of the change in the nature of use from long-term rental yields and capital appreciation to owned use.

c. Refer to the restatement note at Note 36.

d. 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. Also refer Note 14.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Property, plant and equipment (continued)

e. 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 Saudi Riyals 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 Saudi Riyals 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 recognised this remaining unrecorded land in its consolidated financial statements, considering the following:

- No title deeds had been submitted for the past 2 years;
- In respect of the shareholders 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
- 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.

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 recognised. 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.

f. During the year ended 31 December 2020, an amount of SR 117 million (31 December 2019: SR 238 million) was capitalized as borrowing costs for the construction of property, plant and equipment included in capital work in progress. Further, the capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 4.26% (2019: 5.03 %).

g. At 31 December 2020, the Group's property, plant and equipment with a carrying amount of Saudi Riyals 2,532 million (2019: Saudi Riyals 2,532 million) were mortgaged as collateral against loans and borrowings and payable to other unitholders of investment fund. Also, see Note 16 and 21.

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

Furniture and fixture and other assets	2020
As at 1 January 2020	10,490
Remeasurement	16,996
Depreciation	(11,646)
As at 31 December 2020	15,840

6. Property, plant and equipment (continued)

i. 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 a risk 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 properties, 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 Cash Generating Unit "CGUs". The Group has determined the recoverable amounts of each CGU by assessing the fair value less cost of disposal (FVLCOD) 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 i.e. 'Esnad Real Estate Valuation' 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). Esnad has 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 analysed 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, if any.

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.

6. Property, plant and equipment (continued)

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

Assumption	Approach used to determining values
Average daily rate / lease rate per square meter	Based on the actual location, type and quality of the properties and supported by historic trends and approved room rents and lease rates including impacts of expected inflations.
Estimated occupancy rate	Based on current 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.
Capitalisation 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 finance department, based on management's 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Property, plant and equipment (continued)

The following table sets out the key assumptions for the CGUs of the Group:

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

JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)
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6. Property, plant and equipment (continued)

CGU	Valuation technique	Discount rate	Estimated occupancy rate	Average daily rate / lease rate per square meter	Cost to complete	Retail developed land value per square meter	Capitalisation rate	Sensitivities
Hilton Convention Center	Weighted average of cost approach and income approach	7%	73.87%	350 – 4,500	-	Price per square meter (Saudi Riyal per meter square) 2,329-214,286	4%	Change in discount rate Change in Cap rate: -1% / 0% / 1% -1%: 7% / 3% / 1% 0: 3% / 0% / -2% 1%: 0% / -3% / -4%
Al Khalil Malls (S1 & S2)	Income approach	7.5% - 8%	95% - 97%	3,7765- 7,000	-	-	5.5%	Change in discount rate Change in Cap rate: -1% / 0% / 1% -1%: 21% / 7% / -3% 0: 13% / 0% / -9% 1%: 6% / -6% / -14%
DoubleTree Hotel	Income approach	7%	73.01%	400 – 1,800	-	-	4%	Change in discount rate Change In Cap rate: -1% / 0% / 1% -1%: 29% / 13% / 3% 0: 14% / 0% / -8% 1%: 1% / -11% / -18%
Commercial Area - N3	Income approach	7%	100%	3,000	-	-	4%	Change in discount rate Change In Cap rate: -1% / 0% / 1% -1%: 31% / 10% / -2% 0: 18% / 0% / -11% 1%: 7% / -9% / -19%
Phase 2 – Jumeirah (under construction)	Weighted average of cost approach and Residual approach	8.5%	78.01%	500 – 2,200	422,399	Price per square meter (Saudi Riyal per meter square) 11,400-214,286	4%	Change in discount rate Change In Cap rate: -1% / 0% / 1% -1%: 7% / 3% / 1% 0: 3% / 0% / -2% 1%: 0.2% / -3% / -4%
Phase 2 – Commercial Mall 2 (under construction)	Income approach	8%	100%	2,800	-	-	5.5%	Change in discount rate Change in Cap rate: -1% / 0% / 1% -1%: 20% / 11% / -2% 0: 8% / 0% / -11% 1%: -2% / -9% / -20%

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(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Property, plant and equipment (continued)

CGU	Valuation technique	Discount rate	Estimated occupancy rate	Average daily rate / lease rate per square meter	Cost to complete	Retail developed land value per square meter	Capitalisation rate	Sensitivities
Phase 3 - The Address H1 (under construction)	Cost approach	8.5%	75.08%	450 – 2,000	295,555	Price per square meter (Saudi Riyal per meter square) 15,741-214,286	4%	Cost to complete +/- 5% leads to change in fair value of (1.1%) and (1.1)% respectively
Phase 3 – Commercial Mall 3 (under construction)	Income approach	8%	100%	2,300	-	-	5.5%	Change in discount rate: Change / -1% / 0% / 1% In / -1% / 32% / 11% / -2% Cap / 0 / 19% / 0% / -11% rate / 1% / 7% / -9% / -19%
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%	Change in discount rate: Change / -1% / 0% / 1% in / -1% / 35% / 12% / -3% Cap / 0 / 21% / 0% / -13% rate / 1% / 8% / -10% / -21%
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

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 are 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Investment properties

	Land	Buildings	Equipment	Infrastructure Assets	Capital work in progress	Total
Cost:						
Balance at 1 January 2019 *(Restated)*	1,518,276	1,447,568	556,358	92,335	2,999,052	6,613,589
Additions	-	10,805	4,373	-	414,552	429,730
Transfers to property, plant and equipment (note 7(b))	(124,328)	(578,390)	(195,629)	-	(990,005)	(1,888,352)
Balance at 31 December 2019 *(Restated)*	1,393,948	879,983	365,102	92,335	2,423,599	5,154,967
Additions	-	-	2,113	-	69,694	71,807
Transfer to non-current asset classified as held for sale (note 7(d))	(54,275)	-	-	-	-	(54,275)
Balance at 31 December 2020	1,339,673	879,983	367,215	92,335	2,493,293	5,172,499
Accumulated depreciation:						
Balance at 1 January 2019 *(Restated)*	-	47,288	64,203	13,985	-	125,476
Depreciation for the year	-	17,792	30,844	2,190	-	50,826
Transfers to property, plant and equipment (note 7(b))	-	(36,786)	(38,868)	-	-	(75,654)
Balance at 31 December 2019 *(Restated)*	-	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
Net book value:						
At 31 December 2020	1,339,673	840,631	293,998	74,236	2,493,293	5,041,831
At 31 December 2019 (Restated)	1,393,948	851,689	308,923	76,160	2,423,599	5,054,319
At 1 January 2019 (Restated)	1,518,276	1,400,280	492,155	78,350	2,999,052	6,488,113

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 2020, an amount of Saudi Riyals 57.9 million (31 December 2019: SR 123.3 million) was capitalized as borrowing costs for the construction of investment properties included in capital work in progress. 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 year, in this case 4.26% (2019: 5.03 %).

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 Investment properties (continued)

b) During the year 2019, the Group's investment properties were transferred to property, plant and equipment after the expiry of the lease agreement.

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

d) 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. Also refer Note 14.

e) Deprecation charge for the year ended 31 December 2020 and 2019 has been allocated to cost of sale.

f) At 31 December 2020, the Group's investment properties with a carrying amount of Saudi Riyals 1,018 million (2019: Saudi Riyals 1,018 million) were mortgaged as collateral against loans and borrowings and unitholders of investment fund. Also, see Note 16 and 21.

g) Please refer to the restatement note at Note 36.

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

	For the year ended 31 December	
	2020	2019
Rental income from operating leases	26,302	212,193
Direct operating expenses on property that generated rental income	(78,907)	(145,262)

There were no direct operating expenses on investment properties that did not generate rental income (under development) during 2020 and 2019.

i) Following is the fair value of investment properties, held by the Group:

	2020	2019
Rental income	8,399,096	11,600,000

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.

j) 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.

k) Minimum lease payments receivable on leases of investment properties held for rental income are as follows:

	2020	2019
Within 1 year	41,929	77,932
Between 1 and 2 years	18,637	38,266
Between 2 and 3 years	3,926	14,215
	64,492	130,413

Management has assessed that the lease agreements establishes specific rights and obligations that apply in current COVID-19 situation. Moreover, actions taken by competent authority taken in response to COVID-19 can be treated as a force majeure. Rent amounts have been treated negative variable lease payments and the reduction in payments has been recognised in the current period in which events and conditions occurred that triggered reduced payments.

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

7 Investment properties (continued)

m) Valuation of properties held for rental income:

The Group engaged independent professionally qualified valuation experts i.e. 'Esnad Real Estate Valuation', who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued to determine fair value of properties at 31 December 2020 (2019: Esnad Real Estate Valuation). This valuer is 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 and regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). 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 analysed 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.

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

Valuation methodology:

For all commercial centers completed or under development, the valuation was determined using income approach based on significant unobservable inputs.

Income approach: Under this approach, the valuer 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.

Also refer Note 6 (i) for key assumptions and information about fair value measurements using significant unobservable inputs.

As at 31 December 2020, there was no impairment and the fair value of the properties for rental income was higher than the carrying amount.

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

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

8 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. Refer to the restatement note at Note 36.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Investment in a joint venture (continued)

Summarized statement of financial position of CDCC:

	31 December 2020	31 December 2019
Current assets		
Prepayments and other current assets	16,985	39,194
Net investment in finance lease, current	19,727	15,781
Amounts due from a partner	88,211	75,537
Cash and cash equivalents	5,799	4,274
	130,722	134,786
Non-current assets		
Tools and equipment	2,275	23
Plant under construction	-	182,208
Right-of-use asset	26,935	27,785
Derivative financial instruments	-	-
Net investment in finance lease, non-current	782,379	610,763
	811,589	820,779
Current liabilities		
Accounts payable, accruals and other liabilities	64,177	89,558
Amounts due to related parties	63,804	38,342
Current portion of term loan	12,745	35,906
Current portion of lease liability	5,000	4,048
Zakat provision	2,316	2,490
	148,042	170,344
Non-current liabilities		
Term loan, non-current portion	413,571	423,758
Derivative financial instruments	-	898
Advances against project	-	16,862
Lease liability	47,101	48,144
	460,672	489,662
Net assets	333,597	295,559

	31 December 2020	31 December 2019 (Restated)
Reconciliation to carrying amounts:		
At the beginning of the year	295,559	265,631
Additional equity contribution	18,352	16,000
Profit for the year	18,851	14,853
Other comprehensive income for the year	-	(925)
Cumulative changes in fair value of cashflow hedges	835	
Closing net assets	333,597	295,559
Group's share in %	40%	40%
Group's share in CU	133,439	118,224
Eliminations	(18,849)	(31,142)
Carrying amount	114,590	87,082

Summarized statement of profit or loss of CDCC:

	31 December 2020	31 December 2019
Revenue	80,358	93,222
Interest expense	(26,608)	(31,047)
Depreciation and amortization	(1,291)	(1,327)
Zakat	(2,307)	(2,436)
Profit for the year	18,851	14,854
Other comprehensive loss for the year	-	(925)
Total comprehensive income for the year	18,851	13,929

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Investment held at fair value through profit or loss

9.1 Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

9.2 Equity investments at fair value through profit or loss

	Note	Carrying value as at		Unrealized (loss) gain as at	
		31 December 2020	31 December 2019 (Restated)	31 December 2020	31 December 2019 (Restated)
Non-current assets					
Al Bilad Makkah Hospitality Fund	a	304,710	331,000	(26,290)	111,000
Current assets					
Alinma Saudi Riyal Liquidity Fund	b	67,836	205,527	2,308	3,710

a) This represents investment in 20 million units (31 December 2019: 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 more than independent valuer (referred to as 'Indicative NAV'). Management believes that indicative NAV is a reasonable approximation of the fair value of the investee. As per the latest audited financial statements of the investee for the year ended 31 December 2020, the Indicative NAV per unit amounts to Saudi Riyals 15.24 (31 December 2019 : Saudi Riyals 16.55), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2020.

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) Refer to the restatement note at Note 36.

9.3 Amounts recognised in statement of profit or loss and other comprehensive income.

	31 December 2020	31 December 2019
Fair value loss recognised in statement of profit or loss and other comprehensive	26,290	-
Fair value gain recognised in statement of profit or loss and other comprehensive	2,308	114,710

9.4 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 31.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Cash and cash equivalents

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Cash on hand	462	330	436
Cash at banks (see notes (a), (b) and (c) below)	641,672	927,646	1,569,702
	642,134	927,976	1,570,138
Less: Restricted cash– non-current (see note (a) below)	(242,590)	(242,590)	(342,590)
Less: Restricted cash – current (see note (a) below)	(348,319)	(446,244)	(573,060)
Cash and cash equivalents	51,225	239,142	654,488

a) Restricted cash includes an amount of Saudi Riyals 352.5 million placed in Murabaha deposits with commercial banks having original maturity of three month (31 December 2019: Saudi Riyals 462 million) and yielding profit at prevailing market rate. However, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks.

b) Balance in bank accounts with entities having common directorship with the Group amount to Saudi Riyals 50.3 million as at reporting date (31 December 2019: Saudi Riyals 13.7 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 2020 and 2019.

11 Other assets

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Other non-current assets			
Accrued rent	19,944	23,291	19,191
Other current assets			
Prepaid expenses	11,194	10,501	18,970
Hotels other receivables	16,468	8,764	12,016
Other	4,560	5,467	12,260
Total	32,222	24,732	43,246

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.

12 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 31 December 2020 is as follows:

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Opening balance	1,423,302	1,010,580	313,605
Additions	11,771	455,843	1,192,750
	1,435,073	1,466,423	1,506,355
Less: Charged to cost of revenue	(16,029)	(43,121)	(495,775)
	1,419,044	1,423,302	1,010,580

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Properties for development and sale (continued)

12.1 At 31 December 2020, the Group's development properties amounting to Saudi Riyals 146 million were mortgaged as collateral to the local commercial banks. Also refer Note 16 for more details.

12.2 Development properties recognized as an expense during the year ended 31 December 2020 are included in cost of development properties sold. Refer Note 24.

12.3 Determination of net realisable value:

At 31 December 2020 and 31 December 2019, the net realizable value of the properties is assessed to be higher than their carrying value.

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 2020 and 2019, the net realizable value of the residential units is assessed to be higher than their carrying value.

13 Trade and other receivables

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Receivables from contract with customers	36,679	71,151	61,035
Receivables from rental income	53,382	52,011	34,285
Receivables in respect of properties for development and sale	17,532	25,413	31,799
Contract assets	69,996	64,956	93,112
Advances to suppliers	6,538	68,926	59,816
Accrued rental income	-	9,312	3,259
Margin and other deposits	14,571	19,771	14,571
Other receivables	7,127	11,487	4,439
Less: net impairment loss on financial assets	(104,297)	(20,705)	(12,104)
	101,528	302,322	290,212

Trade receivables are non-derivative financial assets carried at amortised 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 2020, five largest customers accounted for 36% (31 December 2019: 5.5%) of the outstanding trade 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.

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

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Receivables from contract with customers	13.1	26,571	864
Receivables from rental income	13.2	47,749	19,841
Receivables in respect of properties for development and sale	13.3	17,532	-
Contract assets	13.4	12,445	-
		104,297	20,705

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Trade and other receivables (continued)

13.1 Movement in provision for impairment of receivables from contract with customers is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Opening balance	864	1,096
Charge for the year	25,707	-
Reversals during the year	-	(232)
Closing balance	26,571	864

13.2 Movement in provision for impairment of receivables from rental income is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Opening balance	19,841	11,008
Charge for the year	27,908	8,833
Closing balance	47,749	19,841

13.3 Movement in provision for impairment of receivables in respect of properties for development and sale is as follows:

	31 December 2020	31 December 2019
Opening balance	-	-
Charge for the year	17,532	-
Closing balance	17,532	-

13.4 Movement in provision for impairment of contract assets is as follows:

	31 December 2020	31 December 2019
Opening balance	-	-
Additions	12,445	-
Closing balance	12,445	-

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

14 Non-current assets classified as held for sale

On 13 December 2020, the Group entered into a contract for sale of a plot of land related to seventh phase, measuring 2,572 square meters, located in Phase 7 of the Group's Project with price amounting to Saudi Riyals 830 million. The asset has a carrying amount of Saudi Riyals 115.8 million as at 31 December 2020. The Group did not dispose of the land during 2020. The Group has already collected an advance payment amounting to Saudi Riyals 100 million including Saudi Riyals 20 million during the year 2020. The remaining proceeds are expected to be received before 30 June 2021 upon meeting the conditions for sale which includes, among other requirements, the transfer of title deed to the buyer.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Capital and reserves

15.1 Share capital

As at 31 December 2020, the Company's share capital is divided into 929,400,000 shares of Saudi Riyals 10 each.

