

**JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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Independent Auditors' Report to the Shareholders of Jabal Omar Development Company

Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

Revenue recognition from property for development and sale

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

The key audit matter	How the matter was addressed in our audit
<p>During the year ended December 31, 2018, the Group recognized revenue from the sale of properties for development amounting to SR 1,209 million (April 13, 2017 to December 31, 2017: SR nil). This represents sale of developed properties as well as properties under development via off-plan sale arrangements.</p> <p>In accordance with the requirements of the relevant accounting standards, the Group is required to assess the sale transactions under the 5 step model for revenue recognition. This requires the exercise of judgment by the management in, among other matters, the identification of separate performance obligations, measurement and allocation of transaction price to such obligations and the determination of whether the control is transferred at a point in time or over time.</p> <p>The determination of timing of transfer of control entails the consideration of various factors as detailed in note 3 to the consolidated financial statements.</p> <p>In lieu of the exercise of considerable management judgement in making the foregoing determinations, we have determined revenue from properties for development to be a key audit matter.</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in the timing and amount of revenue from property for development and sale included:</p> <ul style="list-style-type: none"> - Obtained an understanding of Group's process for the recognition of revenue from property for development and sale in light of the requirements of the relevant accounting standards ('revenue recognition process') - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the revenue recognition process. - For a selected sample of sales executed during the year, inspected the related agreements and assessed whether: <ul style="list-style-type: none"> o Performance obligations have been appropriately identified; o Transaction price was accurately computed; o Variable consideration was identified, appropriately estimated and accounted for; and o Timing of transfer of control was accurately assessed as either point in time or over time by considering matters such as: <ul style="list-style-type: none"> - the buyer simultaneously receiving and consuming the benefit provided by Group's performance under the related agreement; - the Group's performance creates or enhances an asset (for example, work in progress) that the buyer controls as the asset is created or enhanced; or - the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date,

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

Revenue recognition from property for development and sale (continued)

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> - For sale where the control was assessed to have transferred at a point in time, assessed the impact of matters such as completion of the units sold, acceptance by the buyer, present obligation of the buyer to pay, transfer of risk and rewards of ownership, transfer of legal title and physical possession by the buyer. - Reviewed the working prepared by the Group for the calculation of revenue to be recognised, including adjustment for any variable consideration. - For a selected sample of sale agreements, recalculated the revenue to be recognised and compared with the amounts recorded in the consolidated financial statements.

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

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

The key audit matter	How the matter was addressed in our audit
<p>The Group holds certain properties, included under Property and Equipment and Investment Property as at December 31, 2018. The aggregate carrying values of these properties and related capital work in progress (collectively 'properties') amounted to SR 22,380 million as of that date (December 31, 2017: SR 23,062 million)</p> <p>In accordance with the requirements of relevant accounting standards, the Group is required to assess indicators of impairment on its properties at each reporting date. In case such indicators are identified, recoverable amounts of such properties are required to be determined.</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in valuation of properties and related work-in-progress comprised of:</p> <ul style="list-style-type: none"> - Obtained an understanding of Group's process in respect of: <ul style="list-style-type: none"> ▪ assessment of impairment indicators, and ▪ recoverable amount determination (collectively referred to as 'impairment review process') - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the impairment review process - Assessed the process followed by the Group for the assessment of impairment indicators and recoverable amount determination during the year ended December 31, 2018.

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

Impairment review of properties and related capital work-in-progress (continued)

The key audit matter	How the matter was addressed in our audit
<p>As part of its assessment of impairment indicators, the Group reviews both the internal and external indicators of impairment including but not limited to net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques.</p> <p>Since, the evaluation of impairment indicators and ensuing recoverable amount assessment, where required, involves the exercise of significant judgment and has therefore been determined to be a key audit matter.</p>	<ul style="list-style-type: none"> - Assessed: <ul style="list-style-type: none"> ▪ the appropriateness and completeness of factors considered by the Group in impairment indicator assessment ▪ the appropriateness and reasonableness of the basis used for the identification of cash generating units ('CGU'), which is the level at which recoverable amounts are determined. - Assessed the recoverable amount assessment prepared by the Group and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal ('fair value'). - Assessed that the key assumptions and estimates used, including but not limited to discount rate and cashflows forecasts are reasonable in the circumstances of each property. - Checked the sensitivity of key assumptions on the fair value determination - Compared the fair value of each CGU with its carrying value.

Review of net realisable values of property for development and sale

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

The key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2018 the Group owns certain properties, which are held for sale in the ordinary course of Group's business. These have been classified as property for development and sale in the consolidated financial statements and amount to SR 1,508 million as at December 31, 2018 (2017: SR 314 million).</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in the valuation of property for development and sale comprised of:</p> <ul style="list-style-type: none"> - Obtained an understanding of Group's process for NRV assessment ('NRV assessment process') - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the NRV assessment process. - Assessed the net realisable value workings prepared by the Group and: <ul style="list-style-type: none"> ▪ Assessed the reasonableness of selling process estimates by comparing these with recent sale transactions, approved prices and budgets.

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

Review of net realisable values of property for development and sale (continued)	
The key audit matter	How the matter was addressed in our audit
In accordance with the requirements of the relevant accounting standards, these units are required to be carried at the lower of their cost or respective net realisable values ('NRV'). This involves the use of considerable judgment in the estimation of expected net selling prices, costs to complete units under development as well as selling costs. Therefore, this has been determined to be a key audit matter.	<ul style="list-style-type: none"> ▪ Assessed the reasonableness of the estimated cost of completing properties under development by considering: <ul style="list-style-type: none"> a) total budgeted costs for each project to which the units relate and allocation of these costs to individual units b) future borrowing and other costs expected to be capitalized as part of the units ▪ Assessed the basis for estimating selling costs and variable consideration. - For a selected sample of units, checked that these have been carried at the lower of their cost or NRV as at December 31, 2018
Other Information	

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Jabal Omar Development Company ("the Company") (and its subsidiaries) ("the Group").

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

Independent Auditors' Report to the Shareholders of Jabal Omar Development Company (continued)

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

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

**For KPMG Al Fozan & Partners
Certified Public Accountants**



Abdullah Hamad Al Fozan
License No. 348

Jumada Al Thani 14, 1440H
Corresponding to February 19, 2019



Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Expressed in Saudi Riyal "000"

