Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah– Kingdom of Saudi Arabia

Financial Statements and Independent Auditor's Report For the Year Ended Rabi' II 30, 1442(H)

Makkah Construction and Development Company
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Independent Auditor's Report

To the Shareholders
Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Makkah Construction and Development Company - A Saudi joint stock company** (The Company), which comprise the Statement of Financial Position as of Rabi' II 30, 1442(H), the statement of Income and Other Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows and notes to the financial statements for the year then ended which include summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of Rabi' II 30, 1442(H), and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Certified Public Accountants (SOCPA).

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	How the matter was addressed in our audit
• Most of Company's revenues have been generated from room residential returns and sales of food and beverage. The invoices are recorded based on the services provided and sales to the guests, in addition to the rental income of investment properties, as where the revenues are considered as one of the key audit matters, as it a key performance measure of the company and existing inherent risk of misstatement of revenues by recognizing it with value differs from the actual value.	• The audit procedures followed included the assessment of the appropriateness of the accounting policy adopted by the company accordance with International Financial Reporting Standards and understanding the internal controls of Company's revenue. • Obtaining an analysis of the various revenues generated by the company. • Detailed substantive analytical procedures for hotel revenues and rents from investment properties.

Revenue Recognition

- Please refer to note no. (3) which clarifies the significant accounting policy adopted, note no. (22) also provides more details about the significant judgments and estimates applicable to revenue account.

How the Matter was Addressed in Our Audit

- An analytical test of the hotel's profit margin for all sections (rooms, food and beverages, and other sections).
- Test of details for a sample of transactions occurred during the prior and subsequent period of statement of financial position date, in order to assess the timing of the revenue recognition for the hotel and investment properties to ensure whether they were recognized in the proper period.
- We have audited a sample of supporting documents related to the hotel's revenues and investment properties, such as contracts and statements related to that.
- Verifying the appropriateness and adequacy of the disclosures about them in the financial statements.

Zakat Provision

- The computation of the zakat provision for the year and the zakat provision for the years not reviewed by the General Authority of Zakat and Tax includes estimates of substantial amounts at the level of the financial statements as a whole. Moreover, the company has extensive operations within its normal business, which makes the judgments and estimates of Zakat is a key matter.
- The company settled the Zakat until the end of the financial year ending on Rabi`II 30, 1436(H), while the company submitted its Zakat declaration for the years from Rabi`II 30, 1437(H) until Rabi`II, 30 1441(H) and paid the Zakat accordingly, however, it is still under assessment by the General Authority of Zakat and Tax. In addition to, during the year zakat assessment for the years 1438 H and 1439 H have been raised by approximately SR15M,however, the company provided provision in accordance with Company's management.
- Please refer the accounting policies adopted and stated in note (3), and information about the components of the zakat provision in note (21).

How the Matter was Addressed in Our Audit

The audit procedures followed included the following:

- Obtaining understanding of nature and risks related to calculating the Zakat provision and its adequacy.
- Assessment of the calculation of zakat provision and the zakat status for the years that still under assessment by the General Authority of Zakat and Tax and reviewing that evaluation based on the opinion of a Zakat expert.
- Verifying the appropriateness and adequacy of the disclosures about them in the financial statements.

Independent Auditor's Report to the shareholders of Makkah Construction and Development Company - A Saudi joint stock company (Continued)

Other Information

Management is responsible for the other information. Other information consists of information included in the annual report other than the financial statements and the independent auditor's report thereon. We expect to be provided with the Annual Report at a later date for our report. Our opinion on the financial statements does not include the other information and we do not express any kind of assurance or conclusion thereon.

With regard to the audit of the financial statements, it is our responsibility to read the other information mentioned above when it becomes available to us, so that we evaluate whether the other information is materially inconsistent with the financial statements or the information obtained through our audit, or that the other information includes material errors.

When we read the annual report, if we discover the existence of a material misstatement we are required to report matters to those charged with governance.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting standards as adopted in the Kingdom of Saudi Arabia and other pronouncements and standards endorsed by the Saudi Organization of Certified Public Accountants (SOCPA) and Companies' regulations and Company's Articles of Association, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent 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 adopted in the Kingdom of Saudi Arabia will always detect a material misstatement when exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with international standards on auditing adopted in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Independent Auditor's Report to the shareholders of Makkah Construction and Development Company - A Saudi joint stock company (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those 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 the relevant ethical requirements related to independence, inform them of all relationships and other matters that may reasonably be believed to affect our independence, and also inform them, when appropriate, of the relevant preventive measures.

Among the matters that we communicate with those charged with governance, we identify those matters that were of the greatest importance when reviewing the financial statements of the current period, and then these matters are the main matters for the review. And we clarify these matters in our report unless laws or regulations prevent public disclosure of the matter, or when we see in extremely rare circumstances, that matter should not be reported in our report because the negative consequences of doing so are reasonably expected to outweigh the public interest benefits of such reporting.

Report on Other Legal and Regulatory Requirements

Article no.135 of the Regulations for Companies in Saudi Arabia requires the auditor to include in his report the contraventions to the Regulations for Companies or the Company's Articles of Association that came to his attention. During our current audit, no contraventions to the Regulations for Companies and the Company's Articles of Association came to our knowledge.

Talal Abu-Ghazaleh & Co.

C.R 4030278801
Lic 81
Public Accountants
TALAL ABU-GHAZALEH & CO.

Abdul Wahab Ismail Khonkar
Certified Public Accountant - Licence No. 432
Rajab 24, 1442 (H) corresponding to March 8, 2021 (G).
Jeddah – Kingdom of Saudi Arabia

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

Statement of Financial Position as of Rabi' II 30, 1442(H)

(Saudi Riyal) **Exhibit "A"**

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
ASSETS			
Non-Current Assets			
Property and equipment	5	1,299,928,977	1,313,314,543
Investment properties	6	224,763,369	229,070,881
Investments in financial assets at fair value through other comprehensive income	7	2,789,154,958	2,315,895,002
Investment in an associate company	8	14,897,030	14,897,030
Due from a related party	9	309,564,950	309,564,950
Total Non-Current Assets		**4,638,309,284**	**4,182,742,406**
Current Assets			
Inventory		2,183,226	2,021,654
Trade receivables	11	67,064,054	99,099,512
Prepayments and other receivables	12	57,370,112	39,690,522
Investments in financial assets at fair value through statement of income	10	--	147,879,541
Cash and cash equivalents	13	194,475,554	241,082,468
Total Current Assets		**321,092,946**	**529,773,697**
Total Assets		**4,959,402,230**	**4,712,516,103**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' Equity			
Capital	14	1,648,162,400	1,648,162,400
Statutory reserve	15	836,280,685	836,280,685
The cumulative change in actuarial losses in employee benefits		(536,282)	(536,007)
Unrealized gains from investments in financial assets at fair value through other comprehensive income		1,819,205,563	1,345,945,607
Retained earnings		160,825,422	466,927,148
Total Shareholders' Equity		**4,463,937,788**	**4,296,779,833**
Liabilities			
Non-Current Liabilities			
Employee benefits	17	32,758,055	31,417,209
Credit facilities	16	149,999,000	49,999,600
Total Non-Current Liabilities		**182,757,055**	**81,416,809**
Current Liabilities			
Deferred revenues	18	17,713,177	21,171,533
Trade payables		28,545,687	31,327,806
Accrued expenses and other payables	19	53,442,773	52,085,581
Dividends payable	20	205,043,020	190,863,231
Provision for Zakat	21	7,962,730	38,871,310
Total Current Liabilities		**312,707,387**	**334,319,461**
Total Liabilities		**495,464,442**	**415,736,270**
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY		**4,959,402,230**	**4,712,516,103**

The Accompanying Notes from (1) To (34) Constitute an Integral Part of These Financial Statements

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

Statement of Income and Other Comprehensive Income for the Year Ended Rabi' II 30, 1442(H)

Exhibit "B"

(Saudi Riyal)

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Revenues	22	123,443,568	477,340,948
Cost of revenues	23	(123,523,480)	(197,567,537)
Gross (loss) profit		**(79,912)**	**279,773,411**
General and administrative expenses	24	(24,570,649)	(20,805,845)
Net (loss) profit from operation		**(24,650,561)**	**258,967,566**
Provision for expected credit losses	11	(25,618,171)	(27,771,487)
Borrowing cost	8	(2,013,321)	-
Other revenues	25	1,215,171	27,621,808
Donations		(16,000)	(250,000)
Net loss (profit) before Zakat		**(51,082,882)**	**258,567,887**
Zakat	21	(7,794,484)	(22,435,710)
Net (loss) income after Zakat		**(58,877,366)**	**236,132,177**
Other Comprehensive Income			
Items that will not be reclassified subsequently to statement of income:			
Actuarial (loss) gains for employee benefits	17	(275)	1,051,834
Change in fair value of investments in financial assets at fair value through other comprehensive income	7	473,259,956	(631,822,394)
Total other comprehensive income (loss)		**473,259,681**	**(630,770,560)**
Total comprehensive income (loss)		**414,382,315**	**(394,638,383)**
Loss/earnings per share:			
Basic and diluted loss/earnings per share	26	(0.36)	1.43

The Accompanying Notes from (1) To (34) Constitute an Integral Part of These Financial Statements

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

Statement of changes in shareholders' equity for the for the year ended Rabi' II 30, 1442(H)