15.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year 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.

15.3 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 II 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.

16 Loans and borrowings

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

	31 December 2020	31 December 2019	1 January 2019
Loans and borrowings	10,529,748	9,927,519	9,119,964
Accrued commission on term loan	433,374	314,550	190,329
Less: Deferred financial charges	(23,041)	(31,236)	(38,080)
	10,940,081	10,210,833	9,272,213
Current portion	(2,592,201)	(5,262,821)	(3,613,183)
Non-current portion	8,347,880	4,948,012	5,659,030

Non-current portion

	31 December 2020	31 December 2019	1 January 2019
Government loan (note (a) below)	3,000,000	-	1,000,000
Accrued commission	318,300	-	-
Syndicate loan (note (b) below)	3,587,699	3,898,208	3,799,404
Accrued commission	-	19,836	-
Facility from a local bank (note (c) below)	331,770	546,770	341,266
Accrued commission	2,873	-	-
Facility from a local bank (note (g) below)	600,000	-	-
Accrued commission	15,856	-	
Facility from a local bank (note (f) below)	-	-	39,969
Subordinated Sukuk (note (h) below)	506,250	506,250	506,250
	8,362,748	4,971,064	5,686,889
Less: Deferred financial charges	(14,868)	(23,052)	(27,859)
	8,347,880	4,948,012	5,659,030

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Loans and borrowings (continued)

Current portion

	31 December 2020	31 December 2019	1 January 2019
Facility from a local bank (note (d) below)	1,000,000	1,000,000	1,000,000
Accrued commission	28,553	12,492	12,137
Syndicate loan (note (b) below)	957,029	-	-
Accrued commission	840	16,368	37,539
Facility from a local bank (note (c) below)	272,973	25,000	279,313
Accrued commission	11,851	10,522	11,465
Facility from a local bank (note (e) below)	135,753	147,981	76,448
Accrued commission	1,757	2,736	-
Facility from a local bank (note (f) below)	138,274	203,310	77,314
Accrued commission	969	-	-
Government loan (note (a) below)	-	3,000,000	2,000,000
Accrued commission	42,421	245,126	124,806
Facility from a local bank (note (g) below)	-	600,000	-
Accrued commission (note (g) below)	3,560	797	-
Accrued commission (note (h) below)	6,394	6,673	4,382
	2,600,374	5,271,005	3,623,404
Less: Deferred financial charges	(8,173)	(8,184)	(10,221)
Current portion	2,592,201	5,262,821	3,613,183

a) On 13 December 2011 (corresponding to 18 Muharram 1433H), the Group signed an agreement with a government entity to obtain a loan amounting to Saudi Riyals 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 semi-annual installments commencing from 1 January 2014.

   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 spread.

   During 2020, the Group obtained approval form the lender to postpone repayment of all installments that were due on, or before, 31 December 2020 until 31 March 2022. As result, the Group has recognized modification losses amounting to Saudi Riyals 9.3 million, recorded under finance charges, as a result of facilities rescheduled during the year.

   The Group has pledged Phase 3 to the lender as mortgage against the loan's amount. There are no financial debt covenants related to the facility.

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 is payable over a period of 12 years from the date of signing the agreement in quarterly payments ending at September 2027. The Group has an option to extent the repayment schedule for additional 4 years. The Group has withdrawn Saudi Riyals amounting to 4.5 billion under the facility and carries borrowing costs of SIBOR plus spread. During 2020, the Group received letter for the deferral of payment due till March 31, 2021. There are no financial debt covenants related to the facility.

16 Loans and borrowings (continued)

The Group has 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.

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 29),the facility limit of Saudi Riyals 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 is 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 spread. 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 Saudi Riyals 4.9 million during the year. 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 Saudi Riyals 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 Saudi Riyals 500 million which increased the facility to Saudi Riyals 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with Saudi Riyals 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 spread. The Group has recognized modification losses amounting to Saudi Riyals 36.2 million, as a result of facilities rescheduled during the year. There are no financial debt covenants related to the facilities.

e) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facility with a local bank, with an amount of Saudi Riyals 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 2020, the Group has utilized Saudi Riyals 135 million to settle some of the outstanding liabilities. There are no financial debt covenants related to the facility.

f) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured nonfunded facility with a local bank, with a limit of Saudi Riyals 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 Saudi Riyals 209.8 million with an expiry date of 30 January 2020. At 31 December 2020, the Group has utilized Saudi Riyals 138 million to settle some of the outstanding liabilities SIBOR plus spread. During the year, the facility has been extended until April 15, 2021. Also refer Note 16 (i) for information on financial debt covenant.

g) On 30 January 2019 (corresponding to 24 Jamada awal 1440), the Group has signed a facility with a local bank, with an amount of Saudi Riyals 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 spread. During the year, the Group finalized the terms and condition of restructuring the facility and accordingly its maturity has been extended to December 2025. During the year, the Group has recognized modification losses amounting to Saudi Riyals 18.5 million due to rescheduling during the year. The deferred repayments will be linked with the assigned operating cashflows of the hotel. There are no financial debt covenants related to the facility.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Loans and borrowings (continued)

h) On 12 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to Saudi Riyals 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%. There are no financial debt covenants related to the Sukuk.

i) The remaining borrowings of the Group carry interest costs at SIBOR plus spread ranging between 1.75% and 5%.

j) The Group has a financial covenant related to a borrowing facility with an outstanding principal amount of Saudi Riyals 138 million. The Group has complied with the requirements of the financial covenant during the 2020 and 2019 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.

k) In addition, the Group has unutilised bank facilities of Saudi Riyals 3,681 million (31 December 2019: Saudi Riyals 4,251 million) at 31 December 2020 to meet its liquidity requirements. The validity of unutilized bank facilities of Saudi Riyals 3,681 million is up to September 2027.

17 Liabilities against leases

The liabilities against lease, represents office premises, are as follows:

	31 December 2020	31 December 2019 (Restated)	1 January 2019 (Restated)
Total lease payments under leases	27,061	9,585	15,565
Finance charges	(2,023)	(2,503)	(4,013)
	25,038	7,082	11,552
Less: Current portion	(10,857)	(4,504)	(3,695)
Non-current portion	14,181	2,578	7,857

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

	Future lease rentals	Unamortized finance charges	Lease liability
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
31 December 2019 (Restated)			
Less than one year	4,793	(1,694)	3,099
Between one to five years	4,793	(810)	3,983
	9,586	(2,504)	7,082
January 1, 2019 (Restated)			
Less than one year	4,793	(2,777)	2,016
Between one to five years	10,772	(1,236)	9,536
	15,565	(4,013)	11,552

18 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Provision for employees' terminal benefits (continued)

	2020	2019
Defined benefit liability at the beginning of the year	29,523	23,860
Included in profit or loss		
Current service cost	10,968	9,576
Interest cost	785	951
Curtailment gain	(1,869)	-
	9,884	10,527
Included in other comprehensive income		
Re-measurement (gain) / loss:		
- Actuarial (gain) / loss arising from:		
- financial assumptions	2,875	(452)
- experience adjustment	(1,053)	(1,019)
	1,822	(1,471)
Other		
Benefits paid	(7,829)	(4,934)
Liability transferred	-	1,541
	(7,829)	(3,393)
Defined benefit liability at the end of the year	33,400	29,523

Net benefit expense / (gain) recognized in the statement of profit or loss and other comprehensive income is as follows:

	31 December 2020	31 December 2019
Current service cost	10,968	9,576
Interest cost	785	951
Curtailment gain	(1,869)	-

a) *Actuarial assumptions*

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	31 December 2020	31 December 2019
Discount rate (%)	1.65%	3.43
Future salary growth (%)	2.30%	2.69

At 31 December 2020, the weighted-average duration of the defined benefit obligation was 5.55 years (31 December 2019: 5.15 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Provision for employees' terminal benefits (continued)

b) 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 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(1,848)	2,082	(953)	1,850
Future salary growth (1% movement)	2,219	(2,009)	1,577	(1,283)

19 Other non-current liabilities

	Note	31 December 2020	31 December 2019	1 January 2019
Payable to CDCC	29	762,595	777,950	735,678
Retention payable – non - current		358,926	359,465	327,219
Refundable deposits		6,096	5,403	5,784
Others		19,174	16,547	11,483
		1,146,791	1,159,365	1,080,164

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

20 Accounts payable and other current liabilities

	31 December 2020	31 December 2019	1 January 2019
Contractors accrued balances	567,276	575,367	290,078
Retention payable - current	8,000	23,931	28,494
Accrued expenses and other provisions	55,985	79,967	52,895
Advances from customers	247,765	251,734	328,395
Accounts payable	159,255	131,626	85,392
Due to related parties and other affiliates (note 29, note 6 (e))	445,346	403,283	352,836
	1,483,627	1,465,908	1,138,090

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. The decrease in advance from customers in 2020 was mainly due to the change in percentage of completion of sale transaction resulted in revenue recognition.

21 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 amortised cost.

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 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 2020 is based on Zakat base, significant components of which are as follows:

		31 December 2020	31 December 2019
Equity		8,312,688	8,941,313
Opening provisions and other adjustments		17,162,592	17,888,393
Book value of long-term assets		(25,368,250)	(28,330,694)
		107,030	(1,500,988)
Adjusted loss	A	(1,067,317)	(383,945)
Zakat base	B	(1,174,347)	(1,117,043)
Zakat base higher of A and B		(1,067,317)	(383,945)

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

Status of assessments

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

During 1435H, GAZT issued an assessment for zakat and withholding tax ("WHT'') with a claim for additional zakat and WHT amounting to Saudi Riyals 26.8 million for the years ended 30 Dhul Hijjah 1431H through 1433H. JODC has filed an appeal against GAZT's assessment along with the submission of a bank guarantee of Saudi Riyals 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. The GAZT 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 GAZT and awaiting assessment.

The Group has received zakat assessment from GAZT till 2018 of approximately Saudi Riyals 477 million and recorded zakat payable based on the received assessment of Saudi Riyals 68 million and filed appeal against the open assessments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Revenue

	Note	31 December 2020	31 December 2019 (Restated)
Revenue from contract with customers	A	150,380	689,201
Revenue from rental income	B	26,302	196,019
		176,682	885,220

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.

	Operating Hotels		Commercial centers		Properties for development and sale		Total	
	2020	2019	2020	2019	2020	2019 (Restated)	2020	2019 (Restated)
Type of revenue:								
Sale of properties for development and sale	-	-	-	-	31,043	53,884	31,043	53,884
Hotel operations								
- Room rent	91,002	499,195	-	-	-	-	91,002	499,195
- Other services	28,335	136,122	-	-	-	-	28,335	136,122
	119,337	635,317	-	-	31,043	53,884	150,380	689,201
Timing of revenue recognition:								
Point-in-time	28,335	136,122	-	-	-	-	28,335	136,122
Over time	91,002	499,195	-	-	31,043	53,884	122,045	553,079
Total revenue from contract with customers	119,337	635,317	-	-	31,043	53,884	150,380	689,201

B. Rental income

	Operating Hotels 2020	Operating Hotels 2019	Commercial centers 2020	Commercial centers 2019	Properties 2020	Properties 2019 (Restated)	Total 2020	Total 2019 (Restated)
Hotels	-	44,528	-	-	-	-	-	44,528
Parking	2,440	9,759	-	-	-	-	2,440	9,759
Commercial center	-	-	23,862	141,732	-	-	23,862	141,732
Total Lease revenue	2,440	54,287	23,862	141,732	-	-	26,302	196,019

(All amounts in Saudi Riyals thousands unless otherwise stated)

24 Cost of revenue

	31 December 2020	31 December 2019 (Restated)
Sale of property for development and sale	71,705	55,635
Commercial center	38,907	62,537
Hotel cost		
- operating cost	401,388	556,759
- lease related cost	40,000	55,311
Other costs	49,367	4,136
	601,367	734,378

25 General and administrative expenses

	31 December 2020	31 December 2019 (Restated)
Employee related costs and travelling expenses	104,791	114,155
Depreciation and amortization	91,498	25,256
Withholding taxes	10,075	1,588
Professional and consultancy fees	7,673	34,576
Attendance fee for board meetings	735	2,725
Hotels pre-opening expenses	518	9,714
Other	27,823	50,798
	243,113	238,812

26 Other operating income

	31 December 2020	31 December 2019 (Restated)
Murabaha investment income	4,522	13,407
Fair value gain on FVTPL investments (refer Note 9)	2,308	114,710
Concession fee	2,078	2,887
Dividend income from FVTPL investments	-	3,574
Others	9,594	6,391
	18,502	140,969

27 Financial charges

	31 December 2020	31 December 2019 (Restated)
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	174,692	464,193
Conventional borrowing cost	489,204	528,796
	663,896	992,989
Amount capitalized	(174,961)	(360,951)
	488,935	632,038

a) Conventional borrowing cost includes modification loss amounting to Saudi Riyals 69 million recognised during the year. (see Note 16).

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Loss per share

Basic loss per share for the year ended 31 December 2020 and for the year ended 31 December 2019, have been computed by dividing the 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.

The loss per share calculation is given below:

	For the year ended 31 December 2020	For the year ended 31 December 2019 (Restated)
Loss for the year attributable to shareholders of the Company	(1,339,005)	(635,103)
Weighted average number of shares outstanding	929,400	929,400
Loss per share (Saudi Riyals) – Basic and Diluted	(1.44)	(0.68)

29 Related party transactions and balances

Related parties include the Company's shareholders, associated and affiliated companies and key management personnel of the Group. Terms and conditions of these transactions are approved by the management.

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

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 2020	31 December 2019 (Restated)
Bank Al Bilad – affiliate	Finance cost on loan from a local bank	33,979	41,336
Senior management employees	- Short term employee benefits	3,752	6,399
	- Post-employment benefits	152	116
BOD	BOD meeting attendance fee	585	2,725
	Cooling charges and other payment (Note 6(a))	43,190	113,364
	concession fee 7%	7,175	2,887
Central District Cooling Company – Joint Venture	Construction work in progress acquired from CDCC	229	58,133
	Land Rent and others	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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Related party transactions and balances (continued)

Balances arising from transactions with related parties are as follows:

Related party	Relationship	Included under	31 December 2020	31 December 2019 (Restated)	1 January 2019 *(Restated)*
Central District Cooling Company	Joint venture	Other non-current liabilities	762,595	777,950	735,678
Bank Al-Bilad	Affiliate	Loans and Borrowings	619,468	582,292	632,043
Central District Cooling Company	Joint venture	Accounts payable and other current liabilities	120,256	77,411	46,914
Al-Bilad Makkah Hospitality Fund	Investee	Accounts payable and other current liabilities	112,519	84,383	18,091
Central District Cooling Company	Joint venture	Accounts and other receivables	(5,280)	-	-
Makkah Construction and Development Company	Shareholder	Other current liabilities	309,565	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 6 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.

30 Segment reporting

Basis for segmentation

The Group has the following four 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
Corporate (Head office)	Activities of corporate office including selling and marketing.

The CODM primarily uses a measure of total comprehensive income to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue and assets on a quarterly basis.

The total profit income and profit or loss of the Group's operating segments reported to the CODM are measured in a manner consistent with that in profit or loss. A reconciliation of total comprehensive income to profit or loss is therefore not presented separately.

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Segment reporting (continued)

The amounts provided to the CODM in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset. As all assets and liabilities have been allocated to the operating (reportable) segments, reconciliations of reportable segments' assets to total assets, and of reportable segments liabilities to total liabilities, are not presented. During 2020 and 2019 there were transactions between the Group's operating segments.