ASSETS	Notes	As at 31 December 2018	As at 31 December 2017
NON-CURRENT ASSETS			
Investment properties	6	7,653,796	5,108,074
Property and equipment	7	15,386,289	18,609,540
Restricted cash	8	342,590	762,891
Investment held at fair value through profit or loss	9	1,220,000	1,000,000
Investment in an associate	10	-	78,486
Intangible assets	11	966	1,149
Advances to certain founders	12	306,702	306,790
Other non - current assets	13	135,264	14,015
TOTAL NON - CURRENT ASSETS		25,045,607	25,880,945
CURRENT ASSETS			
Property for development and sale	14	1,508,443	313,605
Other current assets	13	284,946	219,403
Accounts and other receivables	15	400,212	201,918
Restricted cash - current portion	8	573,060	-
Cash and cash equivalents	8	642,314	972,824
		3,408,975	1,707,750
Investment in an associate classified as held for sale	16	82,858	-
TOTAL CURRENT ASSETS		3,491,833	1,707,750
TOTAL ASSETS		28,537,440	27,588,695
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17.1	9,294,000	9,294,000
Statutory reserve	17.2	108,506	89,128
Retained earnings		376,024	206,482
Equity attributable to Company's shareholders		9,778,530	9,589,610
Non-controlling interests		4,700	(15)
TOTAL EQUITY		9,783,230	9,589,595
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	18	5,659,030	8,167,763
Liabilities against finance lease	19	6,611,603	6,628,161
Provision for employees' terminal benefits	20	23,860	15,209
Other non-current liabilities	21	2,094,260	2,124,006
TOTAL NON-CURRENT LIABILITIES		14,388,753	16,935,139
CURRENT LIABILITIES			
Loans and borrowings - current portion	18	3,613,183	152,293
Accounts payable and other current liabilities	22	729,035	890,513
Liabilities against finance lease - current portion	19	17,909	15,825
Zakat payable	23	5,330	5,330
TOTAL CURRENT LIABILITIES		4,365,457	1,063,961
TOTAL LIABILITIES		18,754,210	17,999,100
TOTAL EQUITY AND LIABILITIES		28,537,440	27,588,695

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Hani Abdulwahab Zahran
Group Chief Financial Officer

Yasser Faisal Al Sharif
Chief Executive Officer

Abdulaziz Mohamed Al Subaei
Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018
Expressed in Saudi Riyal "000"

			For the period from 13 April 2017 to 31 December 2017 (note 2.1)
	Notes	2018	
Revenue	24	1,962,644	568,827
Cost of revenue	25	(1,164,807)	(557,717)
GROSS PROFIT		797,837	11,110
Selling and marketing expenses		(44,111)	(33,557)
General and administrative expenses	26	(218,370)	(176,638)
Other income, net	27	277,181	34,309
OPERATING PROFIT / (LOSS)		812,537	(164,776)
Financial charges	28	(621,915)	(435,137)
Share of results of investment in an associate	10	4,372	(1,062)
PROFIT / (LOSS) BEFORE ZAKAT		194,994	(600,975)
Zakat	23	-	-
PROFIT / (LOSS) FOR THE YEAR / PERIOD		194,994	(600,975)
OTHER COMPREHENSIVE INCOME / (LOSS)			
<i>Items that will not be reclassified to statement of profit or loss in subsequent periods:</i>			
Re-measurement of provision for employees' terminal benefits	20	(4,859)	(771)
Other comprehensive loss for the year / period		(4,859)	(771)
Total comprehensive income / (loss) for the year / period		190,135	(601,746)
PROFIT / (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		193,779	(600,960)
Non-controlling interests	30	1,215	(15)
		194,994	(600,975)
TOTAL COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		188,920	(601,731)
Non-controlling interests	30	1,215	(15)
		190,135	(601,746)
EARNING / (LOSS) PER SHARE (SAR):			
Basic and diluted earnings / (loss) per share attributable to owners of the Company	29	0.21	(0.65)

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Hani Abdulwahab Zahran
Group Chief Financial Officer


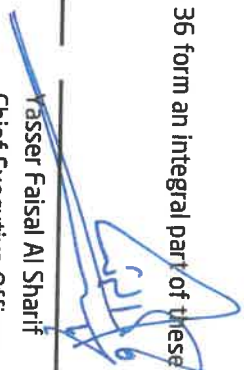

Yasser Faisal Al Sharif
Chief Executive Officer

Abdulaziz Mohamed Al Subeaei
Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
Expressed in Saudi Riyal "000"

Equity Attributable to Company's shareholders						
	Share capital	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 13 April 2017	9,294,000	89,128	808,213	10,191,341	-	10,191,341
Loss for the period	-	-	(600,960)	(600,960)	(15)	(600,975)
Other comprehensive loss for the period	-	-	(771)	(771)	-	(771)
Total comprehensive loss for the period	-	-	(601,731)	(601,731)	(15)	(601,746)
Balance at 31 December 2017	9,294,000	89,128	206,482	9,589,610	(15)	9,589,595
Profit for the year	-	-	193,779	193,779	1,215	194,994
Other comprehensive loss for the year	-	-	(4,859)	(4,859)	-	(4,859)
Total comprehensive income for the year	-	-	188,920	188,920	1,215	190,135
Capital contribution during the year	-	-	-	-	3,500	3,500
Transfer to statutory reserve (Note 17.2)	-	19,378	(19,378)	-	-	-
Balance at 31 December 2018	9,294,000	108,506	376,024	9,778,530	4,700	9,783,230

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

		
Hani Abdulwahab Zahran Group Chief Financial Officer	Yasser Faisal Al Sharif Chief Executive Officer	Abdulaziz Mohamed Al Subeaei Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
Express in Saudi Riyal "000"

			For the period from 13 April 2017 to 31 December 2017 (note 2.1)
	Notes	2018	
CASHFLOW FROM OPERATING ACTIVITIES			
Profit / (loss) before zakat		194,994	(600,975)
<i>Adjustments for:</i>			
Depreciation on property and equipment	7	218,352	167,950
Depreciation on investment properties	6	79,669	34,210
Amortization of intangible assets	11	435	188
Provision for employees' terminal benefits, net		4,771	2,141
Amortization of deferred gain on sale and finance leaseback assets	7a(ii)	(183,230)	(26,606)
Share of results of investment in an associate	10	(4,372)	1,062
Financial charges	28	621,915	435,137
Gain on disposal of property and equipment		-	(94)
		932,534	13,013
<i>Changes in:</i>			
Other non-current assets		(121,248)	(3,712)
Property for development and sale		557,930	-
Other current assets		159,457	1,031
Accounts and other receivables		(643,294)	(32,166)
Other non-current liabilities		152,506	(42,940)
Accounts payable and other current liabilities		(161,478)	18,064
Cash generated from / (used in) operations		876,407	(46,710)
Financial charges paid		(878,209)	(521,180)
Net cash used in operating activities		(1,802)	(567,890)
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(813,771)	(390,796)
Purchase of investment properties		(192,411)	(291,071)
Proceeds from disposal of property and equipment		-	94
Purchase of intangible assets	11	(252)	(442)
Net change in restricted cash balances		(152,759)	(492,133)
Net cash used in investing activities		(1,159,193)	(1,174,348)
CASHFLOW FROM FINANCING ACTIVITIES			
Net change in advance to certain founders		88	11,367
Net change in loans and borrowings		841,373	(2,371,573)
Capital contribution by non-controlling interest		3,500	-
Net change in liabilities against finance lease		(14,476)	4,686,592
Net cash from financing activities		830,485	2,326,386
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(330,510)	584,148
Cash and cash equivalents at beginning of the year/period		972,824	388,676
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD	8	642,314	972,824

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

Hani Abdulwahab Zahran
Group Chief Financial Officer

Yasser Faisal Al Sharif
Chief Executive Officer

Abdulaziz Mohamed Al Subeaei
Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2018
Express in Saudi Riyal "000"

			For the period from 13 April 2017 to 31 December 2017 (note 2.1)
MAJOR NON-CASH TRANSACTIONS	Note	2018	
Property for development and sale transferred from property and equipment	7	<u>1,674,761</u>	<u>99,236</u>
Investment property transferred from property and equipment	6 and 7d	<u>2,321,296</u>	<u>740,296</u>
Acquisition of investment held at fair value through profit or loss	9	<u>220,000</u>	<u>1,000,000</u>
Sale and finance lease back of investment property	7a(ii)	<u>-</u>	<u>1,215,134</u>
Sale and finance lease back of property and equipment	7a(ii)	<u>-</u>	<u>4,784,866</u>
Amortization of deferred financial charges		<u>-</u>	<u>198,323</u>
Capitalization of borrowing cost on investment property	6b	<u>111,684</u>	<u>61,954</u>
Capitalization of borrowing cost on property and equipment	7h	<u>206,768</u>	<u>112,485</u>
Capitalization of borrowing cost on Development Property	14	<u>48,626</u>	<u>26,454</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.


