JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT 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

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Tahliah street, Jeddah 21464 Kingdom of Saudi Arabia
T: +966 (12) 610-4400, www.pwc.com/middle-east

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.

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:
	  o 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;
	  o Assessed the reasonableness of key underlying assumptions used by management and compared them against market evidence and the properties' actual performance.

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.

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.

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.

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Ali A. Alotaibi
License Number 379

7 April 2021

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	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 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

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	Khaled Mohammed Al Amoudi	Saad 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 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	Ziyad Othman Alhekail
Chief Financial Officer	Chief Executive Officer	Chairman of the Board of Directors

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

(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.

Recognition of revenue overtime

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.

Recognition of revenue at a point in time

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.

Consolidation of structured entities

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 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.

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		
								Change		-1%	0%	1%
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%	in	-1%	4%	2%	0%
								Cap	0	2%	0%	-1%
								rate	1%	0%	-1%	-2%

(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		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 (Saudi 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%
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%
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%
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%
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 Cap rate	-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 Cap rate	-1%	20%	11%	-2%
									0	8%	0%	-11%
									1%	-2%	-9%	-20%

(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: -1% / 0% / 1% Change In Cap rate -1%: 32% / 11% / -2% Change In Cap rate 0: 19% / 0% / -11% Change In Cap 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: -1% / 0% / 1% Change in Cap rate -1%: 35% / 12% / -3% Change in Cap rate 0: 21% / 0% / -13% Change in Cap 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:

<u>Commercial Area - N3</u>

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

<u>Double tree Hotel</u>

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

		Carrying value as at		Unrealized (loss) gain as at	
	Note	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 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.

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.

	2020	**2019**	**2020**	**2019**	**2020**	**2019 (Restated)**	**2020**	**2019 (Restated)**
	Operating Hotels		**Commercial centers**		**Properties for development and sale**		**Total**	
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

	2020	**2019**	**2020**	**2019**	**2020**	**2019 (Restated)**	**2020**	**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
Central District Cooling Company – Joint Venture	Cooling charges and other payment (Note 6(a))	**43,190**	113,364
	concession fee 7%	**7,175**	2,887
	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:

		For the year ended	
	Note	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**

(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**