(Saudi Riyal) **Exhibit "C"**

	Note	Capital	Statutory reserve	Accumulated change in actuarial losses in employee benefits	Unrealized gains on investments in financial assets at fair value through other comprehensive income	Retained earnings	Net Shareholders' Equity
For the year ended Rabi' II 30, 1442(H)							
Balance on Jumada Al-Awwal 1, 1441(H)		1,648,162,400	836,280,685	(536,007)	1,345,945,607	466,927,148	**4,296,779,833**
Dividends approved for distribution for the year 1441(H)	20	--	--	--	--	(247,224,360)	(247,224,360)
Net loss after Zakat		--	--	--	--	(58,877,366)	(58,877,366)
Total other comprehensive income		--	--	(275)	473,259,956	**--**	**473,259,681**
Total comprehensive income		--	--	**(275)**	473,259,956	(58,877,366)	**414,382,315**
Balance on Rabi' II 30, 1442(H)		**1,648,162,400**	**836,280,685**	**(536,282)**	**1,819,205,563**	**160,825,422**	**4,463,937,788**
For the year ended Rabi' II 29, 1441(H)							
Balance on Jumada Al-Awwal 1, 1440(H)		1,648,162,400	836,280,685	(1,587,841)	2,089,994,959	448,200,493	**5,021,050,696**
Dividends approved for distribution for the year 1440(H)	20	-	-	-	-	(329,632,480)	**(329,632,480)**
Net income after Zakat		-	-	-	-	236,132,177	**236,132,177**
Realized gain from sale of financial assets at fair value through other comprehensive income		-	-	-	(112,226,958)	112,226,958	**-**
Total other comprehensive loss		-	**-**	1,051,834	(631,822,394)	-	**(630,770,560)**
Total comprehensive Losses for the year		**-**	**-**	**1,051,834**	**(744,049,352)**	**348,359,135**	**(394,638,383)**
Balance on Rabi' II29, 1441(H)		**1,648,162,400**	**836,280,685**	**(536,007)**	**1,345,945,607**	**466,927,148**	**4,296,779,833**

The Accompanying Notes from (1) To (34) Constitute an Integral Part of These Financial Statements

Makkah Construction and Development Company
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Statement of Cash Flows for the Year Ended Rabi' II 30, 1442(H)
(Saudi Riyal)

Exhibit "D"

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income before Zakat		(51,082,882)	258,567,887
Adjustments to reconcile net (loss) income for the year to net cash (used in) from operating activities			
Depreciations	5 & 6	30,163,610	29,772,761
Reconciliation of inventory counts		685,522	1,209,703
Gain from sale of property and equipment		(15,998)	(499)
Employees' end of service benefits - charged	17	4,316,208	4,965,236
Realized gains from financial assets through statement of income		(1,099,173)	--
Unrealized gains from financial assets through statement of income		--	(879,541)
Provision for expected credit losses	11	25,618,171	27,771,487
Provision for credit losses no longer needed	11	--	(11,621,128)
Impairment provision no longer needed	12	--	(8,682,071)
		8,585,458	**301,103,835**
Changes in Operating Assets and Liabilities			
Trade receivables		6,417,287	5,116,455
Inventory		(161,573)	475,103
Prepayments and other receivables		(17,679,590)	8,250,729
Deferred revenues		(3,458,356)	(2,112,734)
Trade payables		(2,782,119)	(13,164,835)
Accrued expenses and other payables		1,357,192	2,422,205
Cash flows from operations		**(7,721,701)**	**302,090,758**
Zakat - Paid	21	(38,703,064)	(7,856,190)
Provision for end of service - Paid	17	(2,975,637)	(6,936,343)
Net Cash flows (used in) from Operating Activities		**(49,400,402)**	**287,298,225**
CASH FLOWS FROM INVESTING ACTIVITIES			
proceed from sale of financial assets at fair value through statement of other comprehensive income		--	166,051,438
Investments in financial assets at fair value through statement of income		148,978,714	(147,000,000)
Additions of property and equipment	5	(11,598,925)	(9,357,934)
Additions of investment properties	6	(1,557,130)	(8,915,116)
proceed from sale of property and equipment		16,000	500
Net cash flows from investing activities		**135,838,659**	**778,888**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends	20	(233,044,571)	(317,967,942)
Credit facilities	10	99,999,400	49,999,600
Net Cash used in Financing Activities		**(133,045,171)**	**(267,968,342)**
Net (decrease) increases in cash and cash equivalents		**(46,606,914)**	**20,108,771**
Cash and cash equivalents at beginning of the year		241,082,468	220,973,697
Cash and cash equivalents at end of the year	13	**194,475,554**	**241,082,468**
<u>Significant non-cash transactions</u>			
Unrealized gains from investments in financial assets at fair value through other comprehensive income	7	473,259,956	(631,822,394)
The cumulative change in actuarial losses in employee benefits	17	(275)	1,051,834

The Accompanying Notes from (1) To (34) Constitute an Integral Part of These Financial Statements

1. Legal Status and Company's Activity

- Makkah Construction and Development Company was established as a Saudi joint stock company ("the company") in Makkah Al-Mukarramah under the commercial registration No. 4031020101 on Dhu al-Hijjah 1, 1409(H).
- The company has two branches, the first one is: Makkah Hotel & Towers registered under the commercial registration No. 4031045190 issued on Ramadan 18, 1424(H), and the second: the branch of Makkah Construction and Development Company for Umrah services under the Commercial Registration No. 4031102134 issued on Rabi Al-Awwal 18, 1439(H).
- The company constructs the areas adjacent to the Holy Mosque in Makkah Al-Mukarramah and owns, develops, manages, invests, purchases and leases real estate, and carries out all engineering works necessary for construction, reconstruction, maintenance, demolition and surveying works.
- On the Shawwal 11, 1440(H) corresponding to June 14, 2019(G), the company announced termination of the contractual relationship with the Millennium Company, which is the management and operating company of the hotel and towers (five-star hotels) that affiliated to it in its first project located in front of the Holy Mosque in Makkah, whereas, as of Shawwal 10, 1440(H) corresponding to June 13, 2019(G) Makkah Construction and Development Company used its right to terminate the agreement with Millennium Company for its excuses with circumstances of majeure force for not implementing some of the essential provisions of the agreement, and Millennium Company was notified of this. However the work continues in the hotel and the towers, and they are managed by Makkah Construction and Development Company. In addition to that, Makkah Construction and Development Company emphasis that the termination of contractual relationship will not lead to negative impact on the financial statements.
- The head office of the company is located at the following address:
  Fakih Commercial Center - Makkah Construction and Development Company - PO Box 7134 - Makkah Al-Mukarramah - Kingdom of Saudi Arabia.

2. Basis of preparation

a) Applied accounting standards

These financial statements for the year ended as of Rabi' II 30, 1442(H) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other pronouncements and other standards endorsed by Saudi Organization of Certified Public Accountants (SOCPA).

b) Basis of Measurement

These financial statements have been prepared on historical cost basis using the accrual basis and going concern assumption, except for "investments in financial assets at fair value through statement of income and other comprehensive income" which is measured at fair value, and except for "Employee defined benefit obligations" that are recognized at the present value of future obligations using the projected unit credit method.

c) Functional and Presentation currency

These financial statements have been presented in Saudi Riyals, which represents the functional and presentation currency for the Company.

d) Use of estimates and judgments

- Preparing financial statements requires management to make some judgments, estimates and assumptions that affect the application of the company's accounting policies and the amounts presented for assets, liabilities, revenues and expenses and on unrealized gains from investments in financial assets at fair value through other comprehensive income that are reflected in equity and the cumulative change in actuarial losses of employee benefits. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Amendments that result from accounting estimates are shown in the review period and future periods affected by these adjustments.
- The following is an explanation of the information on the most important assumptions, uncertain estimates and significant judgments when applying accounting policies that have a significant effect on the amounts shown in the financial statements that have been included in the notes.

Measuring employee benefit liabilities

The company's obligations are calculated in relation to the defined benefit plan by estimating the amount of future benefits that employees have acquired in the current and previous periods and deducting that value to arrive the present value. The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. Judgments are used to estimate actuarial assumptions. Note (17) includes key assumptions.

Impairment of trade receivables

- The Impairment in the value of the commercial city's value is shaped by the application of the expected credit loss model for all commercial city values through the following foundations:
- The expected credit loss over 12-month, which may result from the expected credit loss of default and potential 12 months from the date of the report.
- The expected credit loss over the lifetime, which may result in this expected credit loss from all defaults over the lifetime of the financial instrument.
- For life-expected credit loss Life expectancy, the measurement applies if the credit risk of credit assets increases significantly in the history of the report since its initial recognition, and the measurement of the expected credit loss over 12 months is applied if these credit risks do not increase significantly. The company can assume that the credit risk on a financial instrument has not increased significantly since its initial recognition if the financial instrument is determined to have low credit risk at the date of the report. However, the measurement of expected credit loss over a lifetime is always applied to commercial debits and contract assets without a substantial financing component, so that the company can choose to apply this policy also to commercial debtors with no substantial financing element.
- The company has chosen to evaluate the losses of commercial impairment using the expected credit losses over a period of 12 months.

Impairment in the Inventory value

The management estimates the Impairment in the inventory value to the realizable value if the cost of the inventory is not recoverable, if the stock is damaged or obsolete in whole or in part, or if the selling price is less than the cost or any other factors that cause the recoverable value to fall below the book value. Estimates of the inventory realizable value are based on the most reliable evidence at the time the estimates are made. These estimates take into account fluctuations in prices or costs directly related to events occurring after the date of the statement of financial position to the extent that confirms that the circumstances of these events exist as at the end of the financial year.

Useful lives of property and equipment

The company's management estimates the useful lives of property and equipment for purpose of calculating depreciation based on the expected use of these assets and the material damage they are exposed to. The management reviews the residual value of the useful lives and the depreciation method on an annual basis to ensure that it reflects the expected benefit to be obtained, and if there is a difference, it is treated as changes in the accounting estimates (in the year of change and subsequent years).

Investment property

The company determines whether a property qualifies as Investment property according to IAS 40 "Investment Property". The company, in making its judgment, considers whether the property generates cash flows that are largely independent of other assets that the company is own. The company decided that the business center owned by the company should be classified as part of Investment property rather than property and equipment.

3. Summary of significant accounting policies

The financial statements have been prepared in accordance with international financial reporting standards adopted in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants. The significant accounting policies used in preparing the financial statements for the year are consistent with those followed for the year ending on Rabi' II 29, 1441, with the exception of the effect of applying the new and amended standards as in Note (32).

a) Foreign currencies transactions

- Transactions in foreign currencies are converted into the relevant functional currency of the company according to the exchange rates on the date of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rates of exchange prevailing on that date. The foreign currency gain or loss on monetary items represents the difference between the amortized cost in the functional currency at the beginning of the period adjusted for the effective interest rate during the period and the amortized cost in the foreign currency converted at the exchange rate at the end of the year.
- Non-monetary assets and liabilities in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rates prevailing on the date in which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

b) Revenue recognition

Revenue includes the fair value of the consideration received or receivable for providing services in the ordinary course of the entity's activities. Revenue is presented after taxes, discounts, and returns and the entity recognizes revenue when the amount of revenue and related costs can be measured reliably and it is probable that the collectibility of the related benefits is reasonably assured.