	For the year ended 31 December 2020				
	Operating Hotels	*Commercial Centers*	*Properties for development and sale*	*Corporate*	*Total*
Current assets	124,145	83,189	1,503,744	424,917	2,135,995
property, plant 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 assets include: Additions to non-current assets (other than financial instruments)	417,876	71,807	11,771	18,352	519,806
Total liabilities	941,157	272,736	208,837	17,325,410	18,748,140

Consolidated statement of profit or loss and other comprehensive income items for the year ended 31 December 2020:

	Operating Hotels	*Commercial Centers*	*Properties for development and sale*	*Corporate*	*Total*
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)

Consolidated statement of financial position items as at 31 December 2019 *(Restated)*:

	For the year ended 31 December 2019 (Restated)				
	Operating Hotels	*Commercial Centers*	*Properties for development and sale*	*Corporate*	*Total*
Current assets	247,732	104,280	1,928,376	511,322	2,791,710
property, plant and equipment	17,697,391	-	-	56,891	17,754,282
Investment properties	1,029,410	4,024,909	-	-	5,054,319
Other non-current assets	-	-	-	687,265	687,265
Total assets	18,974,533	4,129,189	1,928,376	1,255,478	26,287,576
Total assets include: Additions to non-current assets (other than financial instruments)	254,162	429,730	455,843	-	1,139,735
Total liabilities	886,373	34,396	267,382	16,784,421	17,972,572

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Segment reporting (continued)

Consolidated statement of profit or loss and other comprehensive income items for the year ended 31 December 2019 (Restated):

	For the year ended 31 December 2019 (Restated)				
	Operating Hotels	*Commercial Centers*	*Properties for development and sale*	*Corporate*	*Total*
Revenues from operations	635,317	196,019	53,884	-	885,220
Depreciation and amortization	205,125	37,238	-	21,722	264,085
Share of profit from joint venture	-	-	-	4,224	4,224
Finance cost	-	-	-	(632,038)	(632,038)
Total comprehensive loss	(203,454)	(87,256)	86,901	(429,392)	(633,201)

Revenues are derived from a large number of customers and no single customer contributes more than 10% of the Group's revenues.

31 Financial Instruments

31.1 Fair value measurement of financial instruments

a) Recognised fair value measurements.

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements 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 the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities (except for investment held at fair value through profit and loss) approximate their fair values.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.1 Fair value measurement of financial instruments (continued)

b) Fair value hierarchy

	31 December 2020					
	FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3
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
Total financial assets	372,546	781,950	1,154,496	67,836	-	1,086,660

	31 December 2019 (Restated)					
	FVTPL	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets						
Cash and cash equivalents	-	239,142	239,142	-	-	239,142
Trade and other receivables	-	148,575	148,575	-	-	148,575
Restricted cash	-	688,834	688,834	-	-	688,834
Other current assets	-	14,231	14,231	-	-	14,231
Investments held at amortized cost	-	150,441	150,441	-	-	150,441
Investments held at fair value through profit or loss	536,527	-	536,527	331,000	-	205,527
Total financial assets	536,527	1,241,223	1,777,750	331,000	-	1,446,750

There are no transfers in the fair value levels during the year ended 31 December 2020.

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
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 2020 and 31 December 2019 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.

c) Fair value measurements using significant unobservable inputs (level 3)

	31 December 2020	31 December 2019 (Restated)
Opening balance	536,527	349,760
(Gain)/ loss recognised in profit or loss	(480,805)	186,767
Closing balance	55,722	536,527

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.1 Fair value measurement of financial instruments (continued)

d) *Valuation process*

In line with the Group's quarterly 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.

31.2 Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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. Also refer Note 1 for changes to the Group's risk management policies due to COVID 19. 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.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur 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.

- Risk management

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.

- Impairment of financial assets

The Group's exposure to credit risk at the reporting date is as follows:

	31 December 2020	31 December 2019 (restated)
Cash at banks	51,225	239,142
Restricted cash	590,909	688,834
Trade receivables – third parties	107,151	148,575
Accrued rental income	-	9,312
Contract assets	69,997	64,956
Margin and other deposits	14,571	19,771
	833,853	1,170,590

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

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.

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.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Note	For the year ended 31 December 2020	31 December 2019
Impairment loss on receivables from contract with customers	a)	26,571	864
Impairment loss on receivables from rental income	b)	47,749	19,841
Impairment loss on receivables from sale of properties from development and sale	c)	17,532	-
Impairment loss on contract assets	d)	12,441	-

a) The following table provides information about the exposure to credit risk and ECLs for receivables from contract with customers:

31 December 2020	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	0%	9%	43%	74%	
Gross carrying amount	275	673	60	35,670	36,678
Loss allowance	-	61	26	26,484	26,571

31 December 2019	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	0%	1%	2%	2%	
Gross carrying amount	20,434	12,292	15,228	23,197	71,151
Loss allowance	-	84	264	516	864

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

b) The following table provides information about the exposure to credit risk and ECLs for receivables from rental income:

31 December 2020	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	-	32%	89%	96%	
Gross carrying amount	-	4,529	6,742	42,111	53,382
Loss allowance	-	1,432	6,000	40,317	47,749

31 December 2019	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	13%	23%	35%	40%	
Gross carrying amount	2,468	3,873	5,228	41,813	53,382
Loss allowance	324	894	1,839	16,784	19,841

c) The following table provides information about the exposure to credit risk and ECLs for receivables in respect of properties for development and sale:

31 December 2020	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	Total
Expected loss rate	-	-	-	100%	
Gross carrying amount	-	-	-	17,532	17,532
Loss allowance	-	-	-	17,532	17,532

d) The Company has segregated the outstanding balances into two ageing categories (i.e. less than 360 days and 360 days and above) as this best represents the nature of the contracts with the customers. Furthermore, the Company has considered the advances received from customers in relation to its contracts, thereby reducing the exposure subjected to future credit losses. As a result, the identified expected credit loss on outstanding balances less than 360 days was immaterial, while the provision for outstanding balances 360 days and above was based on a loss rate of 17.78% for the year ended 31 December 2020 (31 December 2019; Nil). The identified expected credit loss on accrued rent is determined to be immaterial, hence has not been recognised as at 31 December 2020 and December 2019.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

b) 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	up to 1 year	More than 1 year and less than 2 years	More than 2 year and less than 5 years	More than 5 years	Total
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

	Gross undiscounted value	up to 1 year	More than 1 year and less than 2 years	More than 2 year and less than 5 years	More than 5 years	Total
31 December 2019 (Restated)						
Loans and borrowings	12,561,458	5,271,005	2,313,048	2,120,446	2,856,959	12,561,458
Accounts and other payables	1,332,930	1,332,930		-	-	1,332,930
Payable to unit holder	8,644,479	406,199	812,398	1,218,596	6,207,286	8,644,479
Other non-current liabilities	2,132,100	442,175	170,821	264,676	1,254,428	2,132,100
Liabilities against leases	9,585	4,792		4,793	-	9,585
	24,680,552	7,457,101	3,296,267	3,608,511	10,318,673	24,680,552

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

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 21 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 16 for unused credit facilities and Note 10 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.

	31 December 2020	31 December 2019 (Restated)	January 1, 2019 (Restated)
Financial assets			
Other current assets	21,028	30,199	55,506
Trade and other receivables	199,287	254,101	242,500
Investment held at fair value through profit or loss	67,836	205,527	129,760
Restricted cash	348,319	446,244	573,060
Financial liabilities			
Loans and borrowings – current portion	2,592,201	5,262,821	3,613,183
Payable to other unitholders of investment fund	406,199	203,601	407,202
Liabilities against lease – current portion	10,857	4,504	3,695
Accounts payable and other liabilities	1,235,862	1,332,930	890,871

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 2020	31 December 2019 (Restated)	January 1, 2019 (Restated)
Financial assets			
Investment held at fair value through profit or loss	304,710	331,000	220,000
Restricted cash	242,590	242,590	342,590
Other non-current assets	19,944	23,291	19,191
Financial liabilities			
Loans and borrowings	8,347,880	4,948,012	5,659,030
Payable to other unitholders of investment fund	4,644,263	4,896,260	4,682,033
Liabilities against lease – current portion	14,181	2,578	7,857
Accounts payable and other liabilities	1,146,791	1,159,365	1,080,164

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. 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.

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. 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 2020	31 December 2019
Financial liabilities, principally borrowings	9,887,745	9,273,288

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:

	For the year ended	
	31 December 2020	31 December 2019
Interest rate-increases by 100 basis points	98,877	92,733
Interest rate-decreases by 100 basis points	(98,877)	(92,733)

iii) 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.

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 2020	31 December 2019
NAV of the units – increases by 5%	18,627	26,826
NAV of the units – decreases by 5%	(18,627)	(26,826)

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

d) 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 optimise the capital structure to reduce cost of capital. The capital structure includes all components of shareholders' equity totalling Saudi Riyals 6,988 million at 31 December 2020 (31 December 2019: Saudi Riyals 8,315 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 Saudi Riyals 138 million. The Group has complied with the requirements of the financial covenant during the 2020 and 2019 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.

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 2020	31 December 2019 (Restated)	January 1, 2019 (Restated)
Borrowings	10,940,081	10,210,833	9,272,213
Lease liabilities	25,038	7,082	11,552
Payable to unit holders	5,050,462	5,099,861	5,089,235
Less: cash and cash equivalents	(51,225)	(239,142)	(654,488)
Less: restricted cash	(590,909)	(688,834)	(915,650)
Net debt (A)	15,373,447	14,389,800	12,802,862
Shareholders' equity (B)	6,988,742	8,315,004	8,946,013
Total capital (A+B)	22,362,189	22,704,804	21,748,875
Gearing ratio (A / (A+B))	0.69	0.63	0.59

The gearing ratio has decreased since 2019 primarily as a result of impacts of outbreak of COVID-19, which led to a substantial reduction in income generated from the Group's hotel and commercial area operations.

(All amounts in Saudi Riyals thousands unless otherwise stated)

32 Cash flow information

(a) Net debt

	31 December 2020	31 December 2019 (Restated)	January 1, 2019 (Restated)
Borrowings	10,940,081	10,210,833	9,272,213
Lease liabilities	25,038	7,082	11,552
Payable to unit holders	5,050,462	5,099,861	5,089,235
Less: cash and cash equivalents	(51,225)	(239,142)	(654,488)
Less: restricted cash	(590,909)	(688,834)	(915,650)
Net debt (A)	15,373,447	14,389,800	12,802,862

	31 December 2020	31 December 2019 (Restated)	January 1, 2019 (Restated)
Gross debt – fixed interest rates	5,566,898	5,588,630	5,573,339
Gross debt – variable interest rates	10,448,683	9,729,146	8,799,661
Cash and liquid investments	(642,134)	(927,976)	(1,570,138)
	15,373,447	14,389,800	12,802,862

(b) Net debt reconciliation

	Cash and cash equivalents	Restricted cash	Borrowings	Payable to unit holders	Lease liabilities	Total
January 1, 2019	654,488	915,650	(9,272,213)	(5,089,235)	(11,552)	(12,802,862)
Finance cost / others	-	-	(528,796)	(417,828)	(708)	(947,332)
Cash flows, net	(415,346)	(226,816)	(409,824)	407,202	5,178	(639,606)
31 December 2019	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)

33 Commitments and contingencies

a) As at 31 December 2020, the outstanding capital commitments in respect of development of the Project amounted to Saudi Riyals 2,778 million (31 December 2019: Saudi Riyals 2,891 million).

b) At 31 December 2020, the Group has contingent liabilities for bank guarantees and letters of credit issued in the normal course of business amounting to Saudi Riyals 71.5 million (31 December 2019: Saudi Riyals 74 million).

c) The Group has not entered into any capital commitments in relation to its interest in the joint venture and did not receive any dividends from the joint venture. The Group's share in the capital commitments of the joint venture is Nil (31 December 2019: Saudi Riyals 6.84 million).

d) The Group has furnished bank guarantees aggregating to Nil to joint venture (31 December 2019: SR 74 million).

e) Refer Note 22 for Zakat and tax related contingencies.

34 Subsequent event

Subsequent to 31 December 2020, the Group signed a guarantee agreement with a government entity, in favor of a local commercial bank, to obtain financing facilities amounting to Saudi Riyals 1.6 billion for a term of 15 years from the date of the agreement. Funds that will be obtained from this agreement will be earmarked for development costs associated with the third phase of the Group's Project.

Further, the Group filed an appeal, subsequent to year end, against zakat assessment received related to prior years. Management expects a favorable outcome and the provision has been recorded for the expected cash outflow.

35 Approval of the consolidated financial statements

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 30 March 2021 corresponding to (17 SHABAN 1442H).

36 Restatement

The Group restated certain amounts and balances included in the prior year financial statements as the transactions to which these balances relate, had not been accounted for correctly. The details of each of such restatements have been summarized below:

Restatement - 1

During 2017, the Group entered into agreements with Alinma Makkah Real Estate Fund (the “Fund”) that were collectively accounted for as a sale and finance leaseback arrangement (the “Arrangement”). The Arrangement related to the Group’s strategic properties situated in the first phase. As a consequence of this Arrangement, part of the consideration for the purchase of the properties was settled in cash and the remaining was settled “in-kind” by the Fund issuing units in the Fund to the Group. The Group’s investment in the Fund represented 16.42% of the Fund’s ownership. The Group accounted for this investment as a financial asset measured at fair value through profit or loss.

During the year ended 31 December 2020, the Group re-assessed its relationship with the Fund in terms of the requirements of IFRS 10 - Consolidated Financial Statements. Previously, management had considered the Fund to be governed by voting rights but based on the reassessment and to appropriately reflect the arrangement the Fund should have been considered a structured entity (i.e. the Fund is not governed by voting rights). The conclusion is based on the rights afforded to the Group by the repurchase right, lease agreement and other contractual arrangements, which enabled the Group to direct the relevant activities of the Fund, namely the management of the residual value of the properties. The Group has the ability to exercise its power over the relevant activities from the above rights over the Fund to affect the amount of the returns from the properties, as such providing the Group with control. Since the Group has control over the Fund, the Fund should have been consolidated in the Group’s consolidated financial statements. This would result in:

- Elimination of the investment in Fund measured at fair value through profit or loss;
- Reversal of the initial sale and finance leaseback accounting; and
- Recognition of a financial liability to the unitholders in the Fund.

Subsequent to the issuance on 17 December 2020 of the interim financial statements (unaudited) for the nine month period, the Group corrected the restatement by reclassifying the current portion of liability to other unitholder in investment fund from the non-current liabilities.

Restatement - 2

In prior years, the Group made payments to its founding shareholders which were intended to be recovered by means of future dividends that will be paid to these shareholders or as and when these shareholders disposed of their shares. In addition, if no distributions were made to shareholders the amounts would be written off against pre-establishment expenses. These balances would not be considered financial assets, since the Group had no contractual right to receive cash or another financial asset from these shareholders as the shareholders are not obligated to dispose of their shares and the Group cannot recognise an asset for rights to economic benefits of itself (i.e. future dividends paid by the Group). The Group accounted for these payments as an asset instead of treating them as equity transactions with the founding shareholders. During the year ended 31 December 2020, the Group reclassified these payments made to the founding shareholders from “advances to shareholders” to equity. Any payments which may be received from the shareholders should be considered contributions received by the Group.

36 Restatement (continued)

Restatement - 3

During 2012, the Group entered into an arrangement with another shareholder for the creation of a new investee, the Central District Cooling Company (CDCC) in which the Group held an investment representing 40% ownership interest in CDCC. Concurrently, the Group entered into agreements with CDCC to build, operate and transfer district cooling plants to the Group (the "Concession Arrangement"). The Group accounted for the investment in CDCC as an associate and the district cooling plants obtained under the Concession Arrangement as a right of use asset in accordance with IFRS 16 - Leases ("IFRS 16") upon completion of construction and commencement of the lease. However, the Concession Arrangement should not be considered a lease under IFRS 16 as ownership is transferred to the Group and, as such, the Group exercises control over the asset for the entire useful life of the asset. The Group should have accounted for the acquisition of district cooling plants as a purchase of the underlying district cooling plants as and when construction is performed and not solely on completion of construction that was previously considered the commencement of the lease.

