RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Contents	**Page**

BAKER TILLY
MKM & CO.
Certified Public Accountants

License Number 323/11/479
Tel. : +966 13 830 0906
Fax : +966 13 834 7582
Diwan Bld. Off. 310
3810 King Faisal St.
Khobar 34422 - 7063
Kingdom of Saudi Arabia
www.bakertillyjfc.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS' OF RETAL URBAN DEVELOPMENT COMPANY

(A Saudi Limited Liability Company)

Opinion

We have audited the consolidated financial statements of Retal Urban Development Company (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed 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 ("ISAs"). Our responsibilities under those standards are further described in the '*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*' section of our report. We are independent of the Company 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 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.

Emphasis of a Matter - Basis of Preparation

We draw attention to note 2 to these consolidated financial statements which describes the basis of preparation. As a result of the regulatory requirements in the Kingdom of Saudi Arabia, the consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). For all years up to and including year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

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

BAKER TILLY
MKM & CO.
Certified Public Accountants

License Number 323/11/479
Tel. : +966 13 830 0906
Fax : +966 13 834 7582
Diwan Bld. Off. 310
3810 King Faisal St.
Khobar 34422 - 7063
Kingdom of Saudi Arabia
www.bakertillyjfc.com

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS' OF RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.

Baker Tilly MKM & Co.
Certified Public Accountants

CPA
BAKER TILLY M K M
&
CO.

Bader Hatim Al Tamimi
License No. 489
Al-Khobar
25 Rajab 1440
1 April 2019

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018	31 December 2017	1 January 2017
		SR	*SR*	*SR*
			(Note 4)	*(Note 4)*
ASSETS				
Non-current assets				
Property and equipment	5	**3,746,562**	4,583,542	1,859,298
Development properties	6	**76,962,489**	79,798,392	30,629,789
Investment properties	7	**39,083,172**	35,125,382	15,893,290
Intangible assets	8	**3,813,830**	3,479,017	-
Investment in associates	9	**83,843,443**	87,135,444	73,958,132
Accounts receivable	10	**14,615,549**	16,245,901	388,212
		222,065,045	226,367,678	122,728,721
Current assets				
Development properties	6	**50,740,441**	44,803,289	65,232,367
Contract assets	22	**74,363,325**	400,423	39,095,448
Inventories		**3,455,055**	3,140,314	122,759
Accounts receivable	10	**19,812,931**	58,947,083	6,700
Prepayments and other receivables	11	**28,592,696**	11,218,120	8,739,949
Equity instruments at FVOCI	12	**37,107,593**	73,259,285	-
Investment in an associate	9	-	12,278,883	-
Cash and cash equivalents	13	**85,055,054**	2,424,697	624,372
		299,127,095	206,472,094	113,821,595
TOTAL ASSETS		**521,192,140**	432,839,772	236,550,316
EQUITY AND LIABILITIES				
Equity				
Capital	14	**10,000,000**	10,000,000	10,000,000
Statutory reserve	15	**3,000,000**	3,000,000	1,188,383
Contribution from a shareholder		**82,133,810**	82,133,810	40,000,000
Actuarial reserve		**(924,497)**	95,701	-
Fair value reserve of equity instruments at FVOCI		**(2,774,332)**	-	-
Retained earnings		**38,774,660**	37,753,117	12,301,307
Total equity		**130,209,641**	132,982,628	63,489,690
Non-current liabilities				
Due to related parties	27	**120,000,000**	165,851,632	60,240,900
Long-term borrowings	17	-	6,666,667	23,000,000
Employee termination benefits	18	**6,660,288**	5,459,047	926,954
Accounts payable	19	**1,926,527**	1,236,647	779,366
		128,586,815	179,213,993	84,947,220
Current liabilities				
Accounts payable	19	**82,960,570**	54,341,483	75,097,402
Accrued expenses and other payables	20	**12,466,347**	16,241,474	7,727,165
Contract liabilities	22	**4,830,104**	14,527,755	3,177,021
Refundable incentives	17	**150,018,686**	-	-
Current maturity of long-term borrowings	17	-	26,333,333	-
Zakat payable	21	**12,119,977**	9,199,106	2,111,818
		262,395,684	120,643,151	88,113,406
Total liabilities		**390,982,499**	299,857,144	173,060,626
TOTAL EQUITY AND LIABILITIES		**521,192,140**	432,839,772	236,550,316

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		SR	*SR*
			(Note 4)
Revenue from contracts with customers	22	209,009,823	257,634,437
Cost of revenues	23	(183,368,078)	(197,800,623)
Gross profit		25,641,745	59,833,814
General and administrative expenses	24	(15,969,340)	(12,672,486)
Selling and marketing expenses	25	(4,387,697)	(3,302,610)
Operating profit		5,284,708	43,858,718
Finance costs	17, 18, 28	(7,088,179)	(8,452,122)
Dividend income from equity instruments at FVOCI	12	4,665,727	-
Impairment of equity instruments at FVOCI	12	-	(9,330,715)
Share of results of associates	9	(990,223)	4,891,711
Other income, net		4,178,087	466,476
Profit before zakat		6,050,120	31,434,068
Zakat	21	(3,311,400)	(4,170,641)
PROFIT FOR THE YEAR		2,738,720	27,263,427
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Change in fair value of equity instruments at FVOCI	12	(2,774,332)	-
Change in realized fair value of equity instruments at FVOCI		(1,717,177)	-
Remeasurements of defined benefit liability	18	(1,020,198)	95,701
Net OCI that will not be reclassified to profit or loss in subsequent years		(5,511,707)	95,701
Other comprehensive (loss) income for the year		(5,511,707)	95,701
Total comprehensive (loss) income for the year		(2,772,987)	27,359,128