Hani Abdulwahab Zahran
Group Chief Financial Officer


Yasser Faisal Al Sharif
Chief Executive Officer


Abdulaziz Mohamed Al Subaei
Chairman of the Board of Directors

Jabal Omar Development Company (A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

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

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

The Company's project (the "Project") includes seven phases; each phase has a number of podiums and towers. As at 31 December 2018, the Company is still in the stage of developing the Project. It has completed demolition, cleared debris, levelled surface, cut rocks and is currently constructing infrastructure, roads, bridges, underpasses, walkways, electrical, water works, executing buildings construction, and other construction works.

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

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

1. GENERAL INFORMATION (CONTINUED)

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December 2018. The Group is incorporated in Kingdom of Saudi Arabia.

<i>Name of the Subsidiary</i>	<i>Registration No.</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal activities</i>
Shamekhaat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company	4031210499	22 October 2017 corresponding to 02 Safar 1439H	60%	31 December	Real estate services
Warifat Hospitality Company	4030298569	01 January 2018 corresponding 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishraqat for logistic services company	4030303509	06 May 2018 corresponding 21 Shaban 1439H	100%	31 December	Logistic services

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

On 23 March 2017 the shareholders of the Company resolved to change its fiscal year from Hijri to Gregorian and the legal formalities in this regard were completed on 12 April 2017. Accordingly the Group's annual consolidated financial statements for the year 2017 were prepared and published for a period of less than 12 months (i.e. from 13 April 2017 to 31 December 2017). In lieu of the foregoing change the comparative information for the period from 13 April 2017 to 31 December 2017 presented in the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows may not be comparable.

2.2 Basis of Measurement

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement basis
Provisions for employee terminal benefits	Present value of the defined benefit obligation (See note 20)
Investment held at fair value through profit or loss	Fair value basis
Investment in an associate classified as held for sale	Lower of carrying amount and fair value less cost to sell

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation

Subsidiaries

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

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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS

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

Judgements, estimates and assumptions

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

Revenue recognition from sale of residential units

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

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

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

Determination of transaction prices

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

Classification of investment properties

The Group determines whether a property qualifies as an investment property in accordance with IAS 40 Investment Property. In making its judgement, the Group considers whether the property generates cash flows largely independent of other assets held by the Group.

Lease arrangements

The Group exercises judgment in determining the substance of leasing arrangements which includes consideration of the following factors among others:

- i) allocation of risk and right to rewards of the underlying asset pre and post transaction
- ii) lease tenor versus economic life of the underlying asset
- iii) existence of call options or forward contracts

Allocation of cost of land, construction and infrastructure assets to operating properties

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS (CONTINUED)

Defined benefit plans (employees' terminal benefits)

The present value of Group's obligation under defined benefit plans is determined using actuarial valuation. This involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

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

The Group's determination of ECL in accounts and other receivables requires the Group to take into consideration certain estimates for forward looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

Useful lives of property and equipment, intangibles and investment property

The Group determines the estimated useful lives of property and equipment, intangibles and investment properties for calculating depreciation and amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management periodically reviews the useful lives, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Fair value measurement of assets

When the fair values of assets recorded/disclosed in the consolidated financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Provision for net realizable value adjustment in property for development and sale

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

Going concern

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following significant accounting policies to all periods presented in these consolidated financial statements.

Investment in an associate

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

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

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

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

When the Group's share of losses equals or exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The financial statements of the equity accounted investee are prepared for the same period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Current versus non-current classification

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

Assets:

An asset is current when it is:

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

All other assets are classified as non-current.

Liabilities:

A liability is current when:

- It is held primarily for the purpose of trading; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

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

Revenue recognition

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

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

- a) the customer has a valid expectation arising from the Group's customary business practices, published policies or specific statements that the entity will accept an amount of consideration that is less than the price stated in the contract. That is, it is expected that the Group will offer a price concession.
- b) other facts and circumstances indicate that the Group's intention, when entering into the contract with the customer, is to offer a price concession to the customer.

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

- a) The expected value—the expected value is the sum of probability-weighted amounts in a range of possible consideration amounts and is generally applied when the Group has a large number of contracts with similar characteristics.
- b) The most likely amount—the most likely amount is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract). The most likely amount is generally appropriate if the contract has only two possible outcomes.

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

1) Revenue from contracts with customers for sale of properties

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

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

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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

ii) Rental income

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

iii) Revenue from hotel services

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered.

iv) Other income

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

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

Expenses

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

Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group is charged to consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of assessments are accounted for in the year in which such assessments are received.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

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

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

Capital work in progress is stated at cost which represents the construction work at the Group's project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in consolidated statement of profit or loss and other comprehensive income as incurred.

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

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

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

	Years
• Buildings	85
• Equipment	10-85
• Infrastructure assets	20-85
• Central district cooling system	30
• Furniture and fixtures	10-12
• Other assets	4 - 8

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

a) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

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

b) Classification and measurement of Leased assets

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

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

c) Lease payments under operating leases

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

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

d) Sale and leaseback

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

In case of sale and lease back transaction resulting in finance lease, the excess of sale proceeds over the carrying amount is deferred and recognized as income over the lease term.

In case of sale and lease back transaction resulting in operating lease;

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

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

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

Capital work in progress is stated at cost which represents the construction work at the Group's project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose.

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

	Years
• Buildings	85
• Equipment	15-40
• Infrastructure assets	20-85

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

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

Intangible assets

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are adjusted prospectively. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

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

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

Property for development and sale

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

Assets classified held for sale

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Initial recognition - Financial assets and financial liabilities

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

Financial assets

Initial measurement

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

Classification and Subsequent measurement

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

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

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

Financial assets measured at amortised cost

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

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

After initial measurement, these financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method, less impairment for ECL. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income/ cost in the consolidated statement of profit or loss and other comprehensive income.

Financial assets measured at fair value through other comprehensive income

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets measured at fair value through profit or loss

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

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

Reclassification

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

De-recognition

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

Impairment of financial assets

IFRS 9 requires an entity to follow an expected credit loss model for the impairment of financial assets.

Expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. If the credit risk of the financial instrument has not increased significantly since inception, then an amount equal to 12 month expected loss is provided. In other cases, lifetime credit losses shall be provided. For trade receivables with a significant financing component a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, an entity can choose to provide for the expected losses based on lifetime expected losses. The Group has chosen to avail the option of lifetime expected credit losses ("ECL"). For trade receivables with no significant financing component, the Group is required to follow lifetime ECL.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities

Initial measurement

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

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

Classification and subsequent measurement

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

- a) financial liabilities at fair value through statement of profit or loss and other comprehensive income.
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- c) financial guarantee contracts.
- d) commitments to provide a loan at a below-market interest rate.
- e) contingent consideration recognized by as an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in the consolidated statement of profit or loss and other comprehensive income.

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in profit or loss.

Derecognition

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

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

Employee benefits

i) Short-term employee benefits

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

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

ii) Defined benefit plans

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

Earnings per share

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

Segment reporting

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

- (i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- (ii) the results of its operations are continuously analyzed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- (iii) for which financial information is discretely available.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective as at the reporting date are listed below. The Group is currently assessing the implications of these on its consolidated financial statements. The following is a brief on the new IFRS and other amendments to IFRS, effective for annual periods beginning on or after 1 January 2019:

Effective for annual periods beginning on or after	Pronouncement	Summary of requirements
1 January 2019	(2015-2017 annual improvements cycle) IFRS 3, IAS 12 and IAS 23	The standards affected under the 2015-2017 annual improvements cycle, and the subjects of the amendments are: - IFRS 3 business combinations and IFRS 11 Joint arrangements - previously held interest in a joint operation. - IAS 12 Income Taxes - income tax consequences of payments on financial instruments classified as equity. - IAS 23 Borrowing Costs - borrowing costs eligible for capitalisation.
1 January 2019	Amendments to IAS 28	The amendments clarify that the Group applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
1 January 2019	Amendments to IFRS 9	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
1 January 2019	IFRS 16 - Leases	IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice - i.e. lessors continue to classify leases as finance and operating leases. The Group is in the process of evaluating how the new lease accounting model will impact its leasing arrangements.

The impact of the above standards, amendments and pronouncements is not material.

i) Transition

The Group plans to adopt IFRS 16 initially on 1 January 2019 using modified retrospective approach. Therefore cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plan to apply IFRS 16 to all contracts entered into before 01 January 2019 and identified as lease in accordance with IAS 17. The Group plans to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

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6. INVESTMENT PROPERTIES

	Land	Buildings	Equipment	Infrastructure Assets	Capital work in progress	Total
COST:						
Balance at 13 April 2017	-	272,177	133,481	92,335	2,403,886	2,901,879
Additions during the period	-	905,411	309,723	-	291,071	1,506,205
Transfers from property and equipment (note 7 (d))	-	578,390	195,629	-	-	774,019
Balance at 31 December 2017	-	1,755,978	638,833	92,335	2,694,957	5,182,103
Additions during the year	-	-	-	-	304,095	304,095
Transfers from property and equipment (note 7(d))	1,518,276	541,080	265,042	-	-	2,324,398
Balance at 31 December 2018	1,518,276	2,297,058	903,875	92,335	2,999,052	7,810,596
ACCUMULATED DEPRECIATION:						
Balance at 13 April 2017	-	3,703	4,861	9,233	-	17,797
Depreciation for the period	-	12,425	19,312	2,473	-	34,210
Transfer from property and equipment (note 7(d))	-	18,199	15,524	-	-	33,723
Other adjustment (note 7(c))	-	(4,209)	(7,492)	-	-	(11,701)
Balance at 31 December 2017	-	30,118	32,205	11,706	-	74,029
Depreciation for the year	-	27,653	49,737	2,279	-	79,669
Transfer from property and equipment (note 7(d))	-	955	2,147	-	-	3,102
Balance at 31 December 2018	-	58,726	84,089	13,985	-	156,800
Carrying amount:						
At 31 December 2018	1,518,276	2,238,332	819,786	78,350	2,999,052	7,653,796
At 31 December 2017	-	1,725,860	606,628	80,629	2,694,957	5,108,074

6. INVESTMENT PROPERTIES (CONTINUED)

- a) Investment property includes assets under finance leases, Refer note 7(a)(ii) for details.
- b) During the year ended 31 December 2018, an amount of SR 111.7 million (13 April 2017 to 31 December 2017: SR 62 million) was capitalized as cost of borrowings for the construction of investment properties included in capital work in progress.
- c) Investment properties include an operating lease agreement with a third party executed on 09 June 2017 (corresponding to 14 Ramadan 1438H) for a period of 15 years for SR 500 million in respect of Marriot Makkah. Under this agreement the third party would operate the hotel for a period of 15 years and would pay an annual rent of SR 33.5 million for first 14 years and SR 31 million for the 15th year only.

d) Measurement of fair values:

Fair value of investment property including property under construction as on 31 December 2018 amounts to SR 11,085 million (31 December 2017 : SR 3,158.2 million). The fair value was determined by external independent property valuer certified by Taqueem (Saudi Authority for Accredited Valuers).

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

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7. PROPERTY AND EQUIPMENT

	Land	Buildings	Central district cooling system	Equipment	Furniture, fixtures and other assets	Infrastructure assets	Capital work in progress	Total
COST:								
Balance at 13 April 2017	3,662,439	1,968,839	505,025	586,850	307,314	265,782	7,181,796	14,478,045
Additions during the period	876,680	2,427,770	-	1,074,399	413,825	-	382,988	5,175,662
Disposals	-	-	-	-	(350)	-	-	(350)
Transfer to investment properties (note 7(d))	-	(578,390)	-	(195,629)	-	-	-	(774,019)
Transfer to property for development and sale (note 7(b))	-	-	-	-	-	-	(99,236)	(99,236)
Balance at 31 December 2017	4,539,119	3,818,219	505,025	1,465,620	720,789	265,782	7,465,548	18,780,102
Additions during the year	-	20,324	-	4,390	15,423	1,083	949,938	991,158
Transfer to investment property (note 7(d))	(1,518,276)	(541,080)	-	(265,042)	-	-	-	(2,324,398)
Transfer to property for development and sale (note 7(b))	(585,376)	-	-	-	-	-	(1,089,385)	(1,674,761)
Balance at 31 December 2018	2,435,467	3,297,463	505,025	1,204,968	736,212	266,865	7,326,101	15,772,101

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7. PROPERTY AND EQUIPMENT (CONTINUED)

	Land	Buildings	Central district cooling system	Equipment	Furniture, fixtures and other assets	Infrastructure assets	Capital work in progress	Total
ACCUMULATED DEPRECIATION:								
Balance at 13 April 2017	-	21,477	34,759	21,955	31,168	10,516	-	119,875
Depreciation for the period	-	34,592	10,744	52,053	65,539	5,022	-	167,950
Other adjustment (note 7(c))	-	(18,405)	-	(32,478)	(32,307)	-	-	(83,190)
Disposals	-	-	-	-	(350)	-	-	(350)
Transfer to investment property (note 7(d))	-	(18,199)	-	(15,524)	-	-	-	(33,723)
Balance at 31 December 2017	-	19,465	45,503	26,006	64,050	15,538	-	170,562
Depreciation for the year	-	39,243	15,168	57,668	99,290	6,983	-	218,352
Transfer to investment property (note 7(d))	-	(955)	-	(2,147)	-	-	-	(3,102)
Balance at 31 December 2018	-	57,753	60,671	81,527	163,340	22,521	-	385,812
Carrying amount								
At 31 December 2018	2,435,467	3,239,710	444,354	1,123,441	572,872	244,344	7,326,101	15,386,289
At 31 December 2017	4,539,119	3,798,754	459,522	1,439,614	656,739	250,244	7,465,548	18,609,540