Revenue is recorded at the fair value of the sums received or to be received and recognized upon rendering the service as follows:

- **Rental income**

  Operating lease revenue is recognized on a straight-line basis on an accrual basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease contract are added to the book value of the leased asset and are recognized on a straight-line basis over the lease term.

- **Revenue from the hotel**

  Hotel revenues consist of revenues from rooms, food and beverages, and other related services, and are recognized when the goods are sold on an accrual basis or services are provided.

c) Employee benefits

- **End of service indemnity**
  - A defined benefit plan is a compensation plan that pays out employees after their employment. According to the Saudi labor system, the company makes payments to employees upon the end of their services, which usually depend on years of service, salary and the reason for termination of service.
  - The end of service benefit is determined by the actuarial valuation using the projected unit credit method at the end of each financial year. The gain or loss arising from the actuarial revaluation is recorded in the statement of other comprehensive income in the period in which the revaluation occurred. The re-measurement recognized in other comprehensive income is directly reflected in retained earnings and is not included in profit or loss. Past service cost is charged into profit or loss during the period of plan adjustment. The net interest is calculated by applying the discount rate at the beginning of the period to the defined employee benefit commitment.
  - The defined benefit costs are classified as follows:
    - Service cost (including current service costs, past service cost, as well as profits and losses arising from raising and paying employee benefits);
    - Interest cost; And
    - Re-measure.
  - The current service cost of a defined benefit plan is recognized in the statement of profit or loss in the employee benefit expense. Reflects the increase in the defined benefit obligation resulting from the employee's service in the current year and cases of change, reduction and settlement of benefits. Past service costs are immediately recognized in the statement of profit or loss.
  - Actuarial gains and losses arising from adjustments and changes in actuarial assumptions in equity are charged and recognized in the statement of other comprehensive income in the period in which they occur.

- **Short-term employee benefits**

  The obligation for benefits accruing to employees in relation to wages, salaries, annual leave and sick leave in the period in which the service is provided is recognized and measured on the undiscounted amounts of the benefits expected to be paid for that service.

- **Costs of retirement benefits**

  The company contributes to the costs of employee retirement benefits in accordance with the regulations of the General Organization for Social Insurance, and it is calculated as a percentage of the employees' wages. Payments for government managed retirement benefit plans are treated as payments for defined benefit plans because the company's commitment to these plans equals the commitment resulting from defined benefit plans. Payments to retirement plans are recognized as an expense as they fall due.

d) Zakat

- The company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Tax ("the Authority"). Additional amounts due, if any, are computed upon completion of the final evaluations in the year in which these amounts are determined.
- The company withholds taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with the regulations of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. These amounts are withheld on behalf of non-resident parties and are therefore not recognized in profit or loss.

e) Expenses

All other expenses, except for the cost of revenue, are classified as general and administrative expenses. Common expenses are distributed between the cost of revenue and general and administrative expenses, if necessary, on a regular basis and expenses are recorded in the income statement according to the accrual basis.

f) Inventory

Inventories are measured at the lower of cost or net realizable value. The cost of inventory is calculated according to the weighted average method, which includes the expenditures incurred in bringing the inventory to the site and in its current condition. Net realizable value is the estimated selling price in the normal course of the business, after deducting the estimated costs of completing the sale.

g) Property and equipment

1- Recognition and measurement

- Property and equipment are measured at cost after deducting accumulated depreciation and accumulated impairment losses, if any.
- Cost includes direct costs to acquire the asset. The cost of assets that are created internally includes the cost of materials, direct labor and other direct costs that are involved in bringing them to the state in which they are operated at their location and for the purpose for which they were acquired.
- When the useful life of major or material components of an item of property and equipment differs, those components are accounted for as separate items of property and equipment. Profits and losses arising from disposal of an item of property and equipment are determined by comparing the proceeds of disposal with the carrying value of property and equipment and are recognized net of other income in the statement of profit or loss.
- When the recoverable amount of any property and equipment is less than its net book value, its value is reduced to the recoverable value and the impairment is recorded in the income statement.

2- Subsequent costs

- Property and equipment are eliminated when they are disposed of, or when there are no future benefits expected from their use or disposal.
- The cost of replacing a portion of an item of property and equipment is recognized in the carrying amount of that asset when it is probable that future economic benefits will flow from that portion of the asset to the company, and the cost can be measured reliably. The carrying value of that replaced portion is canceled. The cost of the day-to-day servicing of property and equipment is recognized in the statement of profit or loss as incurred.
- Major inspections and maintenance are accounted for as a separate component if they are used in more than one fiscal year. The carrying value of this component is determined by reference to the current market price of these repairs.

3- Depreciation

- Depreciation represents the systematic allocation of the depreciable amount of an item of property and equipment (which is the cost of the asset or any surrogate amount for cost, minus its residual value) over its useful life.
- Depreciation is charged to the profit or loss statement, excluding lands, and is calculated in a straight-line method over the estimated lives of each item of property and equipment, as this is the best method that accurately reflects the extent of the consumption of the economic benefits inherent in the asset. Leased assets are depreciated over the term of the lease and their useful lives, whichever is shorter, unless it is reasonably certain that the company will acquire the ownership at the end of the lease term.
- The estimated useful lives of the assets for the current and comparative periods are as follows:

Description	Years
Buildings	83.33
Equipment	10
Furniture, fixtures and office decorations	2,5-10
Motor Vehicles	4

- The methods of depreciation, useful lives and residual value are reviewed at the end of each financial year and future adjustments are made if necessary.

h) Investment property

- Properties held for the purpose of achieving rental income, capital gains, or both are classified as investment properties. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses, if any.
- Depreciation is calculated using the straight-line method over the estimated useful lives.

Description	Years
Buildings	83.3 - 33.3
Furniture and fixtures	10

- No depreciation is charged to the land.
- The useful lives, the method of calculating depreciation and the residual value are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

i) Investment in associates

- An associate is an entity over which the investor exercises significant influence, and it is not a subsidiary or a stake in a joint venture. Significant control is defined as the authority to participate in decisions related to the financial and operational policies of the investee and not to have joint control or control over these policies.
- The entity's investments in its associate facility are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized at cost and the amount recorded is increased or decreased to recognize the investor's share of the investee's profit or losses after the date of purchase. And the investor's share of the profits or losses of the investee is recognized in the investor's profit or loss account. Distributions received from the investee are reduced from the amount recorded for the investment.
- The amount recorded as an investment is adjusted for the change in the share in the investee resulting from the change in other comprehensive income. The investor's share in that change is recognized in his other comprehensive income.
- Profits and losses resulting from internal transactions between the entity and associates are eliminated by the value of the entity's share in the related associates.

j) Leases

The company determines at the beginning of the contract whether the contract is a lease or involves a lease. A contract is a lease or involves a lease if the contract transfers the right to control an existing use for a period of time in exchange for compensation. In order to assess whether a contract transfers control over a specific use for a period of time, an entity must assess whether:

- The right to have access to nearly all economic benefits from the use of a substantially determined asset.
- The right to direct control over the use of the specified asset. An entity reserves the right when it has the right to make the most relevant decisions to change the use of the asset and for what purpose. In rare cases where the decision on how to use the asset and for any previously specified purpose, the company has the right to direct the use of the asset if:
  - The company has the right to operate the existing property, or
  - The company designed the assets in a way that predetermines how they will be used and for what purpose.

Right of use assets

- The company shall prove the right to use the assets and the lease obligation on the date of commencement of the lease. The right to use the asset is measured initially at cost, which consists of the initial amount of the amended lease obligation for any lease payments made on or before the commencement date, in addition to any initial direct costs incurred and the estimated costs of dismantling and dismantling the underlying asset or to recover the underlying asset or location where it is located. Minus any rent incentives received.
- The right to use the asset is subsequently depreciated or the end of the lease term is determined. The estimated useful lives of the right to use the asset are determined on the same basis as property and equipment. In addition, the right to use the asset is periodically reduced from impairment losses, if any, and adjusted for some re-measurement of the liability.

Lease commitment

- At the beginning of the lease, the lease obligation is measured at the present value of the unpaid lease payments at that date, and the lease payments are deducted using the interest rate implicit in the lease if the rate can be determined easily, and if it is not possible to determine that rate easily then it should be uses additional borrowing rate for the lessee.
- Payments at the commencement date of the lease contract included in the measurement of the lease obligation consist of the following payments for the right to use the asset in question during the lease term that have not been paid at the commencement date of the lease:
  - Fixed payments less any lease incentives payable.
  - Variable lease payments based on an index or rate initially measured using the index or rate at the commencement date of the lease.
  - Amounts expected to be paid by the lessee under residual value guarantees.
  - The price of the option if the tenant is certain to exercise this option reasonably.
  - Fines payments for termination of the lease if the term of the lease reflects the tenant's exercise of the option to terminate the lease.
- Lease liability is measured at amortized cost using the effective interest method. Re-measurement is made when there is a change in future lease payments arising from a change in the index or price, if there is a change in the entity's estimate of the amount expected to be paid under the residual value guarantee, or if the entity changes the assessment of whether an option to purchase or extend will be exercised.
- When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right to use the asset, or is recognized in profit or loss if the carrying amount of the right to use the asset is reduced to zero.
- The right to use the assets and liabilities of leases are not recognized for short-term leases with a lease term of 12 months or less and leases for low-value assets. The Company recognizes lease payments related to the leases as an expense on a straight-line basis over the term of the lease.

k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instrument of another company.

a) Financial assets

A financial asset is any asset that is:

- Cash
- A contractual right to receive cash or another financial asset from another company.
- A contractual right to exchange financial instruments with another company under conditions are potentially favorable to the company.
- A non-derivative contract for which the company is or may be obliged to receive a variable number of the Company's own equity instruments.