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	*Capital*	*Statutory reserve*	*Contribution from a shareholder*	*Actuarial reserve*	*Fair value reserve of equity instruments at FVOCI*	*Retained earnings*	*Total*
		SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2018:								
As at 1 January 2018	4	**10,000,000**	**3,000,000**	**82,133,810**	**95,701**	-	**37,753,117**	**132,982,628**
Net income for the year		-	-	-	-	-	**2,738,720**	**2,738,720**
Other comprehensive loss		-	-	-	**(1,020,198)**	**(2,774,332)**	**(1,717,177)**	**(5,511,707)**
Total comprehensive loss		-	-	-	**(1,020,198)**	**(2,774,332)**	**1,021,543**	**(2,772,987)**
Balance as at 31 December 2018		**10,000,000**	**3,000,000**	**82,133,810**	**(924,497)**	**(2,774,332)**	**38,774,660**	**130,209,641**
For the year ended 31 December 2017:								
As at 1 January 2017	4	10,000,000	1,188,383	40,000,000	-	-	12,301,307	63,489,690
Net income for the year		-	-	-	-	-	27,263,427	27,263,427
Other comprehensive income		-	-	-	95,701	-	-	95,701
Total comprehensive income		-	-	-	95,701	-	27,263,427	27,359,128
Additional contribution from a shareholder		-	-	36,870,652	-	-	-	36,870,652
Adjustment on subsidiaries IFRS remasurement		-	-	5,263,158	-	-	-	5,263,158
Transfer to statutory reserve		-	1,811,617	-	-	-	(1,811,617)	-
Balance as at 31 December 2017	4	10,000,000	3,000,000	82,133,810	95,701	-	37,753,117	132,982,628

The accompanying notes form an integral part of these consolidated financial statements

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR	*SR*
		(Note 4)
OPERATING ACTIVITIES		
Profit for the year	**2,738,720**	27,263,427
Adjustments for non-cash items:		
Depreciation and amortization	**1,729,726**	2,840,273
End of service indemnities	**1,229,328**	1,286,804
Gain on disposal of investment properties	**-**	(22,325,245)
Loss on sale property and equipment	**4,992**	-
Utilization of provision of onerous contracts	**-**	(264,960)
Impairment of equity instruments at FVOCI	**-**	9,330,715
Share of results of associates	**990,223**	(4,891,711)
Dividends income	**(4,665,727)**	-
Zakat	**3,311,400**	4,170,641
	5,338,662	17,409,944
Changes in working capital:		
Development properties	**(7,342,810)**	54,525,974
Inventories	**(314,741)**	402,013
Contract assets	**(73,962,902)**	641,668
Accounts receivable	**41,595,562**	(85,087,790)
Prepayments and other receivables	**(17,374,576)**	(1,147,046)
Accounts payable	**29,308,967**	1,562,270
Accrued expenses and other payables	**(3,775,127)**	403,131
Contract liabilities	**(9,697,651)**	11,646,357
	(36,224,616)	356,521
Zakat paid	**(390,529)**	(290,467)
End of service indemnities paid	**(1,392,086)**	(886,425)
Net cash used in operating activities	**(38,007,231)**	(820,371)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(1,021,505)**	(1,243,348)
Proceeds froms sale of property and equipment	**138,950**	110,805
Investment properties	**-**	(3,842,057)
Acquisition of an associate	**-**	(41,290,000)
Additions to intangible assets	**(66,225)**	(334,573)
Dividends received	**3,834,669**	-
Redemption of investment in associates	**14,580,661**	40,940,000
Proceeds from equity instruments at FVOCI	**31,660,183**	-
Net cash from (used in) investing activities	**49,126,733**	(5,659,173)

RETAL URBAN DEVELOPMENT COMPANY
(A Saudi Limited Liability Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	SR	*SR*
		(Note 4)
FINANCING ACTIVITIES		
Proceeds from refundable incentives	**150,018,686**	-
Repayments of long-term borrowings	**(33,000,000)**	-
Long term borrowings	-	10,000,000
Change in due to related parties	**(45,507,831)**	(2,762,917)
Net cash from financing activities	**71,510,855**	7,237,083
Net change in cash and cash equivalents	**82,630,357**	757,539
Cash and cash equivalents at the beginning of the year	**2,424,697**	624,372
Increase in cash and cash equivalent on acquisition of subsidiaries	-	1,042,786
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**85,055,054**	2,424,697

NON-CASH TRANSACTIONS:

	2018	2017
	SR	*SR*
End of service indemnity transferred from (to) a related party (note 18)	**343,801**	(62,752)
Transfers from development properties to investment properties	**4,241,561**	-
Investment properties transferred from related parties (note 7)	-	6,500,000
Investments properties sold against equity instruments at FVOCI (note 12)	-	28,560,000
Development properties sold against equity instruments at FVOCI (note 12)	-	54,030,000
Land transferred from development properties to investment properties (note 6 and 27)	-	19,382,864
Change in fair value of equity instruments at FVOCI charged to retained earnings on disposal (note 12)	**1,717,177**	-
Change in fair value of equity instruments at FVOCI	**1,057,155**	-

1 COMPANY INFORMATION

Retal Urban Development Company ("the Parent Company") is a limited liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on 12 Rabi'I 1433H (4 February 2012). The registered address of the Company is P.O. Box 1448 Prince Faisal Bin Fahad Bin Abdulazizi Avenue, Al Khobar, 31952, Kingdom of Saudi Arabia.

The Parent Company is principally engaged in:
- Purchase of land for construction, development, investment, sale or leasing purpose;
- Construction of buildings, dams, and tunnels;
- Management and operating of factories, industrial projects, malls, hotels, restaurants and supermarkets;
- Maintenance and repair of irrigation and drainage works, including airports, water facilities, sanitation, telephone networks and artesian wells.

These consolidated financial statements comprises the financial statements of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective ownership		
	2018	2017	2016
	%	%	%
Tadbeir Real Estate Company ("Tadbeir")	**100**	100	100
Nesaj Urban Development Company ("Nesaj")	**100**	100	-
Building and Construction Company ("BCC")	**100**	100	-

Tadbeir

Tadbeir is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on 11 Muharram 1436H (4 November 2014). The registered address of the Company is P.O. Box 38, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

Nesaj

Nesaj is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on 17 Ramadan 1433H (5 August 2012). The registered address of the Company is P.O.Box 31059, Al Turki business park, Al-Khobar, 31952, Kingdom of Saudi Arabia.