Furthermore, during the year ended 31 December 2020, the Group re-assessed its relationship with CDCC and in particular whether the arrangements should be considered a joint arrangement in terms of IFRS 11 - Joint Arrangements ("IFRS 11"). Previously, management had considered the investment in CDCC as an investment in an associate as the Group only held 40% shareholding. However, the shareholders' agreement between CDCC's shareholders required unanimous approval of both the shareholders for all key decisions affecting the operations of CDCC. To appropriately reflect the agreement between CDCC's shareholders, the investment in CDCC should have been considered a joint arrangement and classified in accordance with IFRS 11 as a joint venture.

Restatement - 4

The Group entered into a sale agreement with Albilad Makkah Hospitality Fund (the "Buyer") for 90 residential units ("units") during the financial year ended 31 December 2018. These units comprised two penthouses and 88 apartments. The Group recognized revenue in 2018 amounting to Saudi Riyals 1.1 billion at a point in time from the sale of these units. The performance obligation under the contract was to deliver the completed units and the individual promises under this performance obligation were as follows:

Deliver 90 units including all the contents, fittings, equipment, wires, telephone, water pipes, etc.;
Common share of the real estate land on which the units are located; and;
Achieve operational readiness of the units (i.e. the hotel facilities must be complete).

Whilst on the date of sale a substantial amount of the performance obligation under the contract was completed, the performance obligation was not fully completed as the units were not ready for their intended use, which was primarily the operational readiness. As the units were not ready for their intended use, the terms of the sale agreement required the Group to pay a delay penalty, amounting to 4.3% of the total sale value, for any delay beyond 90 days in making the units available for their intended use. The Group has accounted for delay penalty as an operating expense.

In December 2018, there was a contract modification in relation to the 2 penthouse units. The terms of this modification have impacted the Group's enforceable right to payment for the 2 penthouse units. It was agreed between the Group and the Buyer, that if the 2 penthouses are not completed by the implementation date , the Buyer would have the right to exercise 2 promissory notes which were issued by the Group to the Buyer in lieu of the sales price of the 2 units. The terms of the promissory notes are such that the Buyer can exercise its rights over the promissory notes and as such not take possession of the 2 penthouses, therefore under these terms, there is no longer an enforceable right to payment for these units. The Group had recognised revenue for these units in 2018.

As noted, the Group reassessed the requirements of IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") and noted that in accordance with IFRS 15:
Revenue for the 88 apartments should have been recognised overtime and not point in time. This is because at inception of the contract, right of payment for work performed to date had existed. The delay penalty should have been accounted for as variable consideration within revenue and not as an operating expense.
As noted above, the issuance of the promissory notes resulted in a modification to the sale agreement. In terms of the guidance on modification accounting in IFRS 15, the modification resulted in the Group no longer having an enforceable right to payment for the 2 penthouse units. As at the end of 2018, it was still considered that there was an enforceable right to payment as such any previous revenue recognised was not reversed. It should have been reversed for the full sales price, and the amount should have been recognised as liabilities which were owed to the Buyer.

Subsequent to the issuance on 17 December 2020 of the interim financial statements (unaudited) for the nine month period, the Group corrected the restatement in relation to the restatement - 4 described above.

36 Restatement (continued)

Restatement - 5

In prior years, the Group reclassified certain plots of land from property, plant and equipment with a value of 525 million to property for development and sale in anticipation of a view to sell the same plots of land. However, the Group was unable to demonstrate evidence for either substantial modification or enhancement of those plots of land that would demonstrate a specific change in use. The Group should have continued accounting for those plots of land as property, plant and equipment until such time that it is able to demonstrate evidence for a specific change in use that would corroborate alternative classification.

Restatement - 6

In prior years, the Group classified its obligation to one of its founding shareholders, amounting to Saudi Riyals 309 million as of 1 January 2019 and 31 December 2019, under other non-current liabilities. However, the Group did not have the right to defer settlement of this obligation beyond 12 months. Hence, the Group should have classified this obligation as a current liability.

The resultant impact of the above-mentioned restatements on each of the impacted financial statement line items for the prior periods is reflected in the table below.

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement 1	Restatement 2	Restatement 3	Restatement 4	Restatement 5	Restatement 6	Restated
As at 1 January 2019								
Assets								
Non-current assets								
Property, plant and equipment	15,398,878	(607,146)	-	124,075	-	-	524,597	15,440,404
Intangible assets	966	-	-	-	-	-	-	966
Investment properties	7,653,796	(1,165,683)	-	-	-	-	-	6,488,113
Investment held at fair value through profit or loss	1,220,000	(1,000,000)	-	-	-	-	-	220,000
Restricted cash	342,590	-	-	-	-	-	-	342,590
Advances to certain founding shareholders	306,702	-	(306,702)	-	-	-	-	-
Other non-current assets	19,191	-	-	-	-	-	-	19,191
Total non-current assets	24,942,123	(2,772,829)	(306,702)	124,075	-	-	524,597	22,511,264
Current assets								
Properties for development and sale	1,508,443	-	-	-	26,734	-	(524,597)	1,010,580
Other current assets	234,946	(191,700)	-	-	-	-	-	43,246
Trade and other receivables	400,212	(110,000)	-	-	-	-	-	290,212
Investment held at fair value through profit or loss	-	129,760	-	-	-	-	-	129,760
Investment at amortised cost	-	270,989	-	-	-	-	-	270,989
Restricted cash – current portion	573,060	-	-	-	-	-	-	573,060
Cash and cash equivalents	642,314	12,174	-	-	-	-	-	654,488
	3,358,975	111,223	-	-	26,734	-	(524,597)	2,972,335
Investment in a joint venture classified as held for sale	82,858	-	-	-	-	-	-	82,858
Total current assets	3,441,833	111,223	-	-	26,734	-	(524,597)	3,055,193
Total assets	28,383,956	(2,661,606)	(306,702)	124,075	26,734	-	-	25,566,457

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(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

	Previously reported	Restatement 1	Restatement 2	Restatement 3	Restatement 4	Restatement 5	Restatement 6	Restated
Equity and liabilities								
Equity								
Share capital	9,294,000	-	-	-	-	-	-	9,294,000
Statutory reserve	108,506	-	-	-	-	-	-	108,506
Reserve for Advances to certain founding shareholders	-	-	(306,702)	-	-	-	-	(306,702)
Accumulated losses	209,951	(149,639)	-	-	(214,803)	-	-	(154,491)
Equity attributable to shareholders of the Company	9,612,457	(149,639)	(306,702)	-	(214,803)	-	-	8,941,313
Non-controlling interests	4,700	-	-	-	-	-	-	4,700
Total equity	9,617,157	(149,639)	(306,702)	-	(214,803)	-	-	8,946,013
Liabilities								
Non-current liabilities								
Loans and borrowings	5,659,030	-	-	-	-	-	-	5,659,030
Liabilities against lease	6,620,497	(6,001,037)	-	(611,603)	-	-	-	7,857
Payable to other unitholders of investment fund	-	4,682,033	-	-	-	-	-	4,682,033
Provision for employees' terminal benefits	23,860	-	-	-	-	-	-	23,860
Other non-current liabilities	2,094,260	(1,440,209)	-	735,678	-	(309,565)	-	1,080,164
Total non-current liabilities	14,397,647	(2,759,213)	-	124,075	-	(309,565)	-	11,452,944
Current liabilities								
Loans and borrowings – current portion	3,613,183	-	-	-	-	-	-	3,613,183
Accounts payable and other current liabilities	729,035	(159,956)	-	17,909	241,537	309,565	-	1,138,090
Payable to other unitholders of investment fund	-	407,202	-	-	-	-	-	407,202
Liabilities against lease – current portion	21,604	-	-	(17,909)	-	-	-	3,695
Zakat payable	5,330	-	-	-	-	-	-	5,330
Total current liabilities	4,369,152	247,246	-	-	241,537	309,565	-	5,167,500
Total liabilities	18,766,799	(2,511,967)	-	124,075	241,537	-	-	16,620,444
Total equity and liabilities	28,383,956	(2,661,606)	(306,702)	124,075	26,734	-	-	25,566,457

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement 1	Restatement 2	Restatement 3	Restatement 4	Restatement 5	Restatement 6	Restated
As at 31 December 2019								
Assets								
Non-current assets								
Property, plant and equipment	17,630,023	(582,545)	-	182,208	-	-	524,596	17,754,282
Intangible assets	3,302	-	-	-	-	-	-	3,302
Investment properties	6,192,633	(1,138,314)	-	-	-	-	-	5,054,319
Investment in a joint venture	87,082	-	-	-	-	-	-	87,082
Investment held at fair value through profit or loss	1,497,986	(1,166,986)	-	-	-	-	-	331,000
Restricted cash	242,590	-	-	-	-	-	-	242,590
Advances to certain founding shareholders	302,458	-	(302,458)	-	-	-	-	-
Other non-current assets	23,291	-	-	-	-	-	-	23,291
Total non-current assets	25,979,365	(2,887,845)	(302,458)	182,208	-	-	524,596	23,495,866
Current assets								
Properties for development and sale	1,928,376	-	-	-	19,522	-	(524,596)	1,423,302
Other current assets	216,730	(191,998)	-	-	-	-	-	24,732
Trade and other receivables	342,322	(40,000)	-	-	-	-	-	302,322
Investment held at fair value through profit or loss	-	205,527	-	-	-	-	-	205,527
Investment at amortised cost	-	150,441	-	-	-	-	-	150,441
Restricted cash – current portion	446,244	-	-	-	-	-	-	446,244
Cash and cash equivalents	237,860	1,282	-	-	-	-	-	239,142
Total current assets	3,171,532	125,252	-	-	19,522	-	(524,596)	2,791,710
Total assets	29,150,897	(2,762,593)	(302,458)	182,208	19,522	-	-	26,287,576

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement 1	Restatement 2	Restatement 3	Restatement 4	Restatement 5	Restatement 6	Restated
Equity and liabilities								
Equity								
Share capital	9,294,000	-	-	-	-	-	-	9,294,000
Statutory reserve	108,506	-	-	-	-	-	-	108,506
Reserve for Advances to certain founding shareholders	-	-	(302,458)	-	-	-	-	(302,458)
Accumulated losses	(181,653)	(446,670)	-	-	(159,037)	-	-	(787,360)
Net equity attributable to shareholders of the Company	9,220,853	(446,670)	(302,458)	-	(159,037)	-	-	8,312,688
Non-controlling interests	2,316	-	-	-	-	-	-	2,316
Total equity	9,223,169	(446,670)	(302,458)	-	(159,037)	-	-	8,315,004
Liabilities								
Non-current liabilities								
Loans and borrowings	4,948,012	-	-	-	-	-	-	4,948,012
Liabilities against lease	6,599,357	(6,001,037)	-	(595,742)	-	-	-	2,578
Payable to other unitholders of investment fund	-	4,896,260	-	-	-	-	-	4,896,260
Provision for employees' terminal benefits	29,523	-	-	-	-	-	-	29,523
Other non-current liabilities	1,947,087	(1,256,107)	-	777,950	-	(309,565)	-	1,159,365
Total non-current liabilities	13,523,979	(2,360,884)	-	182,208	-	(309,565)	-	11,035,738
Current liabilities								
Loans and borrowings – current portion	5,262,821	-	-	-	-	-	-	5,262,821
Accounts payable and other current liabilities	1,119,154	(158,640)	-	17,270	178,559	309,565	-	1,465,908
Payable to other unitholders of investment fund	-	203,601	-	-	-	-	-	203,601
Liabilities against lease – current portion	21,774	-	-	(17,270)	-	-	-	4,504
Total current liabilities	6,403,749	44,961	-	-	178,559	309,565	-	6,936,834
Total liabilities	19,927,728	(2,315,923)	-	182,208	178,559	-	-	17,972,572
Total equity and liabilities	29,150,897	(2,762,593)	(302,458)	182,208	19,522	-	-	26,287,576

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on the consolidated statement of profit or loss and other comprehensive income:

	Previously reported	Restatement 1	Restatement 4	Reclassification	Restated
For the year ended 31 December 2019					
Revenue	904,122	-	(18,902)	-	885,220
Cost of revenue	(779,136)	51,969	(7,211)	-	(734,378)
Gross profit	124,986	51,969	(26,113)	-	150,842
Selling and marketing expenses	(29,853)	-	-	-	(29,853)
General and administrative expenses	(311,737)	(18,089)	81,879	9,135	(238,812)
Net impairment loss on financial assets	-	534	-	(9,135)	(8,601)
Other operating income	539,681	(420,115)	-	21,403	140,969
Other operating expense	-	-	-	(21,403)	(21,403)
Operating (loss)	323,077	(385,701)	55,766	-	(6,858)
Financial charges	(720,708)	88,670	-	-	(632,038)
Share of results from investment in a joint venture	4,224	-	-		4,224
Loss before zakat	(393,407)	(297,031)	55,766	-	(634,672)
Zakat	-	-	-	-	-
Loss for the year	(393,407)	(297,031)	55,766	-	(634,672)
Other comprehensive income	1,471	-	-	-	1,471
Total comprehensive loss for the period	(391,936)	(297,031)	55,766	-	(633,201)
Loss attributable to:					
shareholders of the Company	(393,838)	(297,031)	55,766	-	(635,103)
Non-controlling interests	431	-	-	-	431
	(393,407)	(297,031)	55,766	-	(634,672)
Total comprehensive loss attributable to:					
shareholders of the Company	(392,367)	(297,031)	55,766	-	(633,632)
Non-controlling interests	431	-	-	-	431
	(391,936)	(297,031)	55,766	-	(633,201)
Loss per share (Saudi Riyals):					
Basic and diluted loss per share attributable to shareholders of the Company	(0.42)				(0.68)

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on consolidated statement of cash flows:

	Previously reported	Impact of restatements	Reclassification	Restated
Cash flows from operating activities				
Loss before Zakat	(393,407)	(241,265)	-	(634,672)
Adjustments for:				
Depreciation on property, plant and equipment	236,809	(24,598)	-	212,211
Depreciation on investment properties	78,195	(27,369)	-	50,826
Amortization of intangible assets	1,048	-	-	1,048
(Reversal) / provision for employees' terminal benefits	6,758		3,769	10,527
Net impairment loss on financial assets	8,601	-	-	8,601
Amortization of deferred gain on sale and leaseback assets	(183,230)	183,230	-	-
Share of results of investment in a joint venture	(4,224)	-	-	(4,224)
Financial charges	720,708	(88,670)	-	632,038
Change in fair value of investments held at fair value through profit or loss	(277,986)	163,276	-	(114,710)
	193,272	(35,396)	3,769	161,645
Changes in operating assets and liabilities:				
Other non-current assets	(41,778)		-	(41,778)
Properties for development and sale	(419,933)	7,212	-	(412,721)
Other current assets	55,892	297	-	56,189
Trade and other receivables	49,289	(70,000)		(20,711)
Other non-current liabilities	36,432	-	-	36,432
Accounts payable and other current liabilities	384,789	(60,791)	1,165	325,163
Cash generated from operations	257,963	(158,678)	4,934	104,219
Employees' termination benefits paid	-	-	(4,934)	(4,934)
Financial charges paid	(989,361)	506,498	436,501	(46,362)
Net cash (used in)/generated from operating activities	(731,398)	347,820	436,501	52,923

(All amounts in Saudi Riyals thousands unless otherwise stated)

36 Restatement (continued)

Effect on consolidated statement of cash flows (continued):

	Previously reported	Impact of restatements	Reclassification	Restated
Cash flows from investing activities				
Additions to property, plant and equipment	(478,952)	-	-	(478,952)
Additions to investment properties	(257,672)		-	(257,672)
Purchase of intangible assets	(3,384)	-	-	(3,384)
Additions to investment held at fair value through profit or loss	-	(72,059)	-	(72,059)
Proceed from disposal of investment held at amortized cost	-	120,549	-	120,549
Net change in restricted cash balances	226,816	-	120,417	347,233
Restricted cash balances disbursed	-	-	(120,417)	(120,417)
Net cash used in investing activities	(513,192)	48,490	-	(464,702)
Cash flows from financing activities				
Payments received against advance to certain founding shareholders	4,244	-	-	4,244
Loans and borrowings drawdown	1,479,263	-	(436,501)	1,042,762
Loans and borrowings repayment	(632,938)	-	-	(632,938)
Net change in payable to other unitholders of investment fund	-	(407,202)	-	(407,202)
Changes in interest in subsidiary without change in control	(2,052)		-	(2,052)
Lease obtained	(8,381)	-	-	(8,381)
Net cash from financing activities	840,136	(407,202)	(436,501)	(3,567)
Net change in cash and equivalents	(404,454)	(10,892)	-	(415,346)
Cash and cash equivalents at beginning of the year	642,314	12,174	-	654,488
Cash and cash equivalents at the end of the year	237,860	1,282	-	239,142
Major non-cash supplemental information				
Amortization of deferred gain on sale and lease back	183,230	(183,230)	-	-
Capitalization of borrowing cost on investment property	123,384	-	-	123,384
Right of use assets – previously classified as operating leases	15,824	-	-	15,824
Impairment of right of use asset charged to accumulated losses	166,073	-	-	166,073
Capitalization of borrowing cost on property, plant and equipment	237,567	-	-	237,567
Addition of property, plant and equipment against due to related party	-	182,208	-	182,208
Property, plant and equipment transferred from investment property	1,888,352	-	-	1,888,352

JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

31 DECEMBER 2021

JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
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.