Classification and initial recognition

- The Company classifies its financial assets in the following measuring categories:
  - Those to be measured subsequently at fair value (either through income statement, or through other comprehensive income), and
  - Those to be measured at amortized cost.
- The classification depends on the company's business model for managing the financial assets and the contractual terms of the cash flows.
- For assets measured at fair value, gain and losses will either be recorded in income statement or other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which investment is held. For investment in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.
- At initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through income statement, transaction costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at fair value through income statement are expensed in the Statement of income.

Subsequent measurement

Equity instruments

- The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains or losses to Statement of comprehensive income. Dividends from such investments continue to be recognized in Statement of comprehensive income as other income when the Company'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.
- Changes in the fair value of financial assets at fair value through Statement of comprehensive income are recognized in other gain / (losses) in the Statement of comprehensive income as applicable.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classified its debt instruments:

- Amortized 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 amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in Statement of comprehensive income when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- <u>Fair value through other comprehensive income (FVOCI):</u>
  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represents solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognized in Statement of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to Statement of comprehensive income and recognized in the other gains / (losses). Interest income from these financial assets is included in finance income using the effective interest method.

- <u>Fair value through Statement of income</u>
  Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through Statement of income. A gain or loss on a debt investment that is subsequently measured at fair value through Statement of income and is not part of a hedging relationship is recognized in Statement of income and presented net in the Statement of income within other gains / (losses) in the period in which it arises. Interest income from these financial assets is included in the finance income.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to net the carrying amount on initial recognition.

<u>Impairment</u>

- The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. However, if there have been no material changes to the credit risk of the financial instrument since the initial recognition, then the company measures the loss allowance for the financial instrument at an amount equivalent to the expected credit loss for a period of 12 months.
- For trade receivables only, the company applies the simplified approach permitted by IFRS 9, which requires recognition of life-long losses expected from initial recognition of receivables.

b) <u>Financial liabilities:</u>

A financial liability is any liability that is:

- Contractual obligation to deliver cash or another financial asset to another company.
- Contractual obligation to exchange financial instruments with another company under conditions that are potentially unfavorable.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the company's own equity instruments.

Initial recognition

All financial liabilities are recognized initially at fair value. The Company's financial liabilities include other payables and due to related parties.

Subsequent measurement

Company classifies all financial liabilities subsequent to initial measurement at amortized cost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial instruments

- The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.
- On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the Statement of comprehensive income. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.
- The Company derecognizes financial liabilities when, and only when, the Company's' obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the Statement of comprehensive income.

Accounts receivable

Trade receivables are amounts due from customers for goods or services that are performed in the normal course of business. Trade receivables are recorded at the transaction price upon initial recognition. After each reporting date, trade receivables are shown net of the expected credit loss allowance. The company applies the simplified approach to charging expected credit losses, which requires the use of an expected loss allowance over its lifetime. The expected credit losses of these financial assets are estimated using specific systems for provision based on the company's previous credit loss experience, and they are adjusted in line with factors related to debtors and general economic conditions, and the evaluation of both current and future conditions at the date of the financial statements is based on the time value of the asset as needed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with banks and other short-term, highly liquid investments with maturities of three months or less.

Impairment of non – financial asset

The company reviews the carrying values of its non-financial assets (other than inventory and deferred tax assets) at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or cash-generating units. Goodwill resulting from the business combination is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the mergers.

The recoverable amount of the asset or cash-generating unit is the most widely used value or its fair value less costs to sell; which one is bigger. The value in use determination is based on estimated future cash flows reduced to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.

Recognition of impairment losses in profit or loss. They are distributed first to reduce the carrying value of any month allocated to the cash-generating unit, and then to reduce the carrying value of other assets in the cash-generating unit on a pro-rata basis.

An impairment loss is not reversed with respect to goodwill. With respect to other assets, the impairment loss is reversed to the extent that the carrying amount of the asset exceeds the carrying value that was determined, after deducting depreciation and amortization, if the impairment loss is not recognized.

Capital

Instruments issued by the company are classified as equity (Shareholders' equity) only to the extent that the definition of an asset or liability does not apply to them. The Company's common stock is classified as equity instruments (Shareholders' equity).

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must transfer 10% of its income to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The shareholders of the company approved, in the extraordinary general assembly meeting on Jumada al-Akhira 14, 1438 H, corresponding to March 13, 2017 G, to adhere to the new amended articles of association of the company, and amending Article 1/44 of the Articles of Association to make the statutory reserve 30% of the capital.

Provisions

A provision is recognized if the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Segment information

The business segment represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business segment, which are measured according to the reports used by the executive management and decision makers in the company.

The geographical segment is related to providing products or services in a specific economic environment that are subject to risks and returns that differ from those related to business segments in an economic environment.

Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are also recorded in the year in which they are approved by the general assembly of shareholders.

Current versus non-current classification

- The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
  - Expected to be realized or intended to be sold or consumed in the normal operating cycle;
  - Held primarily for the purpose of trading;
  - Expected to be realized within twelve months after the reporting period; or
  - Cash or cash equivalents unless restricted from being exchanged or used to settle a liability
  - for at least twelve months after the reporting period.
- All other assets are classified as non-current.
- A liability is current when:
  - It is expected to be settled in the normal operating cycle;
  - It is held primarily for the purpose of trading;
  - It is due to be settled within twelve months after the reporting period; or
  - There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.
- The Company classifies all other liabilities as non-current.

4. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value, cash flow interest rate and price risk), credit risk, and liquidity risk.
The company's overall risk management program focuses on the volatility of the financial markets and tries to minimize potential negative impacts on the company's financial performance.

- **Risk management framework**
  - Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are credit risk, currency risk, fair value, and interest rates for cash flows.
  - The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.
  - Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
  - The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.
  - Financial instruments included in the statement of financial position include cash and cash equivalents, trade receivables, other receivables, trade payable and other payables. The methods used for verification are disclosed in separate policies relating to each item in the financial statements.

- **Market risk**

  Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk currency risk and other price risk such as share price risk.

- **Interest rate risk**

  Interest rate risk results from a change in the value of a financial instrument as a result of changes in market interest rates. The company does not have any financial assets or liabilities with fixed or variable interest rates, and accordingly, the company's management believes that interest rate risk is not significant.

- **Foreign currency risk**

Currency risk is that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is not exposed to fluctuations in foreign exchange rates during its normal business cycle, given that the company's substantial transactions during the period were carried out in Saudi riyals and US dollars. Since the Saudi riyal exchange rate is fixed against the US dollar, there are no significant risks associated with the outstanding transactions and balances in the US dollar.

- **Other market price risks**

The company is exposed to equity risk which arises from equity shares available for sale and investments measured at fair value through profit or loss.
The company's management monitors the percentage of securities in its investment portfolio based on the market index.

- **Sensitivity analysis - stock price risk**

All of the company's investments listed on the Saudi Stock Market (Tadawul) represent investments classified as investments in financial assets at fair value through other comprehensive income. A 3% increase in average stock prices at the reporting date would lead to an increase in equity by an amount of SR 80,463,634. A decrease of 3% in share prices would have an effect of approximately SR 80,463,634 on the company's equity. A 3% increase or decrease in the value of the listed securities will only affect equity, but not have an effect on profit or loss.

- **Credit risk**

  - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss and the company follows a policy of dealing with creditworthy parties, in addition to obtaining adequate guarantees where appropriate, in order to reduce the risk of financial losses resulting from non-fulfillment of obligations. Concentration risk arises when a number of parties engage in similar activities in the same geographical area or have economic features that would lead to their failure to fulfill their contractual obligations. The company has also developed the formal approval process when applying credit limits to its customers. The administration also continuously monitors clients' debts, and the company has a system for determining credit limits for its clients based on an extensive evaluation based on customer data and its history of commitment to payments. The outstanding customer receivables are monitored regularly.
  - The company is exposed to total credit risk at the date of the financial statements as follows:

Financial assets	**Rabi' II 30, 1442(H)**	**Rabi' II 29, 1441(H)**
Trade receivables (Net)	67,064,054	99,099,512
Other receivables	15,909,555	16,404,579
Cash and cash equivalents	194,475,554	241,082,468
	277,449,163	**356,586,559**

(Saudi Riyal)

- The ages of trade receivables as at the date of the financial statements are as follows:

	Rabi' II 30, 1442 H		Rabi' II 29, 1441 H	
	The balance	Expected credit loss provision	The balance	Expected credit loss provision
Due up to 90 days	220,316	9,318	8,897,167	1,026,264
Due since 91 days to 180 days	--	--	2,490,298	1,446,013
Due since 181 days to 365 days	36,244,660	2,568,458	59,081,104	8,292,200
More than 365 days	125,628,182	92,451,328	98,041,876	58,646,456
	162,093,158	**95,029,104**	**168,510,445**	**69,410,933**

- Management believes that unimpaired amounts more than 9 months past due are still fully collectible based on historical repayment behavior and a comprehensive analysis of customer credit risk.
- Management also believes that other credit risk is not significant.

(Saudi Riyal)

- **Liquidity risk**
  - Liquidity risk is the risk that the company will encounter difficulty in obtaining the necessary financing to meet commitments associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. The company manages liquidity risk by providing sufficient funds necessary to meet any future liabilities by maintaining reserves, continuous monitoring of actual cash flows, and matching the maturities of financial assets and financial liabilities. Also, part of the company's funds are invested with cash balances with banks and are ready to meet short and medium term financing requirements for example, Concentrations of liquidity risk may arise from the payment terms of financial liabilities, sources of borrowing, or reliance on a particular market in which the current assets are realized. The following is an analysis of the undiscounted contractual maturity of the company's financial liabilities as of Rabi' II 30, 1442(H). The company does not maintain financial assets to manage liquidity risk.