The principle activities of the Company are:
- Buying lands and constructing buildings on them for sale or rental to third parties;
- Management, maintenance and development of real estate;
- Erection, management and maintenance of industrial, commercial, and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes; and
- General contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

During 2017, Al Fozan Holding Company transfered its entire share in Nesaj to the Company effective 1 January 2017.

1 COMPANY INFORMATION (Continued)

Nesaj (Continued)

The details of Nesaj's net assets transferred to the Company as at 1 January 2017 is as follow:

	1 January 2017
	SR
	(Note 4)
ASSETS	
Non-current assets	
Property and equipment	878,070
Intangible assets	82,226
Development properties	51,272,553
Investment in an associate	20,214,484
Investment in a subsidiary	13,399,082
	85,846,415
Current assets	
Inventories	798,957
Development properties	70,360,335
Accounts receivable	1,150,325
Prepayments and other receivables	903,675
Cash and cash equivalents	168,441
	73,381,733
TOTAL ASSETS	159,228,148
Non-current liabilities	
Due to related parties	106,933,713
Employee termination benefits	1,082,603
	108,016,316
Current liabilities	
Due to related parties	3,761,497
Accrued expenses and other payables	2,798,675
Zakat payable	2,688,930
	9,249,102
Total liabilities	117,265,418
NET ASSETS TRANSFERRED	41,962,730

BCC

BCC is a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated 15 Jumada II 1420H (25 September 1999). The registered address of the Company is P.O. Box 30730, Prince Turki Bin Abdulaziz st, Khobar 31952, Kingdom of Saudi Arabia.

The Company is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

During 2017, Nesaj Urban Development Company transfered its entire share in BCC to the Company effective 1 January 2017.

1 COMPANY INFORMATION (Continued)

BCC (Continued)

The details of BCC's net assets transferred to the Company as at I January 2017 is as follow:

	1 January 2017
	SR
	(Note 4)
ASSETS	
Non-current assets	
Property and equipment	2,554,811
Intangible assets	98,250
Due from a related party	11,984,758
Retentions receivable	977,346
	15,615,165
Current assets	
Inventories	2,620,611
Contract assets	1,042,091
Accounts receivable	4,430,783
Prepayments and other receivables	1,697,860
Bank balances	874,345
	10,665,690
TOTAL ASSETS	26,280,855
Non-current liability	
Employee termination benefits	3,207,564
Current liabilities	
Accounts payable	3,912,191
Accrued expenses and other payables	3,942,527
Contract liabilities	728,886
Provision for onerous contracts	338,321
Zakat payable	518,184
	9,440,109
Total liabilities	12,647,673
NET ASSETS TRANSFERRED	13,633,182

2 BASIS OF PREPARATION

The consolidated financial statements of the Group for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants. Details of the Group's significant accounting policies are disclosed in note 30.

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia ("local GAAP"). These consolidated financial statements for the year ended 31 December 2018 are for the first year for which the Group prepares its financial statements in accordance with IFRS. Refer to note 4 for information on how the Group adopted IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for equity instruments and defined benefit obligations measured at fair value. The financial statements are presented in Saudi Riyals which is also the functional currency of the Group and all values are rounded to the nearest Riyal (SR), except when otherwise indicated.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties' includes:

- Financial instruments risk management	Note 29
- Sensitivity analysis disclosures	Note 18 and 29

3.1 Judgements

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

Allowance for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Economic useful lives of property and equipment/ investment property

The Group's management determines the estimated useful lives of its property and equipment/ investment property for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives when necessary and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

3.2 Estimates and assumptions

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

Uncertain zakat positions

The Group's current zakat payable of SR 12,119,977 relates to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the General Authority of Zakat and Tax (GAZT). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. Note 21 describes the status of zakat and tax assessments.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for development and investment properties at each reporting date. The development and investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates 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.

Revenue recognition

The Group uses the percentage-of-completion method ("POC") in accounting for its fixed-price contracts to perform contracting work. Use of POC requires the Group to estimate the total cost to complete a contract.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Estimates and assumptions (Continued)

End of service benefits

The present value of the end of service obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) the end of service include the discount rate. Any changes in these assumptions will impact the carrying amount of end of service obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the obligations.

4 FIRST-TIME ADOPTION OF IFRS

These consolidated financial statements, for the year ended 31 December 2018, are for the first year for which the Group prepares its consolidated financial statements in accordance with IFRS. For all periods up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with Local GAAP.

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS applicable as at 31 December 2018, together with the comparative period data. In preparing the consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2017, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP consolidated financial statements, including the consolidated statement of financial position as at 1 January 2017 and 31 December 2017 and the consolidated statements of comprehensive income and cash flows for the year ended 31 December 2017.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has utilized the following exemptions:

- The Group has applied the exemption for completed contracts under IFRS 1 First-Time Adoption of IFRS and accordingly and has not restated revenue for contracts completed before 1 January 2017.
- The Group has applied the transitional provision in IFRS 15 Revenue from Contracts with Customers and used the transaction price at the date a contract with variable consideration was completed rather than estimating variable consideration amounts in the comparative reporting periods.

Estimates

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies) apart from 'Employees' terminal benefits' where application of Local GAAP results in different estimates.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 1 January 2017 (date of transition to IFRS):