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7. PROPERTY AND EQUIPMENT (CONTINUED)

- a. As at the reporting date cost of investment property and property and equipment includes assets under finance lease amounting in aggregate to SR 2,241 million (31 December 2017: SR 1,215 million) and SR 4,438 million (31 December 2017 : SR 5,464 million) respectively. These are detailed below:
- i) The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") (note 10) for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. Since the Agreement with CDCC in respect of DCS contains lease arrangement hence it has been classified as a finance lease by the Group. At 31 December 2018 the net carrying amount of DCS was SR 618 million (31 December 2017: SR 634.1 million).
- ii) Further to the announcement on Tadawul website on 22 March 2017, the Company signed a Sale Purchase Agreement (the "Agreement") with Alinma Investment Company ("AIC") for the sale of certain properties to Alinma Makkah Real Estate Fund (the "Fund") a Fund incorporated in the Kingdom of Saudi Arabia as a closed ended fund managed by AIC (the "Fund Manager") at a sale price of SR 6 billion. In relation to the Agreement the Company signed other agreements through additional supplemental agreements namely Sale Undertaking Agreement Lease Agreement and Exclusive Sale Agency Agreement (together-with the Agreement termed as the "Arrangement") to complete the sale as one linked transaction.

The key features of the Arrangement were as follows:

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

During the period ended 31 December 2017 the Arrangement has been accounted for as a Sale and Finance Lease back based on the commercial substance of the transaction.

- At 31 December 2018 the carrying amount of investment property and property and equipment under the leaseback is SR 2,181 million and SR 3,614 million (31 December 2017: SR 1,210.8 million and SR 4,764.1 million). The Company has deferred the gain on disposal of the Properties amounting to SR 1.83 Billion which is being amortized over the term of lease period of 10 years and classified as follows in the consolidated statement of financial position:
- Long-term portion under other non-current liabilities amounting to SR 1.44 Billion (31 December 2017: SR 1.62 Billion)
- Current portion under accounts payable and other current liabilities amounting to SR 183 million (31 December 2017: SR 183 million)

As at 31 December 2018 instalment on the finance lease amounting to SR 192 million (31 December 2017: SR 192 million) has been prepaid and therefore included under other current assets.

- b. These represent amounts transferred to property for development and sale pertaining to assets under construction, determined by management to be used for future sale in the ordinary course of Group's operations.
- c. This represent adjustments to recognize depreciation in respect of certain assets (previously classified as held for sale) from the date of designation as held for sale until date of change in classification.
- d. These represent amounts transferred to investment properties pertaining to assets determined by management to be used for generating rental income.

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7. PROPERTY AND EQUIPMENT (CONTINUED)

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

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

- No title deeds had been submitted for the past 2 years;
- In respect of the Owners who could not submit their legal title deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") subscribed for shares in the Company on behalf of those Owners. This mechanism was ratified by Royal Decree No. M/63, dated 25/9/1427H (corresponding to 18 October 2006) and therefore legal ownership of the land is with the Group.
- The Company possesses substantive rights to the use of complete Land by virtue of the Decree
- The Group has been in the possession of the Land for the past several years and has started construction thereon

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of owners who could not submit their legal title deeds, a corresponding payable to MCDC was recognised. The amount payable to MCDC would be settled as and when owners who could not submit their title deeds earlier, would do so, with a corresponding re-allocation in shareholding between MCDC and such owner. Management expects the liability to be settled over a period of more than 12 months from the reporting date.

f. The Group has pledged certain portions of its land as a security against certain loans (note 18).

g. The Capital work in progress represents infrastructure and development works related to Phases II to VII.

h. During the year ended 31 December 2018, an amount of SR 206.7 million (31 December 2017: SR 112.4 million) was capitalized as cost of borrowings for the construction of property and equipment included in capital work in progress.

8. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	436	777
Cash Deposit	160,964	-
Cash at banks (see notes (a) below)	1,396,564	1,734,938
	1,557,964	1,735,715
Less: Restricted cash - non-current (see note (a) below)	(342,590)	(762,891)
Less: Restricted cash - current (see note (a) below)	(573,060)	-
Cash and cash equivalents	642,314	972,824

a) Cash at banks includes an amount of SR 805 million placed in Murabaha deposits with commercial banks having original maturity of three to six months (31 December 2017: SR 209.95 million) and yielding profit at prevailing market rate. However, these Murabaha deposits are restricted under reserve accounts as per the agreement under corresponding arrangement.

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9. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Number of units (in millions)		SAR "000"	
	At 31 December 2018	At 31 December 2017	At 31 December 2018	At 31 December 2017
Alinma Makkah Real Estate Fund	100	100	1,000,000	1,000,000
Al Bilad Makkah Hospitality Fund	20	-	220,000	-
	120	100	1,220,000	1,000,000

At 31 December 2018, the carrying amount of the investment held at fair value through profit or loss was not significantly different than the market value.

10. INVESTMENT IN AN ASSOCIATE

This represents Group's investment in Central District Cooling Company ("CDCC") which is principally engaged in the business of providing central district cooling system services. CDCC is not publicly listed. The Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ('DCS') (note 7a(i)). The principal place of business of associate is Makkah, KSA. Details of ownership and movement in carrying value during the year ended 31 December 2018 is as follows:

	Percentage of ownership	
	31 December 2018	31 December 2017
Central District Cooling Company ("CDCC")	40%	40%
	For the year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
At the beginning of the year / period	78,486	79,548
Share of income / (loss) for the year / period	4,372	(1,062)
Transfer to investment in an associate classified as held for sale (see note 16)	(82,858)	-
At the end of the year / period	-	78,486

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11. INTANGIBLE ASSETS

	For the year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Cost:		
Opening balance	2,214	1,772
Additions for the year / period	252	442
Closing balance	2,466	2,214
Accumulated amortization:		
Opening balance	1,065	877
Amortization for for the year / period	435	188
Closing balance	1,500	1,065
Carrying amount	966	1,149

Intangible assets include computer software and licenses.

12. ADVANCES TO CERTAIN FOUNDERS

This represents amounts advanced to certain founders in prior years, duly approved by the shareholders and stipulated in the By-laws of the Company, until the shareholders approved to stop paying the advances in their extraordinary general assembly meeting dated 28 March 2016 (corresponding to 19 Jumada II, 1437H). The advances are adjustable against future dividend distributions by the Company.

13. OTHER ASSETS

	31 December 2018	31 December 2017
Non-current assets		
Prepaid rent (see note (a) below)	116,073	-
Accrued rent	19,191	14,015
	135,264	14,015
Current assets		
Prepaid rent and other prepayment (see note (a) below)	63,331	16,686
Prepaid insurance	5,339	3,655
Prepaid finance lease installment (see note (7a(ii)) below)	192,000	192,000
Other	24,276	7,062
	284,946	219,403

- a) During the year 2018, the Company has paid SR 225 million as prepaid rent for the remaining term of the lease of residential units from Al Bilad Makkah Hospitality Fund. Unamortized rent amounting to SAR 50 million and SAR 116 million has been classified as current and non-current. Non-current portion has been classified as other non-current asset.