Rabi' II 30, 1442(H)	1 year or less	1-3 Years	Accrued interest for future periods	Book value
Non-derivative financial liabilities				
Credit facilities	--	149,999,000	--	149,999,000
Trade payables	28,545,687	--	--	28,545,687
Accrued expenses and other payables	53,442,773	--	--	53,442,773
Dividends payable	205,043,020	--	--	205,043,020
	287,031,480	**149,999,000**	**--**	**437,030,480**

Rabi' II 29, 1441(H)	1 year or less	1-3 Years	Accrued interest for future periods	Book value
Non-derivative financial liabilities				
Credit facilities	-	49,999,600	--	49,999,600
Trade payables	31,327,806	--	--	31,327,806
Accrued expenses and other payables	52,085,581	--	--	52,085,581
Dividends payable	190,863,231	--	--	190,863,231
	274,276,618	**49,999,600**	**--**	**324,276,218**

- The cash flows included in the maturity analysis are not expected to settled early or in a significant different amounts.
- The following table shows the difference between current assets and current liabilities as at the date of the financial statements:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Current assets	321,092,946	529,773,697
Current liabilities	(312,707,387)	(334,319,461)
Working capital surplus	**8,385,559**	**195,454,236**

(Saudi Riyal)

- **Capital risk management**
  - The company's plan when managing capital is to maintain the company's ability to continue as a functioning entity so that it can continue to provide returns to shareholders and benefits to other stakeholders through achieving an optimal balance between equity and debt and maintaining a strong capital base to support the sustainable development of its business.
  - The company's policy is to maintain an acceptable debt ratio attributable to shareholders 'equity, so that the total debt does not exceed 100%. The company has adjusted the ratio of net debt to shareholders' equity as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Total liabilities	495,464,442	415,736,270
Total debt	**495,464,442**	**415,736,270**
Total shareholder's equity	4,463,937,788	4,296,779,833
Adjusted shareholders' equity	**4,463,937,788**	**4,296,779,833**
Net debt to adjusted shareholders' equity	**11,10%**	**9,68%**

- **Fair value of assets and liabilities**
  - 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 Company 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).

(Saudi Riyal)

A) Financial assets measured at fair value on an ongoing basis

– **Fair value hierarchy**

– The following table summarizes the financial instruments of the company listed in the fair value hierarchy that reflect the most important inputs used in making the measurements:

For the year ended Rabi' II 30, 1442 H	Valuation techniques and key inputs	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value:					
Queoted shares	Prices quoted in the financial markets	2,682,121,140	--	--	**2,682,121,140**
Unqueoted shares	According to the latest available financial information	--	--	107,033,818	**107,033,818**
Total	**2,789,154,958**	**2,682,121,140**	**--**	**107,033,818**	**2,789,154,958**

For the year ended Rabi' II 29, 1441 H	Valuation techniques and key inputs	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value:					
Queoted shares	Prices quoted in the financial markets	2,354,570,055	--	--	**2,354,570,055**
Queoted shares	According to the latest available financial information	--	--	109,204,488	**109,204,488**
Total	**2,463,774,543**	**2,354,570,055**	--	**109,204,488**	**2,463,774,543**

– If the inputs used to measure the fair value of the asset or liability are at different levels of the fair value hierarchy, then the fair value measurement is categorized entirely within the same level of the fair value hierarchy as the lowest level of the input that is significant to the entire measurement.

– The Company recognizes transfers between levels in the fair value hierarchy at the end of the reporting period in which the change occurred. During the year ending Rabi II 30, 1442(H), there were no transfers between the levels.

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B) Assets not measured at fair value on an ongoing basis

– Except for what is mentioned in the table below, the carrying amount of the assets and liabilities shown in the financial statements approximates their fair value.

For the year ended Rabi' II 30, 1442(H)	Book value	Level 1	Level 2	Level 3	Total fair value
Assets not measured at fair value:					
Investment properties	224,763,369	--	--	4,454,452,993	**4,454,452,993**
Total	**224,763,369**	**--**	**--**	**4,454,452,993**	**4,454,452,993**

For the year ended Rabi' II 29, 1441(H)	Book value	Level 1	Level 2	Level 3	Total fair value
Assets not measured at fair value:					
Investment properties	229,070,881	--	--	5,146,624,313	**5,146,624,313**
Total	**229,070,881**	**--**	**--**	**5,146,624,313**	**5,146,624,313**

(Saudi Riyal)

5. Property and Equipment – net

a. The movement of property and equipment during the year ended Rabi' II 30/29, consists of the following:

1442(H)	Lands	Buildings	Operating Equipment	Furniture & Fixtures	Motor & vehicles	Total
Cost						
Balance at beginning of the year	601,409,769	939,793,532	144,760,717	74,645,750	2,073,804	**1,762,683,572**
Additions	--	7,242,058	1,721,904	2,468,323	166,640	**11,598,925**
Disposals	--	--	(4,246,855)	(4,276,352)	(172,075)	(8,695,282)
Balance at end of the year	**601,409,769**	**947,035,590**	**142,235,766**	**72,837,721**	**2,068,369**	**1,765,587,215**
Accumulated Depreciation						
Balance at beginning of the year	--	325,169,876	64,406,669	57,731,456	2,061,028	**449,369,029**
Depreciation for the year	--	11,381,170	6,986,681	5,919,072	44,157	**24,331,080**
Disposals	--	--	(3,862,220)	(4,007,578)	(172,073)	(8,041,871)
Balance at end of the year	**--**	**336,551,046**	**67,531,130**	**59,642,950**	**1,933,112**	**465,658,238**
Net book value	**601,409,769**	**610,484,544**	**74,704,636**	**13,194,771**	**135,257**	**1,299,928,977**

1441(H)	Lands	Buildings	Operating Equipment	Furniture & Fixtures	Motor & vehicles	Total
Cost						
Balance at beginning of the year	601,409,769	937,301,194	149,797,156	78,826,158	2,102,773	**1,769,437,050**
Additions	--	2,492,338	4,185,295	2,680,301	--	**9,357,934**
Disposals	--	--	(9,221,734)	(6,860,709)	(28,969)	**(16,111,412)**
Balance at end of the year	**601,409,769**	**939,793,532**	**144,760,717**	**74,645,750**	**2,073,804**	**1,762,683,572**
Accumulated Depreciation						
Balance at beginning of the year	--	313,887,326	66,099,904	58,101,394	2,066,844	**440,155,468**
Depreciation for the year	--	11,282,550	6,886,560	5,988,177	23,153	**24,180,440**
Disposals	--	--	(8,579,795)	(6,358,115)	(28,969)	**(14,966,879)**
Balance at end of the year	**-**	**325,169,876**	**64,406,669**	**57,731,456**	**2,061,028**	**449,369,029**
Net book value	**601,409,769**	**614,623,656**	**80,354,048**	**16,914,294**	**12,776**	**1,313,314,543**

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b. The charged depreciation was distributed as follows:

	Rabi' II 29, 1442(H)	Rabi' II 29, 1441(H)
Activity depreciations	23,973,849	23,870,026
Administrative depreciations	357,231	310,414
	24,331,080	**24,180,440**

c. The cost of the fully depreciated property and equipment and still used in operation as of Rabi' II 30, 1442(H), amounted to approximately SR 51 million (as of Rabi' II 29, 1441(H): SR 54 million). The company's management have reviewed useful lives of these assets and concluded that there is no need to amend them.

6. Investment Properties – Net

a. The movement of investment properties during the year ended Rabi' II, 29/30, consists of the following:

1442(H)	Lands	Buildings	Furniture & Fixtures	Total
Cost				
Balance at beginning of the year	66,082,344	220,689,576	44,887,972	**331,659,892**
Additions	--	192,110	1,365,020	**1,557,130**
Disposals	--	--	(959,001)	(959,001)
Balance at end of the year	**66,082,344**	**220,881,686**	**45,293,991**	**332,258,021**
Accumulated Depreciation				
Balance at beginning of the year	--	82,489,035	20,099,976	**102,589,011**
Additions	--	2,762,217	3,070,313	**5,832,530**
Disposals	--	--	(926,889)	(926,889)
Balance at end of the year	**--**	**85,251,252**	**22,243,400**	**107,494,652**
Net book value	**66,082,344**	**135,630,434**	**23,050,591**	**224,763,369**
1441(H)				
Cost				
Balance at beginning of the year	66,082,344	220,689,576	48,067,413	**334,839,333**
Additions	-	-	8,915,116	**8,915,116**
Disposals	-	-	(12,094,557)	**(12,094,557)**
Balance at end of the year	**66,082,344**	**220,689,576**	**44,887,972**	**331,659,892**
Accumulated Depreciation				
Balance at beginning of the year	-	79,742,153	29,283,923	**109,026,076**
Additions	-	2,746,882	2,845,439	**5,592,321**
Disposals	-	-	(12,029,386)	**(12,029,386)**
Balance at end of the year	**-**	**82,489,035**	**20,099,976**	**102,589,011**
Net book value	**66,082,344**	**138,200,541**	**24,787,996**	**229,070,881**

b. The investment properties consist of the commercial center stores in the hotel and towers, and Jabal Omar project 2, which the company owned for rental purposes. According to the latest fair value measurement for these investments deted Rabi' II, 1442(H), which was performed by Sima Real Estate Appraisal Company, a member of the Saudi Authority for Accredited Valuers, License No. 1210000084, the fair value is amounted to SR 4,454,452,993 (Rabi' II, 1441(H): SR 5,146,624,313).