	Notes	Local GAAP	Remeasurement	IFRS as at 1 January 2017
ASSETS		SR	SR	SR
Non-current assets				
Property and equipment	A	1,840,458	18,840	1,859,298
Development properties		30,629,789	-	30,629,789
Investment properties		15,893,290	-	15,893,290
Investment in associates	B	-	73,958,132	73,958,132
Available for sale investment	B	90,519,732	(90,519,732)	-
Accounts receivable	C	-	388,212	388,212
		138,883,269	(16,154,548)	122,728,721
Current assets				
Development properties		65,232,367	-	65,232,367
Contract assets		39,095,448	-	39,095,448
Inventories		122,759	-	122,759
Accounts receivable		6,700	-	6,700
Prepayments and other receivables	C	9,181,618	(441,669)	8,739,949
Cash and cash equivalents		624,372	-	624,372
		114,263,264	(441,669)	113,821,595
TOTAL ASSETS		253,146,533	(16,596,217)	236,550,316
EQUITY AND LIABILITIES				
Equity				
Capital		10,000,000	-	10,000,000
Statutory reserve		1,188,383	-	1,188,383
Contribution from a shareholder		40,000,000	-	40,000,000
Retained earnings	A,B,C,D	2,327,825	9,973,482	12,301,307
Unrealized gain from available for sale - investment	B	26,639,732	(26,639,732)	-
Total equity		80,155,940	(16,666,250)	63,489,690
Non-current liabilities				
Due to related parties		60,240,900	-	60,240,900
Long-term borrowings		23,000,000	-	23,000,000
Employee termination benefits	D	785,735	141,219	926,954
Accounts payable	E	-	779,366	779,366
		84,026,635	920,585	84,947,220
Current liabilities				
Accounts payable	E	75,947,954	(850,552)	75,097,402
Accrued expenses and other payables		7,727,165	-	7,727,165
Contract liabilities		3,177,021	-	3,177,021
Zakat payable		2,111,818	-	2,111,818
		88,963,958	(850,552)	88,113,406
Total liabilities		172,990,593	70,033	173,060,626
TOTAL EQUITY AND LIABILITIES		253,146,533	(16,596,217)	236,550,316

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of equity as at 31 December 2017:

	Notes	Local GAAP	Remeasurement	IFRS as at 31 December 2017
ASSETS		SR	SR	SR
Non-current assets				
Property and equipment		4,080,153	503,389	4,583,542
Development properties		79,798,392	-	79,798,392
Investment properties	F	32,441,910	2,683,472	35,125,382
Intangible assets		3,479,017	-	3,479,017
Investment in associates	B	95,058,424	(7,922,980)	87,135,444
Accounts receivable	C	11,984,758	4,261,143	16,245,901
		226,842,654	(474,976)	226,367,678
Current assets				
Development properties	F	47,453,224	(2,649,935)	44,803,289
Contract assets		400,423	-	400,423
Inventories		3,140,314	-	3,140,314
Accounts receivable	C	60,403,539	(1,456,456)	58,947,083
Prepayments and other receivables	C	14,943,864	(3,725,744)	11,218,120
Equity instruments at FVOCI		73,259,285	-	73,259,285
Investment in an associate		12,278,883	-	12,278,883
Cash and cash equivalents		2,424,697	-	2,424,697
		214,304,229	(7,832,135)	206,472,094
TOTAL ASSETS		441,146,883	(8,307,111)	432,839,772
EQUITY AND LIABILITIES				
Equity				
Capital		10,000,000	-	10,000,000
Statutory reserve		3,000,000	-	3,000,000
Contribution from shareholder		76,870,652	5,263,158	82,133,810
Actuarial reserve			95,701	95,701
Retained earnings	A,B,C,D	43,723,315	(5,970,198)	37,753,117
Unrealized gain from available for sale				-
- investment	B	7,922,983	(7,922,983)	-
Total equity		141,516,950	(8,534,322)	132,982,628
Non-current liabilities				
Due to related parties		166,707,193	(855,561)	165,851,632
Long-term borrowings		6,666,667	-	6,666,667
Employee termination benefits	D	5,176,171	282,876	5,459,047
Accounts payable	E	-	1,236,647	1,236,647
		178,550,031	663,962	179,213,993
Current liabilities				
Accounts payable	E	54,757,319	(415,836)	54,341,483
Accrued expenses and other payables		16,262,389	(20,915)	16,241,474
Contract liabilities		14,527,755	-	14,527,755
Current maturity of long-term borrowings		26,333,333	-	26,333,333
Zakat payable		9,199,106	-	9,199,106
		121,079,902	(436,751)	120,643,151
Total liabilities		299,629,933	227,211	299,857,144
TOTAL EQUITY AND LIABILITIES		441,146,883	(8,307,111)	432,839,772

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2017:

	Notes	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
		SR	SR	SR
Revenue from contracts with customers		257,634,437	-	257,634,437
Cost of revenue		(197,948,350)	147,727	(197,800,623)
Gross profit		59,686,087	147,727	59,833,814
General and administrative expenses	D	(12,888,720)	216,234	(12,672,486)
Selling and marketing expenses		(3,302,610)	-	(3,302,610)
Operating profit		43,494,757	363,961	43,858,718
Finance costs	C	(7,437,094)	(1,015,028)	(8,452,122)
Dividends income	B	21,242,109	(21,242,109)	-
Impairment of equity instruments at FVOCI		(9,330,715)	-	(9,330,715)
Share of results of associates	B	(1,057,785)	5,949,496	4,891,711
Other income		466,476		466,476
Profit before zakat		47,377,748	(15,943,680)	31,434,068
Zakat		(4,170,641)	-	(4,170,641)
PROFIT FOR THE YEAR		43,207,107	(15,943,680)	27,263,427
Other Comprehensive Income (OCI)				
OCI that will not be reclassified to profit or loss in subsequent years:				
Remeasurements of defined benefit liability	D	-	95,701	95,701
Net OCI that will not be reclassified to profit or loss in subsequent years		-	95,701	95,701
Other comprehensive income for the year		-	95,701	95,701
Total comprehensive income for the year		43,207,107	(15,847,979)	27,359,128

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the year ended 31 December 2017:

	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
	SR	SR	SR
OPERATING ACTIVITIES			
Profit for the year	47,377,748	(20,114,321)	27,263,427
Adjustments for non-cash items:			
Depreciation and amortization	2,907,593	(67,320)	2,840,273
End of service indemnities	1,396,096	(109,292)	1,286,804
Gain on disposal of Investment properties	(22,325,245)	-	(22,325,245)
Loss on disposal of property and equipment	(110,790)	110,790	-
Utilization of provision for onerous contracts	(264,960)	-	(264,960)
Impairment of equity instruments at FVOCI	9,330,715	-	9,330,715
Share of results of associates	1,057,785	(5,949,496)	(4,891,711)
Dividends income	(21,242,109)	21,242,109	-
Zakat	4,170,641	-	4,170,641
	22,297,474	(4,887,530)	17,409,944
Changes in working capital:			
Development properties	54,525,974	-	54,525,974
Inventories	402,013	-	402,013
Contract assets	641,668	-	641,668
Accounts receivable	(61,295,477)	(23,792,313)	(85,087,790)
Prepayments and other receivables	(3,179,703)	2,032,657	(1,147,046)
Accounts payable	(1,029,406)	2,591,676	1,562,270
Accrued expenses and other payables	(235,095)	638,226	403,131
Contract liabilities	9,597,279	2,049,078	11,646,357
	21,724,727	(21,368,206)	356,521
Zakat paid	(290,467)	-	(290,467)
End of service indemnities paid	(886,425)	-	(886,425)
Net cash flows used in operating activities	20,547,835	(21,368,206)	(820,371)
INVESTING ACTIVITIES			
Purchase of property and equipment	(1,544,421)	301,073	(1,243,348)
Proceeds froms sale of property and equipment	287,327	(176,522)	110,805
Investment properties	(3,842,057)	-	(3,842,057)
Acquisition of an associate	(41,290,000)	-	(41,290,000)
Additions to intangible assets	(33,500)	(301,073)	(334,573)
Dividends received	21,242,109	(21,242,109)	-
Redemption of investment in associates	-	40,940,000	40,940,000
Proceeds from available for sale investments	19,697,891	(19,697,891)	-
Net cash flows used in investing activities	(5,482,651)	(176,522)	(5,659,173)

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Group reconciliation of cash flows for the year ended 31 December 2017: (Continued)

	Local GAAP	Remeasurement	IFRS for the year ended 31 December 2017
	SR	SR	SR
FINANCING ACTIVITIES			
Long term borrowings	10,000,000	-	10,000,000
Change in due to related parties	(24,307,645)	21,544,728	(2,762,917)
Net cash flows from financing activities	(14,307,645)	21,544,728	7,237,083
Net change in cash and cash equivalents	757,539	-	757,539
Cash and cash equivalents at the beginning of the year	624,372	-	624,372
Increase in cash and cash equivalent on acquisition of subsidiaries	1,042,786	-	1,042,786
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,424,697	-	2,424,697

Notes to the reconciliation of equity as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017:

A Property and equipment

Previously, property and equipment were presented at their carrying amounts as non-current assets. The management re-evaluated its vehicles and heavy equipment as at reporting date and recorded it after deducting the residual value and recalculated the depreciation expenses.The difference as at 1 January 2017 and 31 December 2017 amounting to SR 18,840 and SR 503,389 respectively was charged to retained earnings.

B Equity instruments at FVOCI

Previously, investment in Ewan Al Qayrawan Real Estate Fund (note 9) was accounted for as available foı sale investment under local GAAP. This investment meets the definition of an associate under IFRS as per IAS 28 given the significant influence the Company has over the fund by the virtue of two out of five directors of the Company in the board of the fund.

Recognition of investment as an investment in an associate requires initially recognition of investment at cost and is subsequently adjusted by the Company's share of the fund's post acquisition change in net assets.

The Company's statement of comprehensive income reflects its share of the investee's post acquisition change in net assets and previously recognised unrealised gain and dividend to be reversed. All these adjustments have been charged to retained earnings.

4 FIRST-TIME ADOPTION OF IFRS (Continued)

Notes to the reconciliation of equity as at 1 January 2017 and 31 December 2017 and total comprehensive income for the year ended 31 December 2017: (Continued)

C Accounts receivable

Previously, Accounts and retentions receivable were presented at their nominal amounts as current assets. Under IFRS, accounts and retentions receivable which are expected to be collected beyond twelve months from the date of the statement of financial position are presented at their net present values as non-current assets. IFRS 9 require financial assets of long-term nature to be discounted and recognized at their net present values using a reasonable discount rate. The portion of the staff receivables of SR 441,669 as at 1 January 2017, which were payable in more than 12 months were reclassified to non current assets and recorded at net present value by discounting by SR 53,457. As at 31 December 2017 staff receivables of SR 3,725,744 has been reclassified to non current asset and related discounting amount was SR 816,229. The difference between the nominal amounts and net present values of retentions receivable as at 31 December 2017 amounting to SR 104,828 was charged to retained earnings.

D Defined benefit obligation

Under Local GAAP, the Group recognised costs related to its employees' terminal benefits by calculating the obligation using current salary levels and assuming all contracts are terminated by the Group. Under IFRS, terminal benefits are recognised using the projected unit credit method. The required obligation under IFRS as at 1 January 2017 was less by SR 141,219 and the difference has been recognised against retained earnings. The required obligation under IFRS as at 31 December 2017 was increased by SR 282,876 and the difference has been recognised in the statement of profit or loss and the remeasurement differences as at 31 December 2017 of SR 95,701 has been recognised in retained earnings through OCI.

E Accounts payable

Previously, long term payables were presented at their nominal amounts as current liabilities. Under IFRS, long term payables which are expected to be paid beyond twelve months from the date of the statement of financial position are presented at their net present values as non-current liabilities.The portion of retentions payable of SR 850,552 as at 1 January 2017, which were payable in more than 12 months were reclassified to non current liabilities and recorded at net present value by discounting by SR 71,186. As at 31 December 2017 retentions payable of SR 1,236,647 has been reclassified to non current liabilities and related discounting amount was SR 55,665.

F Investment properties

Certain properties of SR 2,649,935 recorded in projects under development were reclassified to investment properties and related depreciation of SR 33,537 were booked.

G Others

In addition to above IFRS adoption adjustments, certain items in the statements of financial position and income have been reclassified to meet the presentation and disclosure requirements in accordance with IFRS as endorsed in KSA, which have not resulted in any additional impact on equity or net income for comparative figures.