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14. PROPERTY FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units. Movement during the year ended 31 December 2018 is as follows:

	31 December 2018	For the period from 13 April 2017 to 31 December 2017
Opening balance	313,605	214,369
Transferred from property and equipment (note 7 (b))	1,674,761	99,236
Additions	28,366	-
	2,016,732	313,605
Less: Transferred to cost of revenue	(508,289)	-
	1,508,443	313,605

During the year ended 31 December 2018, an amount of SR 48.6 million (2017: 26.4 million) was capitalized as cost of borrowing for the construction of Properties for development and sale.

15. ACCOUNTS AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
Accounts receivable (see note (a) below)	390,046	185,082
Accrued rental income	3,259	1,884
Less: Allowance for expected credit losses	(12,104)	(7,294)
	381,201	179,672
Bank margin against letter of guarantees	14,571	14,571
Other receivables	4,440	7,675
	400,212	201,918

- a) Accounts receivables includes balances receivables from related parties amounting to SR 156.9 million (31 December 2017: SR 112.7 million) (see note 31 (a)).
- b) Accounts receivable include the balances from third parties that are overdue for more than 90 days amounted to SR 38 million as at 31 December 2018, against which a provision of SR 11.9 million has been recorded.

16. INVESTMENT IN AN ASSOCIATE CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, the Board of Directors of the Group in their meeting held on 24 September 2018 approved the sale of Company's 40 percent ownership in its associate (Central District Cooling Company). As of the year end, the Group has identified the buyer and is in the process of finalizing the sale agreement. Accordingly, the Group's investment in the associate has been classified as held for sale at 31 December 2018. Moreover, the Group's share of results of the associate amounting to SR 4.3million have been recognized in the consolidated profit or loss (until the date of classification as held for sale).

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17. CAPITAL AND RESERVES

17.1 Share Capital

As at 31 December 2018, the Company's share capital is divided into 929,400,000 shares of SR 10 each allocated as follows:

	31 December 2018	31 December 2017
Shares issued against cash (note (a) below)	4,953,565	4,953,565
Shares in-kind against land (note 7(e))	4,340,435	4,340,435
	9,294,000	9,294,000

a. This includes shares issued to Makkah Construction and Development Company (MCDC) against cash (note 7(e)).

17.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The statutory reserve is not available for distribution.

17.3 Capital management

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

The gearing ratio is as follows:

	31 December 2018	31 December 2017
Total liabilities	18,754,210	17,999,100
Less :Cash and cash equivalents (Refer note 8)	(642,314)	(972,824)
Net debt	18,111,896	17,026,276
Total equity	9,783,230	9,589,595
Capital gearing ratio	1.85	1.78

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18. LOANS AND BORROWINGS

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

	31 December 2018	31 December 2017
Government loan (note (b) below)	3,000,000	3,000,000
Syndicate loan (2) (note (c) below)	3,799,404	3,409,211
Facility from a local bank (note (d) below)	620,579	842,000
Facility from a local bank (note (e) below)	1,000,000	1,000,000
Facility from a local bank (note (f) below)	117,283	24,173
Facility from a local bank (note (g) below)	76,448	-
Sukuk (note (h) below)	503,046	-
	9,116,760	8,275,384
Less: Deferred financial charges	(38,080)	(6,319)
Accrued commission on term loans	193,533	50,991
	9,272,213	8,320,056
Less: Current portion	(3,613,183)	(152,293)
Non-current portion	5,659,030	8,167,763

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

	For the year ended 31 December 2018	Period from 13 April 2017 to 31 December 2017
Opening balance	8,320,056	10,777,671
Drawdown during the year / period	1,466,025	1,753,131
Repayment during the year / period	(513,868)	(4,210,746)
Closing balance	9,272,213	8,320,056

Term loans

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

During the year, the Group has further rescheduled the loan in agreement with the governmental entity to repay in three equal installment annually, commencing on December 31, 2018, which is expected to be paid in due course. The loan carries borrowing costs at commercial rates. The loan is secured by a mortgage of land plots of 30,494 square meters.

- c) On 16 September 2015 (corresponding to 3 Dhul-Hijjah 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of SR 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) and another short-term liability in addition to completing the construction of Phases 2 and 4 and executing Phase 5. The syndicated Islamic loan is payable over a period of 12 years from the date of signing the agreement with a grace period of 4 years. The Group has withdrawn an amount of SR 3.8 billion under the facility. The loan carries borrowing costs at commercial rates.

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18. LOANS AND BORROWINGS (CONTINUED)

The Group provided the following securities against the loan:

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

- d) 30 March 2016 (corresponding to 21 Jumada II 1437H), the Group signed an unsecured facility term agreement with a local bank, with an amount of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities.

On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an agreement for the same unsecured facility (as mentioned above) whereby the loan has been restructured to long term and will be repaid over a period of four years. Accordingly, as per the revised repayment terms, the loan is repayable in seven semi-annual equal instalments; the first instalment will be due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment will be on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at commercial rates.

- e) On 03 August 2017 (corresponding to 11 Dhul Qadah 1438H), the Group signed an unsecured facility with a local bank, with an amount of SR 500 million for the purpose of settlement of certain Group's outstanding liabilities. The loan carries borrowing costs at commercial rates and was repayable after six months (with an option to extend for a further period of six months). Original maturity date of the loan was 01 February 2018 (corresponding to 15 Jumada I 1439H).

On 16 October 2017 (corresponding to 26 Muharram 1439H), the Group has re-negotiated and signed an agreement to convert the existing unsecured facility with secured facility for an additional amount of SR 500 million which makes the facility SR 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with SR 1 billion subscribed units of JODC in Alinma Makkah Real Estate Fund and will be maturing on 28 December 2019. The loan carries borrowing costs at commercial rates.

- f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facility with a local bank, with an amount of SR 200 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and is renewable on annual basis and facility was rolled over for another period of year and new expiry date is 16 August 2019 (corresponding to 15 Dhul Hijjah 1440). At 31 December 2018, the Group has utilized SR 117 million to settle some of the outstanding liabilities.
- g) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured non funded facility with a local bank, with an amount of SR 300 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and is renewable on annual basis. At 31 December 2018, the Group has utilized SR 76 million to settle some of the outstanding liabilities.
- h) On 15 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SAR 503 million, with maturity date of 15 November 2023. The outstanding principal is repayable in one instalment at the Maturity date. The Sukuk carries borrowing cost at commercial rates.