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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)

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.

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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)

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.

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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)

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.

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

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

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**	304,710
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	Khaled Mohammed Al Amoudi	Saeed Mohammed AlGhamdi
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Director

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

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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

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 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 investment 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 employee'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
Chief Financial Officer

Khaled Mohmmed 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 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

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

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Jabal Omar Development Company (A Saudi Joint Stock Company)
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)

Wael Emad El-Turk	Khaled Mohammed Al Amoudi	Saeed Mohammed AlGhamdi
Chief Financial Officer	Chief Executive Officer	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 CASH FLOWS (continued)
For the year ended 31 December 2021

	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:			
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	117,056
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
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Syed Mohammed AlGhamdi
Chairman of Board of Director

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

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 (%)*
Hilton suites	Income approach	7%	81.42%	350 – 3,400	-	-	4%
Hyatt Regency	Income approach	7%	88.43%	375 – 2,700	-	-	4%
Conrad hotel	Income approach	7%	78.60%	675 – 3,400	-	-	4%
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%

Sensitivities

Hilton suites

		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

		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

		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

		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		
										-1%	0%	1%
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%	7%	3%	1%
									0	3%	0%	-2%
									1%	0%	-3%	-4%
										Change in discount rate		
										-1%	0%	1%
Al Khalil Malls (S1 & S2)	Income approach	7.5% - 8%	95% - 97%	3,7765- 7,000	-	-	5.5%	Change In Cap rate	-1%	21%	7%	-3%
									0	13%	0%	-9%
									1%	6%	-6%	-14%
										Change in discount rate		
										-1%	0%	1%
DoubleTree Hotel	Income approach	7%	73.01%	400-1,800	-	-	4%	Change In Cap rate	-1%	29%	13%	3%
									0	14%	0%	-8%
									1%	1%	-11%	-18%
										Change in discount rate		
										-1%	0%	1%
Commercial Area - N3	Income approach	7%	100%	3,000	-	-	4%	Change In Cap rate	-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 in Cap rate</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td></td><td>-1%</td><td>7%</td><td>3%</td><td>1%</td></tr><tr><td></td><td>0</td><td>3%</td><td>0%</td><td>-2%</td></tr><tr><td></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 In Cap rate</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td></td><td>-1%</td><td>20%</td><td>11%</td><td>-2%</td></tr><tr><td></td><td>0</td><td>8%</td><td>0%</td><td>-11%</td></tr><tr><td></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 In Cap rate</td><td></td><td>-1%</td><td>0%</td><td>1%</td></tr><tr><td></td><td>-1%</td><td>32%</td><td>11%</td><td>-2%</td></tr><tr><td></td><td>0</td><td>19%</td><td>0%</td><td>-11%</td></tr><tr><td></td><td>1%</td><td>7%</td><td>-9%</td><td>-19%</td></tr></table></td></tr>
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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 sensitivity matrix 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

Sensitivity for Phase 4 – Commercial Mall 4 (under construction):

Change In Cap rate	Change in discount 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 SR'000***	***More than 30 days past due SR'000***	***More than 90 days past due SR'000***	***More than 270 days past due SR'000***	***Total 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 SR'000*	*More than 30 days past due SR'000*	*More than 90 days past due SR'000*	*More than 270 days past due SR'000*	*Total 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 *SR'000*	*Restricted Cash* *SR'000*	*Borrowings* *SR'000*	*Payable to unitholders* *SR'000*	*Lease liabilities* *SR'000*	*Total* *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).

JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021

JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Jabal Omar Development Company (A Saudi Joint Stock Company) (the "Company" or "the Parent Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2021, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, for the three-month and nine-month periods ended 30 September 2021, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The net carrying value of property, plant and equipment, investment properties and properties for development and sale ("the Assets") as reported in these financial statements (refer notes 6, 5 and 10) amounts to SR 17,857 million, SR 5,025 million and SR 1,478 million, respectively as of 30 September 2021. In view of substantial reduction in cash generated from the Group's hotels and commercial area operations and interruption in development of the Group's projects due to outbreak of COVID-19, the Group's management performed an impairment assessment (including using an external valuer) of the Assets as at 30 September 2021 to determine the recoverable amount, being the higher of fair value less costs to sell and value in use. It was management's assessment that no additional impairment provision is required. While performing the review procedures, we sought to review the judgment, assumptions and estimates by the Group's management such as determination of appropriate valuation methodologies and key estimates and assumptions used. However, for these Assets comprising property, plant and equipment and investment properties with net carrying values of SR 7,612 million and SR 1,534 million respectively as at 30 September 2021, we have requested but not been provided with the appropriate rationale and/or basis used in the determination of valuation methodologies, future margins and terminal values. Consequently, we were unable to determine whether any impairment provision would be required against these Assets as at 30 September 2021.

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Qualified Conclusion
Except for the adjustments to the interim condensed consolidated financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter
We draw attention to note 1 to the interim condensed consolidated financial statements, which indicates that the Group incurred a loss of SR 345 million and negative operating cash flows amounting to SR 596 million during the nine-month period ended 30 September 2021. In addition, the Group's current liabilities exceeded its current assets by SR 5,793 million and the Group had accumulated losses amounting to SR 2,473 million as at 30 September 2021. These conditions, along with other matters set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 financial statements on 7 April 2021 (corresponding to 25 Sha'ban 1442H). Further, the interim condensed consolidated financial statements of the Group for the three-month and nine-month periods ended 30 September 2020 were reviewed by another auditor who expressed their unmodified conclusion on those interim condensed consolidated financial statements on 17 December 2020 (corresponding to 2 Jumada I 1442H).

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

16 November 2021G
11 Rabi' II 1443H

Jeddah

Jabal Omar Development Company (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

ASSETS	Note	*30 September 2021 SR'000 (Unaudited)*	*31 December 2020 SR'000 (Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment	6	**17,857,270**	17,875,110
Intangible assets		**4,250**	2,112
Investment properties	5	**5,025,305**	5,041,831
Investment in a joint venture	9	**120,095**	114,590
Investment held at fair value through profit or loss	8	**294,662**	304,710
Restricted cash	7	**242,590**	242,590
Other non-current assets		**17,382**	19,944
TOTAL NON-CURRENT ASSETS		**23,561,554**	23,600,887
CURRENT ASSETS			
Properties for development and sale	10	**1,478,270**	1,419,044
Other current assets		**84,744**	32,222
Trade and other receivables	11	**172,380**	101,528
Investment held at fair value through profit or loss	8	**64,676**	67,836
Restricted cash – current portion	7	**306,566**	348,319
Cash and cash equivalents	7	**471,066**	51,225
		2,577,702	2,020,174
Non-current asset classified as held for sale		-	115,821
TOTAL CURRENT ASSETS		**2,577,702**	2,135,995
TOTAL ASSETS		**26,139,256**	25,736,882
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**9,294,000**	9,294,000
Statutory reserve		**108,506**	108,506
Accumulated losses		**(2,472,958)**	(2,128,187)
Reserve for advances to certain founding shareholders		**(285,970)**	(287,296)
Net Equity attributable to the equity holders of the Parent		**6,643,578**	6,987,023
Non-controlling interest		**1,570**	1,719
TOTAL EQUITY		**6,645,148**	6,988,742

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohmmed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements

Jabal Omar Development Company (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2021

	Note	30 September 2021 SR'000 (Unaudited)	31 December 2020 SR'000 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	12	**5,053,030**	8,347,880
Liabilities against lease	13	**11,580**	14,181
Payable to other unitholders of investment fund	1	**4,895,002**	4,644,263
Provision for employees' terminal benefits		**21,160**	33,400
Other non-current liabilities		**1,143,123**	1,146,791
TOTAL NON-CURRENT LIABILITIES		**11,123,895**	14,186,515
CURRENT LIABILITIES			
Loans and borrowings – current portion	12	**6,509,174**	2,592,201
Accounts payable and other current liabilities		**1,343,646**	1,483,627
Payable to other unitholders of investment funds - current portion	1	**406,199**	406,199
Liabilities against lease – current portion	13	**3,247**	10,857
Zakat payable	18	**107,947**	68,741
TOTAL CURRENT LIABILITIES		**8,370,213**	4,561,625
TOTAL LIABILITIES		**19,494,108**	18,748,140
TOTAL EQUITY AND LIABILITIES		**26,139,256**	25,736,882

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Jabal Omar Development Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the nine-month period ended 30 September 2021

	Note	*Three-month period ended 30 September* 2021 SR'000	2020 SR'000	*Nine-month period ended 30 September* 2021 SR'000	2020 SR'000
Revenue	14	**43,121**	1,932	**141,979**	144,962
Cost of revenue		**(107,983)**	(69,087)	**(342,039)**	(393,073)
GROSS LOSS		**(64,862)**	(67,155)	**(200,060)**	(248,111)
Selling and marketing expenses		**(768)**	(1,359)	**(2,627)**	(6,055)
General and administration expenses		**(13,727)**	(61,958)	**(137,036)**	(120,231)
Net impairment loss/(reversal) on financial assets		**21,531**	(12,587)	**35,444**	(66,811)
Other expenses, net	15	**(163)**	(65,445)	**(118,685)**	(18,918)
OPERATING LOSS		**(57,989)**	(208,504)	**(422,964)**	(460,126)
Gain on disposal of non-current assets classified as held for sale	17	-	-	**662,179**	-
Financial costs	16	**(176,877)**	(28,423)	**(550,434)**	(462,475)
Share of results from investment in a joint venture		**4,035**	(406)	**5,505**	4,239
LOSS FOR THE PERIOD BEFORE ZAKAT		**(230,831)**	(237,333)	**(305,714)**	(918,362)
Zakat	18	**(39,206)**	-	**(39,206)**	-
LOSS FOR THE PERIOD		**(270,037)**	(237,333)	**(344,920)**	(918,362)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(270,037)**	(237,333)	**(344,920)**	(918,362)
Attributable to:					
Shareholders of the Parent Company		**(270,037)**	(236,945)	**(344,771)**	(917,778)
Non-controlling interests		-	(388)	**(149)**	(584)
		(270,037)	(237,333)	**(344,920)**	(918,362)
LOSS PER SHARE:					
Weighted average number of ordinary shares (number in thousand)		**929,400**	929,400	**929,400**	929,400
Loss per share attributable to ordinary equity holders of the Parent Company (basic and diluted)		**(0.29)**	(0.25)	**(0.37)**	(0.99)

Wael Emad El-Turk Chief Financial Officer	Khaled Mohmmed 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)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2021

	Equity attributable to Owners of the Company						
	Share capital SR' 000	*Statutory reserve SR' 000*	*(Accumulated losses) SR' 000*	*Reserve for Advances to certain founding shareholders SR' 000*	*Total SR' 000*	*Non controlling interests SR' 000*	*Total equity SR' 000*
Balance at 1 January 2020, as restated (Audited)	9,294,000	108,506	(787,360)	(302,458)	8,312,688	2,316	8,315,004
Loss for the period	-	-	(917,778)	-	(917,778)	(584)	(918,362)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(917,778)	-	(917,778)	(584)	(918,362)
Payments received against advance to certain founding shareholders	-	-	-	15,102	15,102	-	15,102
Balance at 30 September 2020, as restated (Unaudited)	9,294,000	108,506	(1,705,138)	(287,356)	7,410,012	1,732	7,411,744
Balance at 1 January 2021 (audited)	9,294,000	108,506	(2,128,187)	(287,296)	6,987,023	1,719	6,988,742
Loss for the period	-	-	(344,771)	-	(344,771)	(149)	(344,920)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(344,771)	-	(344,771)	(149)	(344,920)
Payments received against advance to certain founding shareholders	-	-	-	1,326	1,326	-	1,326
Balance at 30 September 2021 (Unaudited)	**9,294,000**	**108,506**	**(2,472,958)**	**(285,970)**	**6,643,578**	**1,570**	**6,645,148**

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Chairman of the Board of Director

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Jabal Omar Development Company (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2021

	Note	*For the nine-month period ended 30 September* 2021 SR' 000 (Unaudited)	2020 SR' 000 (Unaudited)
Cash flows from operating activities			
Loss before Zakat		**(305,714)**	(918,362)
Adjustments for:			
Depreciation on property, plant and equipment	6	**182,999**	194,746
Depreciation on investment properties	5	**21,822**	31,368
Amortization of intangible assets		**783**	903
Reversal for employees' terminal benefits		**(1,420)**	(1,341)
Net impairment (reversal)/loss on financial assets		**(35,444)**	66,811
Loss from disposal/write-off of property, plant and equipment	6	**1,906**	4,738
Share of results of investment in a joint venture	9	**(5,505)**	(4,239)
Financial costs	16	**550,434**	462,475
Gain on disposal of non-current assets classified as held for sale		**(662,179)**	-
Change in fair value of investments held at fair value through profit or loss	15	**13,208**	32,034
		(239,110)	(130,867)
Changes in operating assets and liabilities:			
Other non-current assets		**2,562**	3,600
Properties for development and sale		**(59,226)**	6,912
Other current assets		**(52,522)**	6,670
Trade and other receivables		**12,592**	(105,766)
Other non-current liabilities		**(3,668)**	15,315
Accounts payable and other current liabilities		**(92,712)**	109,601
Cash used in operations		**(432,084)**	(94,535)
Financial costs paid		**(153,068)**	(232,419)
Employees' termination benefits paid		**(10,820)**	(3,800)
Net cash used in operating activities		**(595,972)**	(330,754)
Cash flows from investing activities			
Additions to property, plant and equipment	6	**(110,017)**	(346,409)
Proceeds from disposal of property held for sale		**630,000**	-
Additional investment in a joint venture	5	**-**	(23,460)
Additions to investment properties		**(5,296)**	(749)
Purchase of intangible assets		**(2,921)**	-
Proceed from disposal of investment held at fair value through profit or loss		**-**	138,128
Proceed from disposal of investment held at amortized cost		**-**	150,441
Net change in restricted cash balances		**41,753**	80,844
Net cash from / (used in) investing activities		**553,519**	(1,205)

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Jabal Omar Development Company (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2021

	Note	*For the nine-month period ended 30 September* 2021 SR' 000 (Unaudited)	2020 SR' 000 (Unaudited)
Cash flow from financing activities			
Payments received against advance to certain founding shareholders		**1,326**	15,102
Loans and borrowings drawdown		**577,499**	402,146
Loans and borrowings repayment		**(106,320)**	(202,177)
Repayments of lease		**(10,211)**	-
Net cash from financing activities		**462,294**	215,071
Net increase/(decrease) in cash and cash equivalents		**419,841**	(116,888)
Cash and cash equivalents at beginning of the period		**51,225**	239,142
Cash and cash equivalents at end of the period		**471,066**	122,254
MAJOR NON-CASH SUPPLEMENTAL INFORMATION			
Capitalization of borrowing cost on investment property		-	53,079
Capitalization of borrowing cost on property, plant and equipment		**57,048**	102,780
Transfer from property, plant and equipment to properties for development and sale	10	-	425,907
Transfer from investment property to properties for development and sale	5	-	375,595
Financial costs paid by a Government entity on behalf of the Group		-	175,928
Account Receivable write-offs		**7,246**	2,625

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The accompanying notes from 1 to 24 form an integral part of these interim condensed consolidated financial statements

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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 incurred a total comprehensive loss amounting to SR 345 million and negative cash flows from operations amounting to SR 596 million during the nine-month period ended 30 September 2021. In addition, the Group’s current liabilities exceeded its current assets by SR 5,793 million and the Group had accumulated losses amounting to SR 2,473 million as of 30 September 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 30 September 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	6,860,471	2,244,637	3,428,280	449,070	**12,982,458**
Payable to other unit holders of investment fund**	915,452	812,398	1,218,596	5,358,815	**8,305,261**
Accounts payable and other current liabilities	1,120,867	-	-	-	**1,120,867**
Other non-current liabilities	64,191	480,827	143,125	773,767	**1,461,910**
Liabilities against leases (note 13)	3,247	7,106	4,737	-	**15,090**
Total	**8,964,228**	**3,544,968**	**4,794,738**	**6,581,652**	**23,885,586**

**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 amortised cost.

1. CORPORATE INFORMATION (continued)

Going Concern (continued)

The Group's obligations against lenders and banks do not carry financial covenants except for covenants in respect of a loan amounting to SR 70 million included in the current liabilities.