5 PROPERTY AND EQUIPMENT

	Furniture, fixtures and office equipment	*Machinery and equipment*	*Vehicles*	*Leasehold improvements*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
Cost						
Balance as at 1 January 2017	1,727,916	236,270	350,660	1,846,410	88,404	4,249,660
Transfer on acquisition (note 1)	4,050,858	15,849,942	1,812,865	954,358	-	22,668,023
Additions	247,592	189,920	477,292	-	328,546	1,243,350
Disposals	(95,600)	(577,269)	(229,000)	-	-	(901,869)
Balance as at 31 December 2017	5,930,766	15,698,863	2,411,817	2,800,768	416,950	27,259,164
Additions	**345,560**	**337,445**	**338,500**	-	-	**1,021,505**
Disposals	-	-	**(180,000)**	-	-	**(180,000)**
Tranfer to intangible assets	-	-	-	-	**(416,950)**	**(416,950)**
At 31 December 2018	**6,276,326**	**16,036,308**	**2,570,317**	**2,800,768**	-	**27,683,719**
Accumulated depreciation						
Balance as at 1 January 2017	689,670	159,757	8,895	1,532,040		2,390,362
Transfer on acquisition (note 1)	2,942,383	14,374,057	1,352,321	566,381	-	19,235,142
Charge for the year	663,352	461,467	114,488	536,143	-	1,775,450
Disposals	(95,594)	(577,260)	(52,478)	-	-	(725,332)
At 31 December 2017	4,199,811	14,418,021	1,423,226	2,634,564	-	22,675,622
Charge for the year	**631,278**	**390,721**	**191,165**	**84,429**	-	**1,297,593**
Disposals	-	-	**(36,058)**	-	-	**(36,058)**
At 31 December 2018	**4,831,089**	**14,808,742**	**1,578,333**	**2,718,993**	-	**23,937,157**
Net book values						
At 31 December 2018	**1,445,237**	**1,227,566**	**991,984**	**81,775**	-	**3,746,562**
At 31 December 2017	1,730,955	1,280,842	988,591	166,204	416,950	4,583,542

6 DEVELOPMENT PROPERTIES

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Long term:			
At 1 January 2017	27,205,245	3,424,544	30,629,789
Additions	-	24,684,091	24,684,091
Transfer on acquisition (note 1)	49,658,803	1,613,750	51,272,553
Transferred to investment properties - (note 7)	(26,788,041)	-	(26,788,041)
At 31 December 2017	50,076,007	29,722,385	79,798,392
Additions	**-**	**12,849,174**	**12,849,174**
Transferred to investment properties - (note 7)	**(535,137)**	**(844,863)**	**(1,380,000)**
Cost of units / projects sold	**(3,745,959)**	**(10,559,118)**	**(14,305,077)**
At 31 December 2018	**45,794,911**	**31,167,578**	**76,962,489**

Long term development properties mainly represent land and development cost incurred by the Group for Al-Qairwan project II and to purchase and develop the land of Bawabat Al Sharq project.

	Land	*Building and development cost*	*Total*
	SR	*SR*	*SR*
Short term:			
At 1 January 2017	18,909,982	46,322,385	65,232,367
Transfer on acquisition (note 1)	15,019,596	52,189,532	67,209,128
Additions	-	25,469,879	25,469,879
Transferred to investment properties - (note 7)	(2,488,150)	(5,939,991)	(8,428,141)
Cost of units / projects sold	(18,019,741)	(86,660,203)	(104,679,944)
At 31 December 2017	13,421,687	31,381,602	44,803,289
Additions	**-**	**25,878,181**	**25,878,181**
Transferred to investment properties	**(995,263)**	**(1,866,298)**	**(2,861,561)**
Cost of units / projects sold	**(3,285,456)**	**(13,794,012)**	**(17,079,468)**
At 31 December 2018	**9,140,968**	**41,599,473**	**50,740,441**

Short term development properties represent mainly the cost of land and developments incurred by the Group toward the construction of Retal Square residential units and other projects for the purpose of sale in future. Management believes that these units will be sold within the next twelve months. It also includes cost of land and payments incurred by the Group toward residential units of Al Samhanya (Block 44), Al Safa, Al Dawahi and other projects for the purpose of sale in future. The projects have been completed and are ready for sale.

6 DEVELOPMENT PROPERTIES (Continued)

Short term: (Continued)

During the year 2017, the Company signed an agreement with Derayah Financial Corporation Company ("Derayah REIT") to sell real estate units with cost of SR 67,917,206 (note 23), compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction develpment. According to the agreement, the Company contributed project ("the Grand") for SR 90,050,000 collected as cash and units issued in the fund (note 12).

Property cost amounted to SR 1.2 million (2017: SR 1.2 million) is registered under the name of a related party. Legal formalities associated with the transfer of the ownership to the Company are still in process at year-end.

7 INVESTMENT PROPERTIES

	Land	*Building*	*Total*
	SR	*SR*	*SR*
Cost:			
At 1 January 2017	-	15,893,290	15,893,290
Additions	-	3,842,057	3,842,057
Transferred from related parties	1,861,000	4,639,000	6,500,000
Transferred from development properties - (note 6)	29,276,191	5,939,991	35,216,182
Disposal	(1,861,000)	(24,374,347)	(26,235,347)
At 31 December 2017	29,276,191	5,939,991	35,216,182
Transferred from development properties	**1,530,400**	**2,711,161**	**4,241,561**
At 31 December 2018	**30,806,591**	**8,651,152**	**39,457,743**
Accumulated depreciation:			
Charge for the year 2017	-	940,602	940,602
Disposals	-	(849,802)	(849,802)
At 31 December 2017	-	90,800	90,800
Charge for the year	-	**283,771**	**283,771**
At 31 December 2018	-	374,571	374,571
Net book value as at 31 December 2018	**30,806,591**	**8,276,581**	**39,083,172**
Net book value as at 31 December 2017	29,276,191	5,849,191	35,125,382

As at 1 January 2017, investment properties represent costs incurred by the Group for The Valley project. The project consists of commercial stores for rental and it's constructed on a leased land for 21 years and six months started from 22 October 2015.

During 2017, the Group signed an agreement with Derayah Financial Corporation Company ("Derayah REIT") to sell real estate units, compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction development. According to the agreement, the Group sold The Valley Mall and Labor Accomodation Building against SR 47,600,000 collected as cash and units issued in the fund, the Group owns 2,856,000 units in the fund which represents 2.66% from the total fund's units (note 12).