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7. Investments in financial assets at fair value through other comprehensive income

Investments in financial assets at fair value through other comprehensive income mainly consist of the following:

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Jabal Omar Development	a	2,788,190,040	2,314,944,022
Commodity Trading Fund		964,918	950,980
		2,789,154,958	**2,315,895,002**

a. The movement of investments in financial assets at fair value through other comprehensive income consist of the following:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at beginning of the year	2,315,895,002	3,113,768,834
Cost of investments in assets at FVOCI - Sold (*)	--	(53,824,480)
Realized gains from sale of assets at FVOCI	--	(112,226,958)
Unrealized gains (losses) of assets at FVOCI	473,259,956	(631,822,394)
	2,789,154,958	**2,315,895,002**

(*) During the year ended Rabi' II 29, 1441(H), the company sold 5,382,448 shares of its share in the capital of Jabal Omar Development Company, which resulted in realized gains of SR 112,226,958, this was based on the Board of Directors decision in their meeting No. (178) held on Rabi' I 18, 1440(H), as it was decided to sell 10 million shares. These shares were sold during the year 1440(H) and 1441(H).

b. The company has sent a confirmation request to Jabal Omar Development Company on the shares owned by Makkah Construction and Development Company as of Rabi' II 30, 1442(H), however, based on the reply letter from Jabal Omar Development Company, it was found a difference in number of shares owned by Makkah Construction and Development Company by around 1,198,571 shares. Accordingly, Makkah Construction and Development Company contacted the lawyer to clarify this difference, who stated that the shares of real estates that title deeds have not been transferred up to date were assessed when Makkah Construction and Development Company invested as a shareholder in Jabal Omar Company, and this value should be remains the same since there is no amendment or change on status of the title deeds which was considered the basis of determining the number of shares at the time of Makkah Construction and Development Company entered as a shareholder in Jabal Omar Company. Therefore, it is not allowed for any amendment or change on the shares related to the deeds except after completing the technical and Sharia procedures by adding the space on it by the competent Sharia departments and before adding the final amount of the deeds space by the competent authorities and departments. The value of the contribution remains constant and it is not subject to any modification or change until the total space of the deeds is added by the competent authorities.

8. Investment in associate company

The Board of Directors unanimously decided, in their meeting no. (133) on Muharram 25, 1435(H) corresponding to November 28, 2013(G) to contribute a cash share in the capital of Jarham Development Company which work in the field of real estate development, and will develop the area of Jabal Al- Sharashif, moreover, according to this decision the company on Jumada Al-Awwal 11, 1435(H) paid an amount of SR 28,84 million, which represents 27.5% of the company's capital which amounted to SR 104,84 million. Movement in investment in associate company was as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at beginning of the year	14,897,030	14,897,030
Company's share in the net results of the investment in associate (*)	--	--
Balance at ending of the year	**14,897,030**	**14,897,030**

(*) The investment in Jarham Development Company was measured based on the latest audited financial statements for the year ended December 31, 2017, while the financial statements of the associate for the year 2018 were issued during the year, which showed an increase in the company's assets as a result of recognizing an intangible asset that appeared mainly as a result of adjustments of previous years, the company decided not to recognize the increase due to the uncertainty in the absence of recent audited financial statements.

The capital of Jarham Company was reduced according to the resolution of the Extraordinary General Assembly dated November 13, 2018(G), to become its capital of SR 49,8 million, however, the legal procedures required to reduce the capital have not been completed until the date of the financial statements.

9. Due from a related party

The amounts due from a related party (Jabal Omar Development Company) amounting to SR 309,564,950 as of Rabi' II 30, 1442(H) represents the amount due against the remaining cash share paid by Makkah Construction and Development Company to Jabal Omar Development Company on behalf owners of real states who did not complete the legal procedures of transfer their ownership to Jabal Omar Development Company. However once those owners complete all the legal procedures of transferring ownership of these real states to the name of Jabal Omar Development Company, Jabal Omar Development Company will pay this amount to Makkah Construction and Development Company, noting that these amounts do not have any interest or murabaha calculated on the due balance.

10. Investments in financial assets at fair value through income statement

a. Investments in financial assets at fair value through income statement consist of the following:

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Al-Ahli Saudi Riyal Trading Fund	B	--	147,000,000
Unrealized gains on financial assets at fair value through income statement		--	879,541
		--	**147,879,541**

b. During the year ended Rabi' II 30, 1442, the company sold the investment in Al-Ahli Trading Fund in Saudi riyals for an amount of SR 148,978,714, which resulted in a return yield of investment of SR 1,099,173

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11. Trade receivables

Trade receivables consist of the following:

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Commercial Center		70,233,641	51,668,839
Subsistence Center		14,808,103	14,366,022
Al-Shuhada descended		13,065,726	13,065,726
Al-Shuhada Commercial Center		558,457	558,457
Hotels and Towers - Receivables		24,351,277	49,775,447
Due from hotel and towers operator (Millennium)		39,075,954	39,075,954
Total		**162,093,158**	**168,510,445**
Deduct:			
Provision for expected credit loss	11-1	(95,029,104)	(69,410,933)
		67,064,054	**99,099,512**

- Information regarding the Company's exposure to credit and market risks and expected credit losses on trade and other receivables is included in Note 4.

11-1 The movement of provision for expected credit loss is as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at beginning of the year	69,410,933	53,260,574
Additions	25,618,171	27,771,487
Provisions no longer needed	--	(11,621,128)
Balance at end of the year	**95,029,104**	**69,410,933**

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12. Prepayments and other receivables

Advance payments and other receivables consist of the following:

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Advance payments to suppliers		36,473,244	14,393,069
Prepaid expenses		4,987,313	8,892,874
Employees receivable		2,180,033	2,174,011
Other debit balances		5,047,451	5,548,497
Western Parallel Road Project receivable	12-1	17,364,143	17,364,143
Total		**66,052,184**	**48,372,594**
Less: provision for impairment in recoverable amount	12-2	(8,682,072)	(8,682,072)
		57,370,112	**39,690,522**

12-1 This item represents consulting fees, designs, and models, in addition to various amount incurred by the company, with a total amount of approximately SR 17.36 million in exchange for studies of the Western Parallel Road project according to the honorable order No. 22589 dated Jumada Al-Awwal 14, 1424(H) which was assigned later to Umm Al-Qura for Development and Real Estate Development. The management of the company has established a provision for the decrease in the realizable value of the costs that has incurred for the entire project. On 5/4/1441(H) a judgment was issued for the company's favor in case No. 10900/10/Q for the year 1440(H) established by the company against the Makkah Development Authority and obligate the Authority to compensate the company for that cost, and the company reduced the value of the provision made based on the judgment issued in the amount of SR 8,682,071. The Makkah Region Development appealed the case during the current year, and the appeal judgment was issued for Makkah Construction and Development Company's favor, obligating the Authority to compensate the company for that cost.

12-2 The Movement on the provision for impairment during the year ended Rabi' II 30/29, was as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at beginning of the year	8,682,072	17,364,143
Provision no longer needed	--	(8,682,071)
Balance at ending of the year	**8,682,072**	**8,682,072**

13. Cash and cash equivalents

This item consists of the following:

	Rabi' II 29, 1442(H)	Rabi' II 29, 1441(H)
Cash at banks	194,345,010	240,800,468
Cash on hand	130,544	282,000
Total	**194,475,554**	**241,082,468**

(Saudi Riyal)

14. Share capital

As of Rabi' II 30, 1442(H), the company's capital consists of SR 164,816,240 million in-kind and cash shares (1441(H): SR 164,816,240 million in-kind and cash shares), each of which is worth SR 10.

	Rabi' II 30, 1442(H)		Rabi' II 29, 1441(H)	
	Number of shares	Par value	Number of shares	Par value
In kind shares	73,907,790	739,077,900	73,907,790	739,077,900
Cash shares	90,908,450	909,084,500	90,908,450	909,084,500
	164,816,240	**1,648,162,400**	**164,816,240**	**1,648,162,400**

15. Statutory reserve

According to the company's article of association and the previous Saudi Arabian Regulations for Companies, the company is required to transfer every year 10% of its net profit to form a statutory reserve until this reserve reaches 50% of the capital. The new Saudi Regulations for Companies, which have been valid to be applied on Rajab 25, 1437(H) (corresponding to May 2, 2016"G"), requires companies transfer 10% of its profit every year to statutory reserves until this reserve reaches 30% of the capital. Starting from the financial year 1430/1431(H), the 10% transfer was stopped from the net profit to statutory reserve, due to the fact, that its balance reached 69% of the capital in accordance with Article 42/1 of the company's article of association, which was approved by the general assembly on Shaban 21, 1430(H). The company has transferred an amount of SR 300 million from the statutory reserve to the retained earnings during the three years from 1436/1437(H) to 1438/1439 (H), after the approval of the general assembly of the company. Article 44/1 of the company's article of association has been amended to make the statutory reserve of the company is 30% of the capital.

16. Credit facilities

- The company signed a general agreement with Bank Albilad on Muharram 3, 1441(H), corresponding to September 2, 2019(G) to obtain credit facilities with an amount of SR 450 million at a SIBOR interest rate + 1.25% (complied with Islamic Sharia), and that in accordance with the company's Board of Directors resolution No. 198 dated on Shawwal 13, 1440(H) corresponding to June 16, 2019(G), amended by Board Resolution No. 201 dated on Muharram 5, 1441(H) corresponding to September 4, 2019(G), for the purpose of financing the renovation and development of the hotel and towers of Makkah Construction and Development Company. On Rabi' I 3, 1441(H), corresponding to October 31, 2019(G), the company obtained the first scheme of the value of the facilities, at an amount of SR 49,999,600. On Ramadan 12, 1441(H) corresponding to May 5, 2020(G) the company obtained the second scheme of the value of the facilities, at an amount of SR 49,999,700. And on Rabi' II 17, 1442(H) corresponding to December 2, 2020(G) the company obtained the third scheme of the value of the facilities, at an amount of SR 49,999,700 to become the facilities obtained SR 149,999,000
- The maturity date of the aforementioned bank facilities is on Shaban 21, 1444(H), corresponding to March 13, 2023G.

17. Employees' Benefits

General description of the employees' defined benefit obligations:

The entity is required to pay end of service benefits (defined benefits plan) in accordance with the Saudi Labor Law. The end of service benefit is equivalent to half salary of the last month of each of the first five years of service, including the fractions of the year in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year. Due factors are applied in cases of resignation. The end of service indemnity is unfunded.