In assessing the appropriateness of applying the going concern basis in the preparation of these interim condensed 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 approval of these interim condensed consolidated financial statements. This plan principally includes:

- The Group is at an advanced stage of discussions with a lender to restructure a loan facility amounting to SR 4.7 billion as of 30 September 2021 where the current portion of loan amounting to SR 1.1 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 cash expected to be generated from this sale would be utilized to partially repay the loan, amounting to SR 1.1 billion, and remaining funds will be restricted for the development of phases 2 and 4. The restructured loan agreement would also enable the Group to obtain a fresh drawdown amounting to SR 1.2 billion for the development of phases 2 and 4.

  Subsequent to period end, on 5 October 2021 (corresponding to 28 Safar 1443H) the Group announced the restructuring a 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 total available undrawn facility at the reporting period amounts to SR 1.2 billion, out of which drawdowns from this facility, an amount of SR 746 million, will be made within twelve months from the date of the interim condensed 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.

- 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 4 billion within twelve months from the date of the interim condensed consolidated statement of financial position. Subsequent to period ended 30 September 2021, Group entered in an agreement with buyer to sell plot of land in phase 5 for an amount of SR 517 million having cost of SR 111 million.

- During the nine-month period ended 30 September 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 426 million. Remaining drawdowns from this facility is SR 1,174 million out of which SR 849 million, is planned to be made within twelve months from the date of the interim condensed consolidated statement of financial position.

- The Group is in discussion with a lender to defer the repayment of an obligation, amounting to SR 3 billion, that is due to mature on 31 March 2022. The lender has supported the Group by acting as guarantor for the new financing arrangement amounting to SR 1.6 billion referred to above. On this basis, the Group's management is confident that a deferral is expected to be granted.

- The Group is planning to obtain approval from another lender to roll-over a loan facility amounting to SR 1 billion due to mature on 30 November 2021. The loan facility has a history of roll-over in the past and, on this basis, the Group's management is confident that the roll-over will be granted.

- 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.

1. CORPORATE INFORMATION (continued)

Going Concern (continued)

- On 13 September 2021, JODC announced the submission of a non-binding offer to the manager of the Alinma Makkah Real Estate 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 Company 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

  This submission is subject to certain approval from Fund manager and unitholders General Assembly approval expected to convene before 31 December 2021. As a result, liability payable to unitholders would be settled by issuing Company's own shares; hence this transaction would not result in any cash outflow.

Based on the above plan, the Group's cash flow forecast for the twelve-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 interim condensed 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 condensed consolidated interim financial statements include the results of the operating activities relating to the following hotels in addition to its two branches in Jeddah and Riyadh bearing commercial registration numbers 4030291056 and 1010465230, respectively.

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)

1. CORPORATE INFORMATION (continued)

These condensed consolidated interim 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 30 September 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 No.***	***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 Statement of compliance

The accompanying condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

These interim condensed consolidated financial statements do not include all the information and disclosures required in a full set of annual consolidated financial statements and should therefore be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the material changes in the Group's financial position and performance since the date of last audited financial statements. In addition, results for the interim period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 Basis of Measurement

These condensed consolidated interim 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

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR), which is also the functional currency of the Group. All figures are rounded off to the nearest thousands (SR '000) unless when otherwise stated.

2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2020. However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020 except for the adoption of amendments in standards effective as of 1 January 2021 as described below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'
It prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items in statement of profit or loss. The amendment is required to be applied retrospectively only 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. This amendment had no impact on the interim condensed consolidated financial statements of the Group.

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
- 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 interim condensed financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. BASIS OF CONSOLIDATION
These interim condensed consolidated financial statements comprising the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note 1. The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated statement of financial position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any recognized income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. BASIS OF CONSOLIDATION (continued)

Consolidation of structured entities

Structured entities are entities designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements". Such entities generally have restricted activities, have a narrow and well-defined objective, such as:

- to affect a specific structure (for example, a tax-efficient lease);
- to perform research and development activities; or
- to provide a source of capital or funding to an entity or to provide investment opportunities for investors by passing risks and rewards associated with the assets of the structured entity to investors.
- Thin recognized on (that is, the proportion of 'real' equity is too small to support the structured entity's overall activities without subordinated financial support).
- Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (tranches).

As such, understanding the purpose and design of the entity and consideration of the following matters need to be considered when assessing who has the power to direct a structured entity's relevant activities:

- Involvement in, and decisions made at, the structured entity's inception as part of its design.
- Contractual arrangements established at the structured entity's inception.
- Rights to direct the structured entity's relevant activities that are only activated when certain events occur.
- Commitment to ensure that the structured entity operates as designed.

The key criterion in determining whether an entity is a structured entity is whether voting or similar rights are dominant, such that they convey substantive decision-making powers, or whether substantive powers have been prescribed through contractual terms (for example, an 'autopilot' arrangement). Where voting rights are the dominant factor in decision-making powers over an entity, that entity is not a structured entity.

Consolidation of structured entity is not decided solely by legal ownership. The key to determining whether an investor should consolidate a structured entity is whether the investor controls that structured entity. IFRS states that "an investor controls an investee when the investor 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". This definition applies to all entities, including structured entities. The difference with structured entities is that, often, the normal substantive powers (such as voting rights) are not the means by which the investee is controlled. Rather, relevant activities are directed by means of contracts. If those contracts are tightly drawn, it might initially appear that none of the parties has power over the structured entity. As a result, additional analysis is required to ascertain which party controls the structured entity.

5. INVESTMENT PROPERTIES

	Land *SR' 000*	*Buildings* *SR' 000*	*Equipment* *SR' 000*	*Infrastructure Assets* *SR' 000*	*Capital work in progress* *SR' 000*	*Total* *SR' 000*
Cost:						
Balance at 1 January 2020 (Audited)	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 5(c))	(54,275)	-	-	-	-	(54,275)
Balance at 31 December 2020 (Audited)	1,339,673	879,983	367,215	92,335	2,493,293	5,172,499
Additions during the period	-	-	-	-	5,296	5,296
Balance at 30 September 2021 (Unaudited)	**1,339,673**	**879,983**	**367,215**	**92,335**	**2,498,589**	**5,177,795**
Accumulated depreciation:						
Balance at 1 January 2020 (Audited)	-	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 (Audited)	-	39,352	73,217	18,099	-	130,668
Depreciation for the period	-	7,960	12,418	1,444	-	21,822
Balance at 30 September 2021 (Unaudited)	-	**47,312**	**85,635**	**19,543**	-	**152,490**
Net book value:						
At 30 September 2021 (Unaudited)	**1,339,673**	**832,671**	**281,580**	**72,792**	**2,498,589**	**5,025,305**
At 31 December 2020 (Audited)	1,339,673	840,631	293,998	74,236	2,493,293	5,041,831

5. 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 period ended 30 September 2021, there was SR Nil 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 3.57% 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.

d) Deprecation charged for the period ended 30 September 2021 has been allocated to cost of sale.

e) At 30 September 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 6 for key assumptions and information about fair value measurements using significant unobservable input.

6. 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 6 (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)	-
Additions during the period	-	-	-	1,031	4,150	-	161,884	167,065
Disposals/write-off during the period	-	-	-	-	(18,983)	-	-	(18,983)
Reclassification	41,103	-	-	-	-	-	(41,103)	-
Balance at 30 September 2021 (Unaudited)	**2,937,103**	**4,207,847**	**1,019,022**	**1,970,255**	**744,164**	**429,057**	**7,623,399**	**18,930,847**
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 period	-	-	-	-	(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 period	-	37,407	25,670	61,161	52,773	5,988	-	182,999
Relating to disposals/write-off during the period	-	-	-	-	(17,077)	-	-	(17,077)
Balance at 30 September 2021 (Unaudited)	-	**222,195**	**145,124**	**312,144**	**350,288**	**43,826**	-	**1,073,577**
Net book value								
At 30 September 2021 (Unaudited)	**2,937,103**	**3,985,652**	**873,898**	**1,658,111**	**393,876**	**385,231**	**7,623,399**	**17,857,270**
At 31 December 2020 (Audited)	2,896,000	4,023,059	887,700	1,718,241	444,405	391,219	7,514,486	17,875,110

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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 recognises 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 asset s determined by management to be recovered principally through a sale transaction rather than continuing use. Refer to note 17.

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 recognised 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 recognised. 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 period ended 30 September 2021, an amount of SR 74.6 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 3.57% per annum (2020: 4.26% per annum).

e. At 30 September 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.

6. PROPERTY, PLANT AND EQUIPMENT (continued)

f. 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 a risk 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) 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 i.e. 'Esnad Real Estate Valuation' 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). Esnad has 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 period.

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 analysed 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.

6. 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 it's experience and knowledge of market conditions.

The valuation of the Group's properties didn't significantly change from the valuation done at Group's last audited consolidated financial statements for the year ended 31 December 2020. For the sensitivity analysis refer to the last audited consolidated financial statements for the year ended 31 December 2020.

7. CASH AND CASH EQUIVALENTS

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Cash on hand	**85**	462
Cash at banks (see notes (a) and (b) below)	**1,020,137**	641,672
	1,020,222	642,134
Less: Restricted cash– non-current (see note (a) below)	**(242,590)**	(242,590)
Less: Restricted cash – current (see note (a) below)	**(306,566)**	(348,319)
	471,066	51,225

a) Restricted cash includes an amount of SR 317 million placed in Murabaha deposits with commercial banks having original maturity of three months (31 December 2020: SR 352.5 million) and yielding profit at prevailing market rate. However, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks.

b) Balance in bank accounts with entities having common directorship with the Group amount to SR 1.3 million as at reporting date (31 December 2020: SR 0.1 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 30 September 2021 and 31 December 2020.

8. INVESTMENT HELD AT FAIRVALUE THROUGH PROFIT OR LOSS

8.1 Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

8.2 Equity investments at fair value through profit or loss

		Carrying value as at		*Unrealized (loss) / gain as at*	
	Note	***30 September 2021 (Unaudited) SR'000***	*31 December 2020 (Audited) SR'000*	***30 September 2021 (Unaudited) SR'000***	*31 December 2020 (Audited) SR'000*
Non-current assets					
Al Bilad Makkah Hospitality Fund	A	**294,662**	304,710	**74,662**	84,710
Current assets					
Alinma Saudi Riyal Liquidity Fund	B	**64,676**	67,836	**(852)**	2,308

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'). Since the units of the fund are traded with reference to such Indicative NAV, management believes that it is a reasonable approximation of the fair value of the investee. As per the latest reviewed financial statements of the investee for the period ended 30 June 2021, the Indicative NAV per unit amounts to SR 14.73, which has accordingly been used as a valuation basis of the Group's investment as at 30 September 2021.

b) This represents investment in Alinma Saudi Riyal Liquidity Fund which is a public investment fund domiciled in KSA and managed by Al Inma 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	*30 September 2021 (Unaudited)*	359,338	64,676	294,662	-
Equity investments at fair value through profit or loss	*31 December 2020 (Audited)*	372,546	67,836	304,710	-

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

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

Type	Valuation technique
Investment in public funds	Quoted market prices
Investment in non-public funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund

There are no transfers in the fair value levels during the period ended 30 September 2021.

9. 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 interim condensed consolidated financial statements. The information disclosed reflects the amounts presented in the interim condensed 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.

During the period, the Group has recorded share of result amounting to SR 5.5 million (30 September 2020: SR 4.2 million).

10. PROPERTIES FOR DEVELOPMENT AND SALE

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

Movement during the period ended 30 September 2021 is as follows:

	30 September 2021 (Unaudited) *SR'000*	*31 December 2020 (Audited) SR'000*
Opening balance	**1,419,044**	1,423,302
Additions	**59,226**	11,771
	1,478,270	1,435,073
Less: Charged to cost of revenue	**-**	(16,029)
	1,478,270	1,419,044

10.1 At 30 September 2021 the Group's properties from development and sale amounting to SR 146 million (31 December 2020: 146 million) were mortgaged as collateral to the local commercial banks and unitholders of investment fund.

10.2 Properties for development and sale recognized as an expense during the period ended 30 September 2021 amounts to SR Nil (30 September 2020: SR 16 million) are included in cost of development properties sold.

10.3 Determination of net realizable value:

At 30 September 2021 and 31 December 2020, the net realizable value of the properties is assessed to be higher than their carrying value.

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 30 September 2021 and 31 December 2020, the net realizable value of the residential units is assessed to be higher than their carrying value.

11. TRADE AND OTHER RECEIVABLES

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Receivables from contract with customers	**15,952**	36,679
Receivables from rental income	**20,987**	53,382
Receivables in respect of properties for development and sale	**-**	17,532
Contract assets	**42,869**	69,996
Advances to suppliers	**117,146**	6,538
Margin and other deposits	**14,571**	14,571
Other receivables	**22,462**	7,127
Less: net impairment loss on financial assets	**(61,607)**	(104,297)
	172,380	101,528

Trade receivables are non-derivative financial assets carried at amortised 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 30 September 2021, five largest customers accounted for 28% (31 December 2020: 36%) of the outstanding trade 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. LOANS AND BORROWINGS

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

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Loans and borrowings	**11,005,016**	10,529,748
Accrued commission on term loan	**579,798**	433,374
Less: Deferred financial costs	**(22,610)**	(23,041)
	11,562,204	10,940,081
Current portion	**(6,509,174)**	(2,592,201)
Non-current portion	**5,053,030**	8,347,880

12. LOANS AND BORROWINGS (continued)

Non-current portion

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Government loan (Note (a) below)	**-**	3,000,000
Accrued commission	**-**	318,300
Syndicate loan (2) (Note (b) below)	**3,308,707**	3,587,699
Accrued commission	**55,387**	-
Facility from a local bank (Note (c) below)	**141,770**	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 (j) below)	**426,315**	-
	5,067,579	8,362,748
Less: Deferred financial costs	**(14,549)**	(14,868)
	5,053,030	8,347,880

Current portion

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Government loan (Note (a) below	**3,000,000**	-
Accrued commission	**439,231**	42,421
Syndicate loan (2) (Note (b) below)	**1,385,293**	957,029
Accrued commission	**23,190**	840
Facility from a local bank (Note (c) below)	**490,930**	272,973
Accrued commission	**4,475**	11,851
Facility from a local bank (Note (d) below)	**1,000,000**	1,000,000
Accrued commission	**15,232**	28,553
Facility from a local bank (Note (e) below)	**70,000**	135,753
Accrued commission	**501**	1,757
Facility from a local bank (Note (f) below)	**46,600**	138,274
Accrued commission	**284**	969
Accrued commission (Note (g) below)	**19,384**	3,560
Accrued commission (note (h) below	**21,052**	6,394
Accrued commission (Note (i) below)	**1,063**	-
	6,517,235	2,600,374
Less: Deferred financial costs	**(8,061)**	(8,173)
Current portion	**6,509,174**	2,592,201

12. LOANS AND BORROWINGS (continued)

Term loans

a) On 13 December 2011 (corresponding to 18 Muharram 1433H), the Group signed an agreement with Ministry of Finance to obtain a loan amounting to SR 3 billion. The loan was designated for development of Phase 3 of the Group's Projects. At origination, the amount was due for settlement in six semi-annual installments commencing from 1 January 2014.