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19. LIABILITIES AGAINST FINANCE LEASE

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

	31 December 2018	31 December 2017
Total lease payments under finance leases	12,152,526	12,194,653
Finance charges	(5,523,014)	(5,550,667)
	6,629,512	6,643,986
Less: Current portion	(17,909)	(15,825)
Non-current portion	6,611,603	6,628,161

The lease payments under finance leases are as follows:

	Future minimum Lease Payment		Unamortized finance charges		Present value of minimum lease payments	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Less than one year	589,786	585,956	571,877	570,131	17,909	15,825
Between one to five years	2,343,825	2,343,825	2,269,445	2,272,777	74,380	71,048
More than 5 years	9,218,915	9,264,872	2,681,692	2,707,759	6,537,223	6,557,113
	12,152,526	12,194,653	5,523,014	5,550,667	6,629,512	6,643,986

20. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The movement in EOSB for the year ended 31 December 2018 is as follows:

	31 December 2018	31 December 2017
Defined benefit liability at the beginning of the year / period	15,209	12,296
<i>Included in profit or loss</i>		
Current service cost	7,124	3,810
Interest cost	462	232
	7,586	4,042
<i>Included in other comprehensive income</i>		
Re-measurement loss:		
- Actuarial loss arising from:		
- financial assumptions	(60)	25
- experience adjustment	4,919	746
	4,859	771
<i>Other</i>		
Benefits paid	(3,794)	(825)
Liability transferred	-	(1,075)
	(3,794)	(1,900)
Defined benefit liability at the end of the year / period	23,860	15,209

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20. PROVISION FOR EMPLOYEE'S TERMINAL BENEFITS (CONTINUED)

a) Actuarial assumptions

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

	31 December 2018	31 December 2017
Discount rate (%)	4.50	3.26
Future salary growth (%)	3.45	2.52

At 31 December 2018, the weighted-average duration of the defined benefit obligation was 5.08 years (31 December 2017: 2.86 years).

b) Sensitivity analysis

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

	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(1,081)	1,196	(391)	411
Future salary growth (1% movement)	1,309	(1,204)	473	(458)

21. OTHER NON-CURRENT LIABILITIES

	31 December 2018	31 December 2017
Makkah Construction and Development Company (note 7 (e))	309,565	309,565
Retention payable	327,219	186,118
Refundable deposits	5,784	5,469
Deferred gain on assets under sale and finance lease (note 7a(ii))	1,440,209	1,622,568
Others	11,483	286
	<u>2,094,260</u>	<u>2,124,006</u>

22. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	31 December 2018	31 December 2017
Contractors accrued balances	289,620	215,800
Retention payable	28,494	195,137
Accrued expenses and other provisions	52,895	77,345
Advances from customers	65,740	78,149
Accounts payable	62,216	57,376
Due to related parties (note 31)	25,362	53,899
Provision for discount	21,120	28,672
Deferred gain on sale assets under sale and finance lease (note 7(a)(ii))	183,130	183,130
Accrued withholding tax	458	1,005
	<u>729,035</u>	<u>890,513</u>

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23. ZAKAT PAYABLE

Zakat is computed at 2.5% of Zakatable income or Zakat base, whichever is higher. As such, Zakat for the year ended 31 December 2018 is based on Zakat base, significant components of which are as follows:

		31 December 2018	31 December 2017
Equity		9,589,610	7,315,428
Opening provisions and other adjustments		16,626,368	11,409,819
Book value of long term assets		(26,991,846)	(18,567,494)
		(775,868)	157,753
Adjusted profit	A	197,942	(567,329)
Zakat base	B	(577,926)	(409,576)
Zakat base higher of A and B		197,942	(409,576)
Provision required for Zakat for the year / period		4,949	-
Available provision as at the year / period end		5,330	5,330
Zakat charge for the year / period		-	-

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

Status of assessments

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

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

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

24. REVENUE

	For the Year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Sale of property for development and sale (see note (a) & (b) below)	1,209,291	-
Commercial center	129,805	81,293
Hotels revenue		
- operating	580,456	461,723
- lease	43,092	25,811
Total revenue	1,962,644	568,827

- a) During the year ended 31 December 2018, the Group sold 90 residential units (the 'Units') to Al-Bilad Makkah Hospitality Fund (the 'fund') for a consideration of SR 1.1 Billion, net of variable consideration as stipulated in the agreement and accounted for based on management best estimate.

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24. REVENUE (CONTINUED)

- b) During the year, the Group executed sale agreements with respect to residential units in Phase 3 under off plan sale arrangements (the 'off plan sale') for an aggregate value of SR 182 million. Based on the input method (percentage of completion) the Group has recognized revenue, in respect of the off-plan sale, of SR 122 million net of variable consideration based on management best estimate.

25. COST OF REVENUE

	For the Year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Sale of property for development and sale	508,289	-
Commercial center	51,724	70,078
Hotel cost		
- operating	530,957	454,643
- lease	68,153	27,365
Other costs	5,684	5,631
	<u>1,164,807</u>	<u>557,717</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Employee related costs and travelling expenses	109,035	80,440
Operating lease rentals and premises expenses	62,955	43,240
Professional and consultancy fees	15,883	17,809
Depreciation and amortization (notes 6, 7 and 11)	9,224	9,842
Attendance fee for board meetings	4,747	773
Withholding taxes	1,411	408
Hotels pre-opening expenses	-	11,552
Other	15,115	12,574
	<u>218,370</u>	<u>176,638</u>

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27. OTHER INCOME, NET

	For the Year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Murabaha investment income	16,231	3,656
Dividend income from FVTPL investment	91,556	-
Amortization of deferred gain on sale of assets under sale and finance lease back	183,230	26,606
Other (expense) / income	(13,836)	4,047
	<u>277,181</u>	<u>34,309</u>

28. FINANCIAL CHARGES

	For the Year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Finance leases (note(a) below)	553,247	87,791
Loans and borrowings (note(b) below)	68,668	347,346
	<u>621,915</u>	<u>435,137</u>

- a) Finance lease charges include SR 540 million (2017: SR 78 million) pertaining to sale and finance lease back of assets (note 7a(ii)).
- b) This includes SR Nil (2017: SR 185.7 million) of unamortized deferred financial charges, that were charged off upon settlement of corresponding long-term loan in prior year. It also includes SAR 68 million (2017: 1.56 million) borrowing cost pertaining to conventional banking products.

29. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share for the year ended 31 December 2018 and for the period ended 31 December 2017, have been computed by dividing the earnings / (loss) for the year / period attributable to the owners of the Company by the number of shares outstanding during such year / period. As there are no diluted shares outstanding, basic and diluted earnings / (losses) per share are identical.

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

	For the year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Profit / (loss) for the year / period attributable to owners of the Company	<u>193,779</u>	<u>(600,960)</u>
Weighted average number of shares outstanding	<u>929,400</u>	<u>929,400</u>
Profit / (loss) per share (Saudi Riyals) - Basic and Diluted	<u>0.21</u>	<u>(0.65)</u>

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30. NON-CONTROLLING INTERESTS (NCI)

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

31 December 2018

	Warifat	Sahat	Intra-group elimination	Total
NCI percentage	10%	40%		
Total assets	20,289	10,123	-	30,412
Total liabilities	(1,442)	(3,086)	-	(4,528)
Net assets	18,847	7,037	-	25,884

Net assets attributable to NCI	1,885	2,815	-	4,700
Total comprehensive income	3,847	2,076	-	-
Total comprehensive income allocated to NCI	385	830	-	1,215

31 December 2017

	Warifat	Sahat	Intra-group elimination	Total
NCI percentage	-	40%		
Total assets	-	3,000	-	3,000
Total liabilities	-	(38)	-	(38)
Net assets	-	2,962	-	2,962
Net asset attributable to NCI	-	1,185	-	1,185
Total comprehensive loss	-	(38)		
Total comprehensive loss allocated to NCI	-	(15)	-	(15)

There are no comparative numbers for the NCI of Warifat as this subsidiary was incorporated during the year ended 31 December 2018.