As at 31 December 2018 and 2017, investment properties mainly represent apartments amounted to SR 12.6 million, that are held for the purpose of generating lease income. The remaining balance of SR 29.4 million represents investment in land held for future appreciation, and/or development.

7 INVESTMENT PROPERTIES (CONTINUED)

The investment properties are valued annually on 31 December at fair value, determined by an independent, professionally qualified valuer Ahmed & Mohammed Ibrahim Bin Saeedan Sons Real Estate Company, who is licensed by Saudi Authority for Accredited Valuers. As at 31 December 2018, the valuation of the above investment properties amounted to SR 84,627,405.

8 INTANGIBLE ASSETS

	Goodwill	*Software and ERP systems*	*Total*
	SR	*SR*	*SR*
Cost:			
Transfer on acquisition (note 1)	3,088,189	474,557	3,562,746
Additions	-	334,573	334,573
At 31 December 2017	3,088,189	809,130	3,897,319
Additions	-	**66,225**	**66,225**
Transfer from capital work in progress (note 5)	-	**416,950**	**416,950**
At 31 December 2018	**3,088,189**	**1,292,305**	**4,380,494**
Accumulated amortization:			
Transfer on acquisition (note 1)	-	294,081	294,081
Charge for the year	-	124,221	124,221
At 31 December 2017	-	418,302	418,302
Charge for the year	-	**148,362**	148,362
At 31 December 2018	-	**566,664**	**566,664**
Net book values:			
At 31 December 2018	**3,088,189**	**725,641**	**3,813,830**
At 31 December 2017	3,088,189	390,828	3,479,017
Useful lives		**3 - 4 years**	

The Group performed its goodwill annual impairment test for its subsidiaries at 31 December 2018 and 2017. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the market capitalisation of the subsidiaries were above the book value of its equity, indicating no impairment of goodwill.

9 INVESTMENT IN ASSOCIATES

The Company's investment in associates comprise the following:

	Note	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Investment in associates:				
Ewan Al Maali Real Estate Fund	A	**39,885,854**	40,232,215	-
Ewan Al-Qayrawan Real Estate Fund	B	**43,957,589**	46,903,229	73,958,132
Al Dawahi Real Estate Fund	C	**-**	12,278,883	-
Total investment in associates		**83,843,443**	99,414,327	73,958,132

The movement of investment in associates during the years ended 31 December is as follows:

	2018 SR	2017 SR
At 1 January	**99,414,327**	73,958,132
Additions	**-**	61,504,484
Redemption of units	**(14,580,661)**	(40,940,000)
Share of results, net	**(990,223)**	4,891,711
At 31 December	**83,843,443**	99,414,327

A. Ewan Al Maali Real Estate Fund

Represents the Company's 54.17% investment share in Ewan Al-Maali Real Estate Fund. The Company owns 412,900 units out of 762,500 units at par value of SR 100 for each.

The following table summarizes the financial Position of Ewan Al Maali Real Estate Fund:

	31 December 2018 *SR*	*31 December 2017* *SR*
Total assets	**146,463,990**	154,811,147
Total liabilities	**(72,827,092)**	(80,534,770)
Equity	**73,636,898**	74,276,377
group's share in equity	**39,885,854**	40,232,215

The following table summarizes the statement of profit or loss and other comprehensive income of Ewan Al Maali Real Estate Fund:

	2018 *SR*	*2017* *SR*
Revenue	**18,061,150**	-
Loss for the year	**(639,479)**	(1,973,623)
Total comprehensive loss	**(639,479)**	(1,973,623)
Group's share of total comprehensive loss	**(346,361)**	(1,057,785)

9 INVESTMENT IN ASSOCIATES (Continued)

The movement in the investment in Ewan Al Maali Real Estate Fund is as follows:

	2018	*2017*
	SR	*SR*
At 1 January	**40,232,215**	-
Additions	-	41,290,000
Share of loss	**(346,361)**	(1,057,785)
At 31 December	**39,885,854**	40,232,215

B. Ewan Al-Qayrawan Real Estate Fund

In 2015, the Group sold a land with a book value of SR 91.7 million to Ewan Al-Qayrawan real estate fund managed by SWICORP for SR 96.5 million. The Group received SR 32.6 million in cash and SR 63.9 million in the form of 57.03% investment share in 6.4 million units out of total fund units of 11.2 million that have a par value of SR 10 for each.

The following table summarizes the financial information of Ewan Al-Qayrawan as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in Ewan Al-Qayrawan.

	31 December 2018	*31 December 2017*
	SR	*SR*
Total assets	**77,851,130**	83,161,262
Total liabilities	**(778,216)**	(923,796)
Equity	**77,072,914**	82,237,466
Company's share in equity	**43,957,589**	46,903,229

The following table summarizes the statement of profit or loss and other comprehensive income of Ewan Al-Qayrawan Real Estate Fund:

	2018	*2017*
	SR	*SR*
Revenue	**6,060,250**	66,178,500
(Loss) profit for the year	**(684,553)**	8,565,832
Total comprehensive (loss) income	**(684,553)**	8,565,832
Company's share of total comprehensive (loss) income	**(390,440)**	4,885,097

The movement in the investment in Ewan Al-Qayrawan Real Estate Fund is as follows:

	2018	*2017*
	SR	*SR*
At 1 January	**46,903,229**	73,958,132
Redemption of units	**(2,555,200)**	(31,940,000)
Share of (loss) profit	**(390,440)**	4,885,097
At 31 December	**43,957,589**	46,903,229

9 INVESTMENT IN ASSOCIATES (Continued)

C. Al Dawahi Real Estate Fund

During 2014, the Group signed an agreement with Swicorp Inc to establish a real estate fund under the name of Al Dawahi Real Estate Fund ("The Fund"), compatible with the laws of Real Estate funds issued by the Capital Market Authority for construction develpment. According to the agreement, the Group contributed in the project land. The Company owned 300,000 units in the fund which represents 38.39% from the total fund's units. In addition, the Company signed an agreement with Swicorp for managing, developing and marketing in which the Company undertakes construction, development, construction desgins, electrical and plumbing works along with the interior and exterior designes. The Company is also responsible of receiving the required licenses and approvals for the project (Al Dawahi Real Estate Fund).