Valuation Methodology and Key Assumptions for the Actuarial Study:

- In compliance with the requirements of International Accounting Standard No. (19) "employee benefits", the projected unit credit method was applied to determine the plan's obligations. Under this method, the expected cost of the accrued benefits is calculated for each benefit to which the plan members who are still working. The expected cost of the accrued benefits depends on the accrual formula and the period of service at the valuation date. The benefits are calculated based on the last salary expected to be received by the employee at the retirement age. The plan's obligations are the current actuarial value of the expected accrued benefits of all employees who are still working at the date of valuation.

  a) The valuation is prepared by an independent external actuary using the following key assumptions:
     In accordance with IAS 19, actuarial assumptions must be unbiased and constant. Assumptions are considered best estimation from company's side for variables that will determine the ultimate cost of providing EOS. The main assumptions used is as following:

     Discount rate:

     - This rate is used to obtain the present actuarial value of the expected benefits. In accordance with IAS 19, the rate used to discount post-employment benefit obligations is determined by reference to market returns at the end of the reporting period on high-quality commercial bonds. In accordance with our practice, the discount rate is derived by reference to US dollar market returns at the end of the reporting year on AA-AAA rated commercial bonds with a term maturity consistent with the estimated duration of the post-employment benefit obligations. The average duration of post-employment benefit liabilities is 10 years.
     - The discount rate is 2,5% annually (Rabi' II 29 1441(H) 3% annually).
     - The rate of salary increase is 2,5% annually (Rabi' II 29, 1441(H), 3% annually).

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b) The movement on employee benefit obligations is:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
The present value of the obligation at the beginning of the year	31,417,209	34,440,150
The components of the current year expenditures charged to the statement of comprehensive income		
Current service cost	3,345,520	3,420,630
Benefits cost	970,688	1,544,606
Total expenses charged to the statement of comprehensive income	**4,316,208**	**4,965,236**
Elements of other comprehensive income:		
Re-measurement of employee benefit obligations	275	(1,051,834)
Actual benefits paid during the year	**(2,975,637)**	**(6,936,343)**
The present value of the obligation at the end of the year	**32,758,055**	**31,417,209**

c) Sensitivity Analysis on defined benefit obligation:

		Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
	-0.5%	34,278,911	32,862,631
Discount Rate	Base	**32,758,055**	**31,417,209**
	+0.5%	31,352,758	30,079,777
	-0.5%	31,358,938	30,073,500
Salary Growth Rate	Base	**32,758,055**	**31,417,209**
	+0.5%	34,257,241	32,855,371

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18. Deferred revenue

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Commercial Center revenues	12,556,499	12,786,148
Revenues from leased housing units	162,499	162,497
Jabal Omar 2 real estate rental income	100,000	2,533,334
Advance payments from clients	4,894,179	5,689,554
	17,713,177	**21,171,533**

19. Accrued expenses and other payables

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Payments received from customers	24,552,221	27,460,136
Accrued expenses	15,841,552	10,879,818
Travel and vacation allowances	906,182	940,663
Other liabilities	12,142,818	12,804,964
	53,442,773	**52,085,581**

20. Dividends payable

a. The movement of dividends payable is as follows:

	Note	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at the beginning of the year		190,863,231	179,198,693
Declared dividends during the year	B	247,224,360	329,632,480
Dividends paid during the year		(233,044,571)	(317,967,942)
		205,043,020	**190,863,231**

b. The general assembly of the company, held on Shaban 26, 1441(H), corresponding to April 19, 2020(G), approved the recommendation of the Board of Directors to distribute dividends to shareholders for the year ended on Rabi' II 29, 1441(H), with an amount of SR 247,224,360 at SR 1,50 per share, which represents 15% of the paid capital, in addition to approval of the Board of Directors members reward with an amount of SR 2,2 million.

21. Zakat

a) Charged during the year

The zakat charged to the statement of comprehensive income for the year ended Rabi' II 30/29, consists of the following:

	1442(H)	1441(H)
Due to the General Authority of Zakat and income	284,733	7,282,615
Charged for previous years	7,509,751	15,153,095
	7,794,484	**22,435,710**

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The important components of the Zakat base for the year ended Rabi` II 30/29, if as follows:

	1442(H)	1441(H)
Additions		
Capital	1,648,162,400	1,648,162,400
Retained earnings	219,702,788	118,568,013
Adjusted net income	(21,148,503)	291,304,610
Statutory reserve	836,280,685	836,280,685
dividends payable	40,960,805	41,263,686
Provisions & Other	1,925,740,416	1,423,770,932
Total items which are subjected to Zakat	**4,649,698,591**	**4,359,350,326**
Deductible items:		
Property and equipment, investment properties and other assets (net)	(4,638,309,284)	(4,182,742,406)
Zakat base	**11,389,307**	**176,607,920**

b) Provision for Zakat

The Movement of Zakat provision during the year was as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Balance at the beginning of the year	38,871,310	24,291,790
Provision for the year	284,733	7,282,615
Charge for previous years	7,509,751	15,153,095
Paid during the year	(38,703,064)	(7,856,190)
Balance at the end of the year	**7,962,730**	**38,871,310**

c) The company reached to financial settlement until the end of the financial year ending on Rabi`II 30, 1436 H, in accordance with the decision of the General Authority for Zakat and Income tax with the company's approval to pay an amount of SR 31,588,696. During the current year, the bank guarantee issued under No. 434470 - AFG-WPM, amounting to SR 16,593,207, was released after the company paid the aforementioned amount

The company submitted its Zakat declaration for the years from Rabi`II 30, 1437(H) until Rabi`II, 30 1441(H) and paid the accrued Zakat. The company has received zakat assessments for the years 1438 and 1439, by an amount of SR 15,019,502. The company objected on these assessments while the objection was rejected by the General Authority for Zakat and Income, while the company's management believes that it has an opportunity to escalate with the General Secretariat of the tax commissions during the regular period specified for that according to the tax commissions rules. It also believes that it has an opportunity to submit a request to the internal commission for settlements and obtain a settlement in accordance with the rules of these commissions. Accordingly, the company provided a provision against it by around 50% of these assessments, in accordance with estimates of the company's management.

d) The company's management believes that the provided provisions are sufficient to meet future zakat obligations.

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22. Revenues

This item consists of the following the year ended Rabi' II 30/29:

	Note	1442(H)	1441(H)
Revenue from the commercial center and leased residential units	22-1	64,714,216	159,517,149
Hotel revenue		28,270,204	146,014,728
Towers revenue		30,459,148	171,388,460
Umrah branch revenues		-	420,611
		123,443,568	**477,340,948**

22-1 Revenue from the mall and leased housing units:

	1442(H)	1441(H)
Commercial center revenue	62,551,718	154,229,531
Revenues from leased housing units	649,998	650,000
Other income (*)	1,512,500	4,637,618
	64,714,216	**159,517,149**

(*) The other income is the revenue generated from the rental of Jabal Omar properties.

23. Cost of revenues

This item consists of the following for the year ended Rabi' II 30/29:

	1442(H)	1441(H)
Operation of hotel and towers	71,564,545	133,031,619
Depreciation of property, equipment and investment properties	29,806,379	29,462,347
Staff salaries and costs	10,745,102	16,888,142
Utilities	2,959,611	8,378,046
Repair and maintenance	2,999,486	3,157,412
Treatment	1,223,269	1,202,370
Cleaning materials	219,784	676,017
Fees and subscriptions	1,714,097	1,812,192
Transfer and load	109,583	235,000
Insurance	187,611	217,433
Security supervision	504,316	1,362,260
Post, telegram and telephone	138,478	132,288
Stationery	29,138	65,583
Costs of pilgrims	-	277,307
Other	1,322,081	669,521
Total	**123,523,480**	**197,567,537**

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24. General and Administrative Expenses

This item consists of the following for the year ended Rabi' II 30/29:

	1442(H)	1441(H)
Staff salaries and costs	7,841,885	6,686,860
Consulting and legal fees	9,579,072	5,822,813
Reconciliation of inventory counts	685,522	1,209,703
Remuneration for members of the Board of Directors	2,767,000	2,716,000
Bank expenses and commissions	5,260	437,833
Repair and maintenance	463,624	577,744
Insurance	643,230	682,220
Treatment	564,621	729,012
Advertising	84,571	167,810
Fees and subscriptions	338,417	212,095
Depreciations	357,231	310,414
Hospitality	116,926	254,828
Rents	250,000	256,666
Stationery	72,944	104,542
Post, telegram and phone	101,176	98,284
Other	699,170	539,021
Total	**24,570,649**	**20,805,845**

25. Other income

This item consists of the following or the year ended Rabi' II 30/29:

	1442(H)	1441(H)
Provisions no longer needed	--	11,621,128
Provision for impairment of recoverable amount no longer needed	--	8,682,071
Profits from saling scrap	100,000	50,000
Net profit from the sale of property and equipment and investment properties	15,998	499
Realized gains from investments in financial assets through the income statement	1,099,173	75,567
Unrealized gains from investments in financial assets through the income statement	--	879,541
Other	--	6,313,002
	1,215,171	**27,621,808**

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26. Earnings Per Share

a) Basic earnings per share

Basic earnings per share is calculated based on the net profit attributable to the ordinary Shareholders and the weighted average number of outstanding ordinary shares.

b) Diluted earnings per share

- Diluted earnings per share is calculated based on the net profit attributable to the ordinary Shareholders and the weighted average number of outstanding ordinary shares after adjusting the probable dilution effect on ordinary shares.
- During the year there were no diluted shares, and therefore the diluted earnings per share is not different from the basic earnings per share.

c) The details of the earning per share calculation are as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Net (loss) profit after zakat for the year	(58,877,366)	236,132,177
Weighted average number of shares	164,816,240	164,816,240
(loss)Profit per share – Basic and Diluted	**(0,36)**	**1,43**

27. Transaction With Related Parties

Related parties consist of the shareholders, directors, and senior management staff of the company. The terms and conditions of these transactions are approved by the company's management.

- **Senior management staff**

  Senior management staff are the people who exercise authority and responsibility in planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise).

- **Related parties transactions:**

  Transactions with related parties during the year and the resulting balances were as follows:

Transactions with	Nature of Transactions	Rabi' II 30 1442(H)	Rabi' II 29, 1441(H)
Senior management staff	Salary, allowances and incentives	3,658,456	3,523,457
Board of Directors	Rents	1,564,796	3,349,388

- **Related parties balances:**

  The related party's balances are as follows:

	Rabi' II 30, 1442(H)	Rabi' II 29, 1441(H)
Due from a related party (Note 9)	**309,564,950**	**309,564,950**

28. Contingent liabilities

Contingent liabilities against letters of guarantee issued by several banks on behalf of the company on Rabi' II 30, 1442(H), amounted to SR 2,000,000 (Rabi' II 29, 1441(H): SR 18,593,207).