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 from the lender to postpone repayment of all installments that were due on, or before, 31 December 2020 until 31 March 2022. As result, the Group has recognized modification losses amounting to SR 9.3 million, recorded under finance charges, as a result of facilities rescheduled during the year ended 31 December 2020. The Group has pledged Phase 3 to the lender as mortgage against the loan's amount. There are no financial debt covenants related to the facility.

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 SR 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 SR 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 is payable over a period of 12 years from the date of signing the agreement in quarterly payments ending at September 2027. The Group has an option to extend the repayment schedule for additional 4 years. The Group has withdrawn SR 4.7 billion under the facility and carries borrowing costs of SIBOR plus 2.5% rate. During 2020, the Group received letter for the deferral of payment due till March 31, 2021. During 2021, the Group received letter for the deferral of payment due till 30 September 2021. There are no financial debt covenants related to the facility. Subsequent to period end, this loan has been further restructured as disclosed in note 22.

The Group has provided the following securities against the facility:

- Mortgage of the above-mentioned phases' lands deeds.
- Promissory note by the Group for the syndicate of SR 6.1 billion

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. There are no financial debt covenants related to the facility.

12. LOANS AND BORROWINGS (continued)

Term loans (continued)

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.

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. At 30 June 2021, the Group has utilized SR 70 million to settle some of the outstanding liabilities SIBOR plus 2.5%. During the year ended 31 December 2020, the facility has been extended. Also refer Note 12 (i) for information on financial debt covenant.

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 30 September 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 the year ended 31 December 2021, 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.

i) The Group has a financial covenant related to a borrowing facility with an outstanding principal amount of SR 138 million. The Group has complied with the requirements of the financial covenant during the period ended 30 June 2021 and the year ended 31 December 2020. 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.

j) During the three-month period ended 30 June 2021, the Group entered into a secured financing arrangement amounting to SR 1.6 billion with a lender for the completion of the third Phase of the Group's Project. SR 426 million were drawn during the quarter 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 condensed consolidated statement of financial position. Cost of borrowing is SIBOR plus 0.9%.per annum.

13. LIABILITIES AGAINST LEASE

The liabilities against lease are as follows:

	30 September 2021 (Unaudited) SR'000	*31 December 2020 (Audited) SR'000*
Total leases payments under leases	**15,090**	27,061
Finance charges	**(263)**	(2,023)
	14,827	25,038
Less: Current portion	**(3,247)**	(10,857)
Non-current portion	**11,580**	14,181

	Future lease rentals SR'000	***Unamortized finance charges SR'000***	***Lease Liability SR'000***
30 September 2021 *(Unaudited)*			
Less than one year	3,978	(731)	**3,247**
Between one to five years	13,289	(1,709)	**11,580**
	17,267	**(2,440)**	**14,827**
31 December 2020 (Audited)			
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

14. REVENUE

	For the nine-month period ended	
	30 September 2021 (Unaudited) SR'000	*30 September 2020 (Unaudited) SR'000*
Revenue from contract with customers	**122,338**	114,310
Revenue from rental income	**19,641**	30,652
	141,979	144,962

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 nine-month period ended 30 September							
	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	-	-	-	-	**5,719**	483	**5,719**	483
Hotel's operations	**116,619**	108,948	-	-	-	-	**116,619**	108,948
Lease of Parking	-	4,879	-		-	-	-	4,879
Lease of Commercial center	-	-	**19,641**	30,652	-	-	**19,641**	30,652
	116,619	113,827	**19,641**	30,652	**5,719**	483	**141,979**	144,962
Timing of revenue recognition:								
Point-in-time	**23,364**	108,948	-	-	-	-	**23,364**	108,948
Over time	**93,255**	4,879	**19,641**	30,652	**5,719**	483	**118,615**	36,014
Total Revenue from contract with customers	**116,619**	113,827	**19,641**	30,652	**5,719**	483	**141,979**	144,962

15. OTHER EXPENSES, NET

	For the nine-month period ended	
	30 September 2021 (Unaudited) SR'000	*30 September 2020* (Unaudited) *SR'000*
Fair value loss on FVTPL investments (refer note 8)	**13,208**	32,034
Others	**105,477**	(13,116)
	118,685	18,918

16. FINANCIAL COSTS

	For the nine-month period ended	
	30 September 2021 (Unaudited) SR'000	*30 September 2020 (Unaudited) SR'000*
Interest and finance charges paid / payable for financial liabilities not at fair value through profit or loss	**323,279**	204,817
Conventional borrowing cost	**227,155**	257,658
	550,434	462,475

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the period ended 30 September 2021, the Group consummated the sale of a plot of land, measuring 2,572 square meters, located in Phase 7 of the Group's project by transferring the plot's legal title to the buyer. The sale value amounted to SR 830 million whereas the carrying amount of the land disposed amounted to SR 115.8 million. In accordance with the terms of the sale agreement, the Group has collected payments from the buyer amounting SR 782 million whereas the remaining proceeds are expected to be received before 31 December 2021 upon fulfillment of certain conditions specified in the agreement. Out of SR 830 million, an amount of SR 52 million is deferred and to be recognized on fulfillment of related performance obligation.

18. ZAKAT

During 1433H, the Zakat, Tax and Customs Authority ("ZTCA"), 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 ZTCA 's assessment and submitted a bank guarantee of SR 29.1 million. During 2016, the ZTCA 's Higher Appeal Committee (HAC) rendered its decision reducing the zakat liability to SR 21.8 million. JODC has filed another appeal to the ZTCA's Board of Grievance against HAC's unfavorable decision. This appeal is under assessment and awaiting a decision. Management expects a favorable outcome.

During 1435H, ZTCA issued an assessment for zakat and withholding tax ("WHT'') 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 ZTCA'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. The ZTCA 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 ZTCA and awaiting assessment. The Group has received zakat assessment from ZTCA till 2018 of approximately SR 421 million and recorded zakat payable based on the received assessment of SR 68 million and filed appeal against the open assessments.

During the nine-month period ended 30 September 2021, the Group has recorded zakat charge of SR 39.2 million (30 September 2020: SR nil).

19. RELATED PARTIES AND OTHER AFFILIATES

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

In the ordinary course of its business the Group transacts with related parties which are based on prices and terms approved by the management.

The following are the details of major related party transactions during the year and the related balances at period end:

		For the nine-month period ended	
		30 September 2021 (Unaudited)	*30 September 2020 (Unaudited)*
		SR'000	*SR'000*
Related party	**Nature of transaction**		
Bank Al Bilad – affiliate	Finance cost on loan from a local bank	**9,031**	24,229
Senior management employees	- Short term employee benefits	**5,813**	2,814
	- Post-employment benefits	**112**	112
	BOD meeting attendance fee	**474**	471
Central District Cooling Company – Joint Venture	Cooling charges and lease payment (Note 6(a))	**20,496**	51,543
	Concession fee 7%	**1,782**	3,608
	Others	**2,631**	229

Balances arising from transactions with related parties are as follows:

Related party	**Included under**	***30 September 2021*** **(Unaudited)** ***SR'000***	*31 December 2020* (*Audited*) *SR'000*
Al-Bilad Makkah Hospitality Fund	Accounts payable and other current liabilities	**95,577**	112,519
Bank Al-Bilad	Loans and Borrowings	**637,175**	619,468
Central District Cooling Company	Accounts and other receivables	-	(5,280)
Central District Cooling Company	Accounts payable and other current liabilities	**157,412**	120,256
Central District Cooling Company	Other non-current liabilities	**746,107**	762,595
Makkah Construction and Development Company	Other current liabilities	**309,565**	309,565

20. 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.

	For the nine-month period ended 30 September 2021(Unaudited)					
	Operating Hotels ***SR'000***	*Commercial Centres* ***SR'000***	*Properties for development and sale* ***SR'000***	*Property under construction* ***SR'000***	*Corporate* ***SR'000***	*Total* ***SR'000***
Interim condensed consolidated statement of financial position items as at 30 September 2021 (unaudited):						
Current assets	175,347	41,600	1,466,167	-	894,588	2,577,702
Property and equipment	17,840,238	-	-	-	17,032	17,857,270
Investment properties	-	3,412,264	1,613,041	-	-	5,025,305
Other non-current assets	517	-	-	-	678,462	678,979
Total Assets	**18,016,102**	**3,453,864**	**3,079,208**	-	**1,590,082**	**26,139,256**
Total liabilities	123,269	6,570	127,770	-	19,236,499	19,494,108
Interim condensed consolidated statement of profit or loss and other comprehensive income items for the nine-month period ended 30 September 2021 (unaudited):						
Revenues from operations	116,619	19,641	5,719	-	-	141,979
Total comprehensive (loss) / income	(448,246)	(165,393)	(8,344)	-	277,063	(344,920)

20. SEGMENT REPORTING (continued)

	For the year ended 31 December 2020 (Audited)				
	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

Statement of profit or loss and other comprehensive income items for the nine-month period ended 30 September 2020 *(Unaudited)*:

Revenues from operations	113,827	30,652	483	-	144,962
Total comprehensive (loss) / income	(247,511)	1,178	7,127	(679,156)	(918,362)

21. COMMITMENTS AND CONTINGENCIES

a) As at 30 September 2021, the outstanding capital commitments in respect of development of the Project amounted to SR 3,928 million (31 December 2020: SR 2,778 million).
b) Operating lease commitments are not significant.
c) Refer note 18 for Zakat and tax related contingencies.
d) As at 30 September 2021, the Group has bank letter of credits amounting to SR 37.8 million (31 December 2020: SR 21.5 million) issued from local bank in the Kingdom of Saudi Arabia
e) As at 30 September 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).

22. SUBSEQUENT EVENTS

On 5 October 2021 corresponding to (28 Safar 1443H) the Group announced the restructuring of a loan facility amounting to SR 4.7 billion with an additional SR 1.2 billion credit limit to be drawn down, with the total financing of SR 5.9 billion. The funds from additional facility will go towards the completion of phase 2 and 4 of the Group's master plan.

In addition to above, subsequent to period ended 30 September 2021, Group entered in an agreement with buyer to sell plot of land in phase 5 for an amount of SR 517 million having cost of SR 111 million.

23. RESTATEMENT

The Group had restated certain amounts and balances in its annual consolidated financial statements for the year ended 31 December 2020, the details of which were disclosed in note 36 to the annual consolidated financial statements. The Group has assessed the impact of these restatement and concluded that these restatements do not have any material impact on total comprehensive income for the three-month and nine-month periods ended 30 September 2020 hence impact is not presented in these interim condensed consolidated financial statements.

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved and authorized to issue by the Board of Directors on 10 November 2021G corresponding to (5 Rabi'II 1443H).

Annex No. (2)

The Company's unaudited pro forma condensed consolidated financial information for the three-month and nine-month periods ended on 30 September 2021G.

JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND INDEPENDENT PRACTITIONERS' ASSURANCE REPORT

FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2021

JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND INDEPENDENT PRACTITIONERS' ASSURANCE REPORT

For the nine-months period ended 30 September 2021

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INDEPENDENT PRACTITIONERS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A SHAREHOLDERS' CIRCULAR

To: The Shareholders of Jabal Omar Development Company
(A Saudi Joint Stock Company)

Introduction

We have completed our assurance engagement to report on the compilation of unaudited pro forma condensed consolidated financial information (hereinafter referred to as the "Pro forma financial information") of Jabal Omar Development Company (A Saudi Joint Stock Company) (the "Company" or the "Parent Company") and its subsidiaries (the "Group") by the Group's management. The pro forma financial information consists of unaudited pro forma condensed consolidated statement of financial position as at 30 September 2021 and the unaudited pro forma condensed consolidated statements of profit or loss and cash flows for the nine-months period ended 30 September 2021 and related notes as set out on Annex 2 of the Shareholders' circular issued by the Group. The applicable criteria on the basis of which the Group's management has compiled the pro forma financial information are specified in ANNEX 13 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia and as described in note 2 "Basis of preparation".

The Pro forma financial information has been compiled by the Group's management to illustrate the impact of the transaction and the related assumptions (the "transaction") set out in note 2 on the Group's financial position as at 30 September 2021 and its financial performance and cash flows for the nine-months period ended 30 September 2021 as if the transaction had taken place at 1 January 2021 for the unaudited pro forma condensed consolidated statements of profit or loss and cash flows and at 30 September 2021 for the unaudited pro forma condensed consolidated statement of financial position. As part of this process, information about the Group's financial position and financial performance and cash flows has been extracted by the Group's management from the Group's unaudited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2021, on which our review report with a modified conclusion and an emphasis of matter paragraph related to going concern has been published. Annex 1 of the Shareholders' circular contains additional information on the nature of the modification and emphasis of matter, and the effects on the Group's financial statements.

The Group Management Responsibility for the Pro Forma Financial Information

The Group's management is responsible for compiling the Pro forma financial information on the basis of ANNEX 13 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia as described in note 2 'Basis of Preparation'.

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INDEPENDENT PRACTITIONERS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A SHAREHOLDERS' CIRCULAR (continued)

Our Independence and Quality Control
We have complied with the independence and other ethical requirements of the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia

The firm applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* as endorsed in the Kingdom of Saudi Arabia and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioners' responsibilities
Our responsibility is to express an opinion as required by ANNEX 13 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia about whether the pro forma financial information has been compiled, in all material respects, by the Group's management on the basis of the applicable criteria described in note 2 'Basis of Preparation' to the Pro forma financial information

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Group's management has compiled, in all material respects, the Pro forma financial information on the basis of the applicable criteria described in note 2 'Basis of Preparation' to the Pro forma financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma financial information.

The purpose of Pro forma financial information included in a Shareholders' circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 30 September 2021 would have been as presented.

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INDEPENDENT PRACTITIONERS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A SHAREHOLDERS' CIRCULAR (continued)

Practitioners' responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Group's management in the compilation of the Pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Group, the event or transaction in respect of which the Pro forma financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria described in note 2 'Basis of Preparation' to the Pro forma financial information.

Restriction on Use

Our report is provided to the shareholders of the Company for inclusion in the Shareholders' circular and therefore, our report should not be used or relied upon by any third parties without our prior written consent.

for Ernst & Young Professional Services

Ahmed I. Reda
Certified Public Accountant
License No. 356

Jeddah: 28 April 2022G
27 Ramadhan 1443H

Jabal Omar Development Company (A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT PROFIT OR LOSS
For the nine-months period ended 30 September 2021

	Note	*For the nine-months period ended 30 September 2021 SR'000 (Unaudited) (note 4)*	*Pro forma Adjustments SR'000*	***For the nine-months period ended 30 September 2021 (pro forma) SR'000 (Unaudited)***
Revenue		141,979	-	**141,979**
Cost of revenue		(342,039)	-	**(342,039)**
GROSS LOSS		(200,060)	-	**(200,060)**
Selling and marketing expenses		(2,627)	-	**(2,627)**
General and administrative expenses		(137,036)	-	**(137,036)**
Reversal of impairment loss on financial assets, net		35,444	-	**35,444**
Other expenses, net		(118,685)	-	**(118,685)**
OPERATING LOSS		(422,964)	-	**(422,964)**
Gain on disposal of non-current assets classified as held for sale		662,179	-	**662,179**
Financial costs		(550,434)	-	**(550,434)**
Swap loss on debt-to-equity conversion with unitholders of investment fund	3	-	(1,642,901)	**(1,642,901)**
Share of results from investment in a joint venture		5,505	-	**5,505**
LOSS FOR THE PERIOD BEFORE ZAKAT		(305,714)	(1,642,901)	**(1,948,615)**
Zakat		(39,206)	-	**(39,206)**
LOSS FOR THE PERIOD		(344,920)	(1,642,901)	**(1,987,821)**
Attributable to:				
Shareholders of the Parent Company		(344,771)	(1,642,901)	**(1,987,672)**
Non-controlling interest		(149)	-	**(149)**
		(344,920)	(1,642,901)	**(1,987,821)**
LOSS PER SHARE:				
Weighted average number of ordinary shares (number in thousand)		929,400	225,134	**1,154,534**
Loss per share attributable to ordinary equity holders of the Parent Company (basic and diluted)		(0.37)	(1.35)	**(1.72)**

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohmmed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes 1 to 4 form an integral part of these unaudited pro forma condensed consolidated financial information.