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31. RELATED PARTIES

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

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

Related party	Nature of transaction	For the year ended 31 December 2018	For the period from 13 April 2017 to 31 December 2017
Bank Al Bilad - affiliate	- Finance cost on loan	48,442	27,412
Al Bilad Capital - affiliate	- Advisory fee on sale of residential units (Note 24(a))	29,021	-
Alinma Makkah Real Estate Fund - affiliate	- Sale and lease back of properties (Note 7(a)(ii))	-	6,000,000
	- Subscription of units in the Fund (Note 7(a)(ii))	-	1,000,000
	- Finance lease charges (Note 28)	540,000	78,000
	- Dividend income (Note 27)	91,556	-
Key management employees	Salaries and benefits	8,277	10,357
BOD	BOD meeting attendance fee (Note 26)	4,747	773
Tazej Factory for Food Products - affiliate	Rental revenues from commercial shops	5,965	4,061
Arther Gallery - affiliate	Purchase of paintings	-	1,124
Central District Cooling Company - affiliate	- Finance lease rental payments (Note 7(a)(i))	105,396	68,474
	- Rental income	4,057	2,907
	- Concession fee 7%	6,679	1,104
Al Bilad Makkah Hospitality Fund - affiliate	- Operating lease rentals	52,139	33,889
	- Sale of residential units (note 24(a))	1,105,573	-
	- Subscription of units in the Fund	220,000	-
Advanced Communication Electronics System Co. - affiliate	Supply testing operation and maintenance of indoor GSM	-	4,437
HSBC Investment company - affiliate	Agency services	395	-
Balances arising from above transactions are as follows:		31 December 2018	31 December 2017
<i>a) Due from related parties:</i>			
Alinma Makkah Real Estate Fund		110,000	110,000
Tazej Factory for Food Products		1,088	2,713
Al Bilad Makkah Hospitality Fund		45,894	-
<i>Classified under accounts and other receivable</i>		156,982	112,713
<i>Cash on current accounts with Bank Al Bilad - classified under cash and cash equivalent</i>		12,528	17,830
Total		169,510	130,543

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31. RELATED PARTIES (CONTINUED)

<i>b) Due to related parties</i>	31 December 2018	31 December 2017
Central District Cooling Company	25,362	18,208
Al Bilad Makkah Hospitality Fund	-	33,889
Arther Gallery	-	1,124
Fakieh poultry farms	-	678
<i>Classified under accounts payable and other current liabilities</i>	25,362	53,899
Makkah Construction and Development Group- <i>classified under other non-current liabilities</i>	309,565	309,565
Loan from Bank Al Bilad - <i>classified under loans and borrowings</i>	632,043	842,000
Total	966,970	1,205,464

The amount due to Makkah Construction and Development Group (MCDC), represents cash paid by them for shares in cash against land of which the Owners were not able to submit the statutory and legal documentation. The amount paid to MCDC during the year ended 30 Dhul-Hijjah 1436H of SR 50 million was offset against the liability recorded during year 1437H.

32. CONTINGENCIES AND COMMITMENTS

a) As at 31 December 2018, the outstanding capital commitments in respect of development of the Project amounting to SAR 3,216 million (31 December 2017: SR 3,323 million).

b) Operating lease commitments are not significant.

c) As at 31 December 2018, the Group has furnished bank guarantees aggregating to SR 74 million (notes 7a(i)) and issued unconditional and irrevocable order notes of SR 75 million in respect of a sale contract.

33. SEGMENT REPORTING

Basis for segmentation

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

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

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33. SEGMENT REPORTING (CONTINUED)

For the year from 01 January 2018 to 31 December 2018

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

For the period from 13 April 2017 to 31 December 2017

	<i>Operating Hotels</i>	<i>Commercial Centres</i>	<i>Property for development and sale</i>	<i>Property under construction</i>	<i>Corporate</i>	<i>Total</i>
<i>Statement of financial position items as at 31 December 2017:</i>						
Current assets	63,875	47,337	313,864	-	1,282,674	1,707,750
Property and equipment	11,127,081	586	-	7,465,548	16,325	18,609,540
Investment properties	-	2,413,117	-	2,694,957	-	5,108,074
Other non-current assets	-	1,845	-	-	2,161,486	2,163,331
Liabilities	4,791,413	3,140,742	47,929	10,013,657	5,359	17,999,100
<i>Statement of profit or loss and other comprehensive income items for the period from 13 April 2017 to 31 December 2017:</i>						
Revenues from operations	487,534	81,293	-	-	-	568,827
Total comprehensive loss	(376,448)	(15,103)	-	-	(210,195)	(601,746)

34. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A) Accounting classifications and fair values

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

	Level 1	Level 2	Level 3
Investment held at fair value through profit and loss	-	1,000,000 (2017: SR 1,000,000)	220,000 (2017: SR Nil)

The investment classified under level 3 of the fair value hierarchy represents units of a real estate fund, the fair value of which has been determined using fair value based net asset value disclosure (NAV) in the published financial statements of the real estate fund. Management understands that this NAV is primarily derived using the fair value of the properties, which is determined by independent third parties via application of appropriate valuation techniques and use of assumptions considered reasonable in the circumstances of the respective properties.

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

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

B) Financial risk management

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

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

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

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

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. As at the reporting date, the Group's maximum exposure to credit risk is represented by the respective carrying values of individual financial assets such as trade/accounts receivables and bank balances.

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in interest rates. Interest rate risk is managed by careful consideration of the prevailing and forecasted market interest rates at the time of executing credit arrangements as well as the use of appropriate hedging instruments if and when required. As at the reporting date, a 10bps increase or decrease in interest rates with all other variables held constant will decrease / increase profit before zakat for the year by SR 8.9 million (2017: SR 7.8 million).

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

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

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

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

B) Financial risk management (continued)

	Gross undiscounted value	Contractual cash flows		
		1 year or less	1 year to 5 years	More than 5 years
Financial liabilities				
Loans and borrowings	11,698,710	4,092,765	2,992,708	4,613,237
Accounts and other payables	545,906	545,906	-	-
Liabilities against finance lease	12,152,526	589,786	2,343,825	9,218,915
Other non-current liabilities	654,051	-	654,051	-
Other	29,190	5,330	23,860	-
Balance at 31 December 2018	25,080,383	5,233,787	6,014,444	13,832,152
Loans and borrowings	10,499,759	567,878	5,609,854	4,322,027
Accounts and other payables	707,382	707,382	-	-
Liabilities against finance lease	12,194,652	585,956	2,343,825	9,264,871
Other non-current liabilities	501,438	-	501,438	-
Other	20,540	5,330	15,210	-
Balance at 31 December 2017	23,923,771	1,866,546	8,470,327	13,586,898

35. COMPARATIVE FIGURES

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

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 16 February 2019 corresponding to (11 Jumada Al-Akhir 1440H).