29. Outstanding lawsuits

a) Outstanding lawsuits raised by the company against others

- There are a lawsuits filed by the company against other with determined value by an amount of SR 4,732,395, and lawsuit with undetermined value against property eviction.
- The company has filed a lawsuit against the previous hotel operator, "Millennium & Copthorne Middle East Holding Ltd.", amounting by around SR 39 million against the minimum guaranteed difference in accordance with the signed agreement with Makkah Construction and Development Company at the Economic Court, and this still pending. The company has recorded sufficient provisions against this lawsuit, according to the opinion of the management and its legal advisor.

b) Outstanding lawsuits raised by the others against the company

There is a lawsuit against the company with undetermined value related to terminating a contract.

30. Impact of Coronavirus pandemic

Throughout the beginning of the 2020, in several geographical regions, the world is going through rapid developments related to the outbreak of the novel Coronavirus Disease (COVID-19). This has caused disturbances to economic activities and businesses. Countries, including the Kingdom of Saudi Arabia, are seeking to take precautionary and preventive procedures to address the spread of the virus and mitigate its effects. Despite the effectiveness of these procedures, they have affected the business environment and the general outcome of society. However, KSA has put in place packages and decisions to mitigate the economic implications of such procedures, in order to help the business sector to overcome this health pandemic with -minimal harm as much as possible.

In view of this, the company's management announced that the occupancy rate in the hotel and towers was affected and the temporary closure of the commercial center in accordance with the precautionary government decisions to confront (COVID-19) to protect citizens and residents, and to confront the spread of (COVID-19), represented in the temporary suspension of Umrah and visit visas, as well as the temporary suspension of Umrah for citizens and residents in the Kingdom in addition to Suspend international and domestic flights. This may lead to the company's revenues being directly affected, which depend on Hajj, Umrah and visit activities as a result of the decrease in occupancy rates in the hotel and towers, as well as the temporary closure of the commercial center, and consequently its revenues and profits for the financial year 1441/1442 affected by those precautionary decisions.

Given these circumstances, the management, when preparing the financial statements, made an assessment of the expected effects of the company's business, as the company's management reached the conclusion that it has sufficient liquidity available to continue fulfilling its financial obligations in the future when they are due, in addition to other measures that will assist the company in overcoming the consequences From (COVID-19), including reducing costs, salaries and wages, and in return, a discount was granted on the lease contracts of the commercial center for eight months.

31. Segments information

The presentation of the major segments has been determined on the basis that the risks and rewards of the company are materially affected by the difference in the products of those segments. These segments are organized and managed separately according to the nature of services and products, so that each of them forms a separate unit. The operating segments shown below are identified by differentiating the business activities from which the company generates revenue and incurs costs. The economic characteristics are reviewed and the operating segments are grouped on the basis of the evaluation made by the operational decision maker at least every quarter, which is reviewed by the senior management of the company. The company operates in the Kingdom of Saudi Arabia through the following basic activities:

- The Commercial center, which includes revenue from renting shops and apartments;
- Hotel and residential towers;
- Investment, including revenue from investments held for trading;
- Others, including rental income in the Jabal Omar development area.

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

Rabi' II 30, 1442(H)	**Commercial center**	**Hotel and towers**	**Investment sector**	**Other**	**Total**
Revenues	62,551,718	59,379,350	--	1,512,500	**123,443,568**
Cost of revenues	(28,611,612)	(94,911,868)	--	--	**(123,523,480)**
Total loss	**33,940,106**	**(35,532,518)**	-	**1,512,500**	**(79,912)**
General and administrative expenses	--	--	--	(24,570,649)	**(24,570,649)**
Provision for expected credit loss	--	--	--	(25,618,171)	**(25,618,171)**
Borrowing costs	--	--	--	(2,013,321)	**(2,013,321)**
Other revenues	--	--	--	1,215,171	**1,215,171**
Donations	--	--	--	(16,000)	**(16,000)**
Zakat	--	--	--	(7,794,484)	**(7,794,484)**
loss during the year	**33,940,106**	**(35,532,518)**	--	**(57,284,954)**	**(58,877,366)**
Total assets	**405,178,031**	**1,139,572,583**	**3,113,616,938**	**301,034,678**	**4,959,402,230**
Total liabilities	**28,255,782**	**221,032,315**	--	**246,176,345**	**495,464,442**

Rabi' II 29, 1441(H)	**The mall**	**Hotel and towers**	**Investment sector**	**Other**	**Total**
Revenues	154,229,531	318,053,188	--	5,058,229	**477,340,948**
Cost of revenues	(38,588,906)	(156,263,525)	--	(2,715,106)	**(197,567,537)**
Gross profit	**115,640,625**	**161,789,663**	--	**2,343,123**	**279,773,411**
General and administrative expenses	--	--	--	(20,805,845)	**(20,805,845)**
Provision for expected credit loss	--	--	--	(27,771,487)	**(27,771,487)**
Other revenues	--	--	--	27,621,808	**27,621,808**
Donations	--	--	--	(250,000)	**(250,000)**
Zakat	--	--	--	(22,435,710)	**(22,435,710)**
Profit during the year	**115,640,625**	**161,789,663**	--	**(41,298,111)**	**236,132,177**
Total assets	**439,324,637**	**1,184,615,995**	**2,788,236,523**	**300,338,948**	**4,712,516,103**
Total liabilities	**31,737,504**	**120,273,567**	-	**263,725,199**	**415,736,270**

Other assets and liabilities include the administrative functions of the company.

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32. International Financial Reporting Standards of new and amended interpretations issued:

a) International Financial Reporting Standards of new and amended interpretations and effective:

The following new and revised international financial reporting standards, which became effective for financial periods beginning on or after January 1, 2020(G) or after that date, were followed in preparing the financial statements of the company and for those who had a material impact on the amounts and disclosures contained in the financial statements in the current year as follows:

Standard or Interpretation No.	Description	Effective Date
Definition of materiality - Amendments to IAS (1) and IAS (8)	The amendments provide clarifications for the definition of materiality, where the information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific financial reporting entity. The amendments clarify that materiality depends on the nature of the information, its magnitude, or both. Information error is a significant matter if it is reasonably expected to influence the decisions made by the primary users.	January 1, 2020
Definition of a Business (Amendments to IFRS 3)	The amendments clarify that a business is considered a business if it includes at a minimum, an input and a substantive process that together significantly contribute to the ability of creating outputs, and it also clarifies that a business can exist without including all of the inputs and processes needed to create outputs.	January 1, 2020
Conceptual framework Financial Report (Revised)	The conceptual framework includes definitions on which all the requirements of IFRSs are based (definition of asset, liability, income, expense, objectives of general purpose financial statements ...). The revised framework improves these definitions.	January 1, 2020
Interest Rate Benchmark Reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	These amendments provide some exemptions related to the standard reform of the interbank offered interest reference rate. The exemptions relate to hedge accounting. The reformulation of the interbank interest reference rate should not generally cause the discontinuance of hedge accounting.	January 1, 2020
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	IFRS 16 has been amended to address rental concessions for lessees resulting from the COVID-19 epidemic, which meet the following characteristics: a) Change in lease payments leads to an amendment in the lease contract that is substantially the same or less than the lease consideration immediately preceding the change. b) The reduction is the rent payments so that it only affects the payments due on or before June 30, 2021. c) There is no material change in the other terms and conditions of the lease.	June 1, 2020

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b) International Financial Reporting Standards of new and amended interpretations and effective:

The company did not apply any of the new international standards, amended issued, and not effective yet:

Standard or Interpretation No.	Description	Effective Date
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39)	The amendments provide temporary exemptions that address the effects of financial reporting when an Interbank Offered Rate (IBOR) is exchanged for a Risk-Free Alternative Interest Rate (RFR). Amendments include a practical expedient requiring contractual changes or changes in cash flows, which is necessary as a direct consequence of interest rate benchmark reform, to be dealt with as variables in the variable interest rate, equivalent to the movement in the interest rate in the market. Allowing the use of this practical expedient is provided with the condition that the transfer from IBOR to (RFR) takes place on an economically equivalent basis without the occurrence of value transfer.	January 1, 2021, or after
Annual improvements to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	*IFRS 1 amendments, First-time Adoption of International Financial Reporting Standards* An extension of the optional exemption that allows the subsidiary which becomes an adopter of the IFRS for the first time after the parent company to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS Standards. Similar election is available for the associate and joint venture. *IFRS 9 amendments, Financial Instruments* The amendments clarify the fees an entity includes when it applies the '10 per cent' test in assessing whether to de-recognize a financial liability. *IFRS 16 amendments, Leases* The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements. *IAS 41 amendments, Agriculture* The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	January 1, 2022, or after
IFRS 3 amendments, Business Combinations - Reference to the Conceptual Framework	The amendments aim to update the reference to the conceptual framework without changing the accounting requirements of IFRS 3 Business Combinations.	January 1, 2022, or after

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Standard or Interpretation No.	Description	Effective Date
IAS 16 amendments, property, plant and equipment - proceeds before intended use	Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022, or after
IAS 37 amendments, Provisions, Contingent Assets and Liabilities – Onerous Contracts - Cost of Fulfilling a Contract	Amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract will produce a loss.	January 1, 2022, or after
IAS 1 amendments, Presentation of Financial Statements	• Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. • Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. • Explain that rights are in existence if covenants are complied with at the end of the reporting period. • Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. • Are applied retrospectively.	January 1, 2022, or after
IFRS 17, Insurance Contracts	IFRS 17 supersedes IFRS 4, the new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts.	January 1, 2023, or after
IFRS 10 and IAS 28 amendments — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date

The company's management does not expect that these standards will have a material impact on the financial statements when applied in future periods.

33. Approval of the financial statement

The Board of Directors has approved the financial statements dated Rajab 24, 1442(H) corresponding to March 8, 2021(G).

34. General

Prior year's comparative figures have been reclassified to conform with current year's presentation.