Jabal Omar Development Company (A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	30 September 2021 SR'000 (Unaudited) (note 4)	Pro forma Adjustments SR'000	30 September 2021 (pro forma) SR'000 (Unaudited)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		17,857,270	-	**17,857,270**
Intangible assets		4,250	-	**4,250**
Investment properties		5,025,305	-	**5,025,305**
Investment in a joint venture		120,095	-	**120,095**
Investment held at fair value through profit or loss		294,662	-	**294,662**
Restricted cash		242,590	-	**242,590**
Other non-current assets		17,382	-	**17,382**
TOTAL NON-CURRENT ASSETS		23,561,554	-	**23,561,554**
CURRENT ASSETS				
Properties for development and sale		1,478,270	-	**1,478,270**
Other current assets		84,744	-	**84,744**
Trade and other receivables	3	172,380	(1,279)	**171,101**
Investment held at fair value through profit or loss	3	64,676	(64,676)	**-**
Restricted cash – current portion		306,566	-	**306,566**
Cash and cash equivalents	3	471,066	(673)	**470,393**
TOTAL CURRENT ASSETS		2,577,702	(66,628)	**2,511,074**
TOTAL ASSETS		26,139,256	(66,628)	**26,072,628**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	3	9,294,000	2,251,342	**11,545,342**
Share Premium	3	-	4,660,277	**4,660,277**
Statutory reserve		108,506	-	**108,506**
Accumulated losses	3	(2,472,958)	(1,642,901)	**(4,115,859)**
Reserve for advances to certain founding shareholders		(285,970)	-	**(285,970)**
Net equity attributable to owners of the Company		6,643,578	5,268,718	**11,912,296**
Non-controlling interest		1,570	-	**1,570**
TOTAL EQUITY		6,645,148	5,268,718	**11,913,866**

Wael Emad El-Turk
Chief Financial Officer

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Jabal Omar Development Company (A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2021

	Note	*30 September 2021 SR'000*	*Pro forma Adjustments SR'000*	***30 September 2021 (pro forma) SR'000***
LIABILTIES				
NON-CURRENT LIABILITIES				
Loans and borrowings		5,053,030	-	**5,053,030**
Liabilities against lease		11,580	-	**11,580**
Payable to other unitholders of investment fund	3	4,895,002	(4,895,002)	**-**
Provision for employees' terminal benefits		21,160	-	**21,160**
Other non-current liabilities		1,143,123	-	**1,143,123**
TOTAL NON-CURRENT LIABILITIES		11,123,895	(4,895,002)	**6,228,893**
CURRENT LIABILITIES				
Loans and borrowings – current portion		6,509,174	-	**6,509,174**
Accounts payable and other current liabilities	3	1,343,646	(34,145)	**1,309,501**
Payable to other unitholders of investment fund – current portion	3	406,199	(406,199)	**-**
Liabilities against lease – current portion		3,247	-	**3,247**
Zakat payable		107,947	-	**107,947**
TOTAL CURRENT LIABILITIES		8,370,213	(440,344)	**7,929,869**
TOTAL LIABILITIES		19,494,108	(5,335,346)	**14,158,762**
TOTAL EQUITY AND LIABILITIES		26,139,256	(66,628)	26,072,628

Wael Emad El-Turk
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Chief Executive Officer

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Chairman of the Board of Director

The accompanying notes 1 to 4 form an integral part of these unaudited pro forma condensed consolidated financial information.

Jabal Omar Development Company (A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-months period ended 30 September 2021

	Note	*30 September 2021 SR'000 (Unaudited)*	*Pro forma Adjustments SR'000*	***30 September 2021 (pro forma) SR'000 (Unaudited)***
Cash flows from operating activities				
Loss before Zakat		(305,714)	(1,642,901)	**(1,948,615)**
Adjustments for:				
Depreciation on property, plant and equipment		182,999	-	**182,999**
Depreciation on investment properties		21,822	-	**21,822**
Amortization of intangible assets		783	-	**783**
Reversal for employees' terminal benefits		(1,420)	-	**(1,420)**
Reversal of impairment loss on financial assets, net		(35,444)	-	**(35,444)**
Loss from disposal of property, plant and equipment		1,906	-	**1,906**
Share of results of investment in a joint venture		(5,505)	-	**(5,505)**
Financial costs		550,434	-	**550,434**
Gain on disposal of non-current assets classified as held for sale		(662,179)	-	**(662,179)**
Change in fair value of investments held at fair value through profit or loss		13,208	-	**13,208**
Swap loss on debt-to-equity conversion with unitholders of investment fund	3	-	1,642,901	**1,642,901**
		(239,110)	-	**(239,110)**
Changes in operating assets and liabilities:				
Other non-current assets		2,562	-	**2,562**
Properties for development and sale		(59,226)	-	**(59,226)**
Other current assets		(52,522)	-	**(52,522)**
Trade and other receivables		12,592	-	**12,592**
Other non-current liabilities		(3,668)	-	**(3,668)**
Accounts payable and other current liabilities		(92,712)	-	**(92,712)**
Cash used in operations		(432,084)	-	**(432,084)**
Financial charges paid		(153,068)	-	**(153,068)**
Employees' terminal benefits paid		(10,820)	-	**(10,820)**
Net cash used in operating activities		(595,972)	-	**(595,972)**
Cash flows from investing activities				
Additions to property, plant and equipment		(110,017)	-	**(110,017)**
Proceeds from disposal of property held for sale		630,000	-	**630,000**
Additional investment in a joint venture		-	-	**-**
Additions to investment properties		(5,296)	-	**(5,296)**
Purchase of intangible assets		(2,921)	-	**(2,921)**
Net change in restricted cash balances		41,753	-	**41,753**
Net cash from investing activities		553,519	-	**553,519**

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

The accompanying notes 1 to 4 form an integral part of these unaudited pro forma condensed consolidated financial information

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Jabal Omar Development Company (A Saudi Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the nine-months period ended 30 September 2021

	Note	30 September 2021 SR'000	Pro forma Adjustments SR'000	**30 September 2021 (pro forma) SR'000**
Cash flows from financing activities				
Payments received against advance to certain founding shareholders		1,326	-	**1,326**
Loans and borrowings drawdown		577,499	-	**577,499**
Loans and borrowings repayment		(106,320)	-	**(106,320)**
Repayments of lease		(10,211)	-	**(10,211)**
Net cash flows from financing activities		462,294	-	**462,294**
Net increase in cash and cash equivalents		419,841	-	**419,841**
Cash and cash equivalents at the beginning of the period		51,225	-	**51,225**
Cash and cash equivalents at the end of the period		471,066	-	**471,066**
SUPPLEMENTARY NON-CASH INFORMATION				
Account Receivable write-offs		7,246	-	**7,246**
Capitalization of borrowing cost on property, plant and equipment		57,048	-	**57,048**
Issuance of new shares (debt to equity conversion with unitholders)	3	-	2,251,342	**2,251,342**
Share premium (debt to equity conversion with unitholders)	3	-	4,660,277	**4,660,277**
Cash and cash equivalents de-recognised as part of the Transaction	3	471,066	(673)	**470,393**
Trade and other receivables de-recognised as part of the Transaction	3	-	(1,279)	**-**
Investment held at fair value through profit or loss de-recognised as part of the Transaction	3	-	(64,676)	**-**
Accounts payable and other current liabilities de-recognised as part of the Transaction	3	-	34,145	**-**
Extinguishment of 'payable to other unitholders of investment fund' (debt-to-equity conversion)	3	-	5,301,201	**5,301,201**

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohmmed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes 1 to 4 form an integral part of these unaudited pro forma condensed consolidated financial information.

1. CORPORATE INFORMATION

Jabal Omar Development Company ("the 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.

The Group’s envisioned project (hereafter, the "Project") comprises seven phases where each phase will include podiums and towers intended for mixed-use. The Group has completed development work and commenced operations for the first phase. The Group has substantially developed the second, third and fourth phases but the completion of the development still requires a sizable amount of investment to be ready for their intended use. The Group has not commenced development of the remaining phases.

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 incurred a loss amounting to SR 345 million (Post Pro forma transaction: SR 1,955 million) and negative cash flows from operations amounting to SR 596 million (Post Pro forma transaction: SR 596 million) during the nine-month period ended 30 September 2021. In addition, the Group’s current liabilities exceeded its current assets by SR 5,793 million (Post Pro forma transaction: SR 5,386 million) and the Group had accumulated losses amounting to SR 2,473 million (Post Pro forma transaction: SR 4,083 million) as of 30 September 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 Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage’s (“SCTA”) letter.

2. BASIS OF PREPARATION

The purpose of these unaudited pro forma condensed consolidated financial information prepared by the management is to illustrate the expected pro forma effect for extinguishment of financial liability i.e “Payable to other unitholders of investment fund” and the Group’s share of assets and liabilities in Alinma Makkah Real Estate fund (the “Fund”)with the Company’s own equity instruments (issue of share capital of the Company by debt conversion) (the “Transaction”) on the unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated statement of financial position data as of 30 September 2021 gives effect to the Transactions as if they had occurred on 30 September 2021 and the unaudited pro forma condensed statements of profit or loss and cash flows data for the nine-months period ended 30 September 2021 gives effect to the Transactions as if they had occurred on 1 January 2021.

The management has used the Group’s unaudited interim condensed consolidated financial statements for the nine-months period ended 30 September 2021 prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (the “unaudited historical financial statements”) to prepare the accompanying unaudited pro forma condensed consolidated financial information. Accordingly, all the adjustments to the related financial captions are made on the assumption that all the legal formalities related to the Transaction, including the approval of and the agreements with the Fund unitholders, regulatory clearances, were completed and effective on 30 September 2021.

2. BASIS OF PREPARATION (continued)

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe to be reasonable.

The historical unaudited interim condensed consolidated financial statements have been adjusted in the unaudited pro forma condensed consolidated financial information to give effect to pro forma events that are (1) directly attributable to the Transaction and (2) factually supportable.

These unaudited pro forma condensed consolidated financial information have been prepared on the basis of various assumptions, estimates, uncertainties, and currently available information, and are provided for illustrative purposes only. Consequently, the accompanying unaudited pro forma condensed consolidated financial information may not reflect the true picture of the actual financial position or results of the Group's operations, as it is dependent on the completion of all the legal formalities and regulatory clearances related to the debt conversion, planned at a future date. The unaudited pro forma condensed consolidated financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transaction been consummated on the date indicated and do not purport to indicate our future consolidated results of operations or financial position.

The Group's unaudited pro forma condensed consolidated financial information is compiled and prepared under the requirements of ANNEX 13 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia. The assumptions and estimates underlying the unaudited adjustments to the pro forma condensed consolidated financial information are described in the accompanying notes, which should be read together with the unaudited pro forma condensed consolidated financial information.

3. DEBT TO EQUITY CONVERSION

On 13 September 2021, the Company announced the submission of a non-binding offer to Alinma Makkah Real Estate fund (the "Fund") relating to full and final settlement of the Company's liability towards the Fund, including the Group's share in the assets and liabilities of the Fund. The Company 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 Company to the fund/unitholders deemed to be completely and finally settled (see below)
- Fund surrendering to the Company all the rights over the Company's assets
- All collaterals granted by the Company to the Fund should be released and terminated

On 23 December 2021, the Company has revised its Offer 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 as a result of the potential Transaction.

Subsequent to the period ended 30 September 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.

The management has prepared these unaudited pro forma condensed consolidated financial information based on the assumption that the liability payable to the Fund, is derecognized by issuance of Company's ordinary share at an assumed fair value equal to the quoted price as at 30 September 2021. Consequently, all the adjustments in respect of the related financial captions are made on the assumption that all the legal formalities related to the Transaction, including the agreements with the Fund unitholders, regulatory clearances, were completed and effective on 30 September 2021.

Accordingly, the effect of the Transaction, resulted in following pro forma adjustments:

- increase in the issued share capital of the Company by SR 2,251 million;
- increase in share premium by SR 4,660 million;
- decrease in 'payable to other unitholders of investment fund by SR 5,514 million;
- decrease in accounts payable and other current liabilities by SR 34 million;
- decrease in total current assets by SR 67 million; and
- Recognition of swap loss on debt-to-equity conversion with unitholders of investment fund amounting to SR 1,643 million.

The effect of pro forma adjustments on the individual elements in the unaudited historical financial statements are detailed below.

Share capital

New shares have been issued at par value of SR 10

3. DEBT TO EQUITY CONVERSION (continued)

The share capital structure before and after the Transaction is as follows:

	30 September 2021					
Shareholders	*Prior to the Transaction (Unaudited)*			***Pro forma post the Transaction (Unaudited)***		
	% Share	*SR'000*	*No. of shares*	***% Share***	***SR'000***	***No. of shares***
Other unitholders of the Fund	-	-	-	**19.5**	**2,251,342**	**225,134,162**
Existing shareholders of the Company	100	9,294,000	929,400,000	**80.5**	**9,294,000**	**929,400,000**
Total	100	9,294,000	929,400,000	**100**	**11,545,342**	**1,154,534,162**

Share premium

	30 September 2021 prior to the Transaction SR'000 (Unaudited)	***30 September 2021 Pro forma post the Transaction SR'000 (Unaudited)***
Ordinary shares with a nominal value of SAR 10 per share issued at a premium of SAR 20.7 per share (assumed quoted share price as of 30 September 2021)	-	**4,660,277**

Payable to other unitholders of investment fund

The Company's liability to the remaining unitholders of the Fund were accounted for at amortised cost. The liability consisted of accrued interest payable on a semi-annual basis of 9.6% and the redemption amount payable on liquidation of the Fund. The Group had pledged Phase 1 to the Fund as a mortgage against this liability. The carrying amount of the financial liability extinguished on issue of shares to the other unitholders of investment fund.

	As at 30 September 2021 (Unaudited) SR'000	*Pro forma Adjustments (Unaudited) SR'000*	**As at 30 September 2021 *(pro forma)* (Unaudited) *SR'000***
Payable to other unitholders of investment fund – Current portion	406,199	(406,199)	-
Payable to other unitholders of investment fund – Non-current portion	4,895,002	(4,895,002)	-

Accumulated losses

	As at 30 September 2021 (Unaudited) SR'000	*Pro forma Adjustments (Unaudited) SR'000*	**As at 30 September 2021 *(pro forma)* (Unaudited) *SR'000***
Accumulated losses	(2,472,958)	(1,642,901)	**(4,115,859)**

3. DEBT TO EQUITY CONVERSION (continued)

Pro forma adjustment in 'accumulated losses' relate to the difference between the fair value of the Company's own equity instruments and the carrying value of the financial liability extinguished.

Other impact recognized in the unaudited pro forma condensed statements of profit or loss and cash flows

	For the nine-months period ended 30 September 2021 *(Unaudited)* *SR'000*	Pro forma adjustments *SR'000*	**For the nine-months period ended 30 September 2021** ***(pro forma)*** ***(Unaudited)*** ***SR'000***
Swap loss on debt-to-equity conversion with unitholders of investment fund.	-	1,642,901	**1,642,901**

As a result of the debt-to-equity conversion, the 'payable to other unitholders of investment fund' extinguished by issue of the Company's own equity instruments. The fair value of the Company's own equity instruments is determined based on quoted share price as of 30 September 2021. The difference between the carrying amount of the financial liability extinguished, and the fair value of the Company's own equity instruments is recognized as a 'swap loss on debt-to-equity conversion with unitholders of investment fund' in unaudited pro forma condensed statement profit or loss, which amounted to SR 1,642 million. This pro forma adjustment is not expected to have a continuing impact on the results following the Transaction.

4. APPROVAL OF THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited Pro forma condensed consolidated financial information was approved and authorized on 19 April 2022G, corresponding to 18 Ramadhan 1443H.

جبل عمر
Jabal Omar

jabalomar.com.sa