The Fund has matured during the year and the Company has received its share against share of 38.39% in total fund's units.

The movement of investment in Al Dawahi Real Estate Fund is as follows:

	2018	2017
	SR	*SR*
At 1 January	**12,278,883**	-
Transfer on acquisition	-	20,214,484
Share of (loss) profit	**(253,422)**	1,064,399
Redemption of units	**(12,025,461)**	(9,000,000)
At 31 December	**-**	12,278,883

10 ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts receivable - third parties	**7,772,454**	4,729,829	394,912
Accounts receivable - related parties (note 27)	**26,656,026**	70,463,155	-
	34,428,480	75,192,984	394,912

Accounts receivables are classified into current and non-current receivables as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Current receivables	**19,812,931**	58,947,083	6,700
Non-current receivables	**14,615,549**	16,245,901	388,212
	34,428,480	75,192,984	394,912

The non-current portion of accounts receivable represents balances that management estimates to be collected after one year from the date of the consolidated statement of financial position.

An aged analysis of trade receivables as at 31 December is as follows:

	Neither past due nor impaired	**Past due but not impaired**				
		< 180 days	**181-365 days**	**366-730 days**	**> 730 days**	**Total**
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
2018	**7,286,805**	**248,789**	**208,933**	**21,227**	**6,700**	**7,772,454**
2017	4,701,882	-	21,247	6,700	-	4,729,829

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances, financial condition of the customers, etc. No expected credit loss has been recorded as there has not been a significant change in credit quality.

11 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Advances to suppliers	**10,522,049**	6,420,960	6,971,625
Prepaid expenses	**8,868,732**	3,849,168	706,402
Employee receivables	**984,397**	611,386	214,808
Others	**8,217,518**	336,606	847,114
	28,592,696	11,218,120	8,739,949

12 EQUITY INSTRUMENTS AT FVOCI

The movement in equity instruments at FVOCI is as follows:

	2018	2017
	SR	*SR*
At 1 January	**73,259,285**	-
Acquired during the year	-	82,590,000
Impairement of equity instruments	-	(9,330,715)
Remeasurement recognised in OCI	**(4,491,509)**	-
Disposal of units	**(31,660,183)**	-
Fair value as at 31 December	**37,107,593**	73,259,285

During the year 2017, the Group signed agreements ("the Agreements") with Derayah Financial Corporation Company ("the Manager") which acts as the fund manager of Derayah REIT, a Real Estate Investment Traded Fund ("the REIT") that operates in accordance with Real Estate Investment Funds Regulations and REIT Funds Instructions issued by the Capital Market Authority (CMA). According to the Agreement, the Group contributed various projects in exchange of monetary and in-kind consideration amounted to SR 137,650,000. During the year 2017, the Group received the in-kind portion of the consideration which represents 8,259,000 units in the fund (7.7% unitholding of the total units of the Fund).

13 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Cash on hand	**192,000**	48,188	15,000
Cash at bank	**84,863,054**	2,376,509	609,372
	85,055,054	2,424,697	624,372

Cash at banks include bank balance of SR 75,328,180 in a local bank in a restricted escrow account as at 31 December 2018 (31 December 2017: nil) (note 17).

14 CAPITAL

The capital of the parent Company as at 31 December 2018 and 2017 comprise of 100,000 shares stated at SR 100 per share.

15 STATUTORY RESERVE

In accordance with Regulations for Companies and the Parent Company's Articles of Association, the Parent Company has established a statutory reserve by appropriation of 10% of net income until the reserve reaches 30% of the share capital. The statutory reserve is not available for dividend distribution.

16 CONTRIBUTION FROM A SHAREHOLDER

As at 31 December 2018 and 2017, contribution from a shareholder represents amount contributed by Al Fozan Holding Company to support the core business operations of the Company. Effective 1 January 2017, the shareholder transferred his entire share in Nesaj Urban Development Company as an additional contribution. The entire contribution is interest free.

17 BORROWINGS

17.1 LONG-TERM BORROWINGS

Long term borrowings comprise the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Non-current portion	-	6,666,667	23,000,000
Current portion	-	26,333,333	-
	-	33,000,000	23,000,000

During 2016, the Group obtained a term loan amounted to SR 23,000,000 from a local bank to finance the construction of Al Qayrawn II project (note 6). This loan is payable in four equal quarterly instalments commencing from 31 March 2018. The loan is secured against personal guarantees of the shareholders of the Group, promissory notes, corporate guarantees and undertaking to pledge or to allow lien on the Group's land of the project.

During 2017, the Group obtained a term loan amounted to SR 10,000,000 from a local bank to finance the working capital of the Group. This loan is payable in twelve equal quarterly instalments starting from 31 March 2018. The loan is secured against personal guarantees of the shareholders of the Group, promissory notes, corporate guarantees and undertaking to pledge or to allow lien on the Group's land in investment properties (note 7).

Both loans carry an interest at Saudi Arabia Inter Bank Offered Rate (SAIBOR) plus certain margin.

The maturity profile of long-term borrowings is as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Years ending 31 December:			
2018	-	26,333,333	23,000,000
2019	-	3,333,334	-
2020	-	3,333,333	-
	-	33,000,000	23,000,000

During the year the Group settled all its loans from local bank.

17 BORROWINGS

17.2 REFUNDABLE INCENTIVES

During the year, the Company signed an agreement for the development, marketing and construction of Nesaj Town Project (the "Project") with Ministry of Housing (MOH) to build 609 residential units on a land owned by MOH and sell them to the eligible citizens at a pre-determined price under the MOH's homeownership program. Refundable Incentive represents funds received from MOH to support the Company in financing the project. The incentive amount was deposited in an escrow bank account where withdrawals are restricted to project related expenditures (note 13). Upon completing the construction work, which is expected by the end of year 2019, MOH will withdraw the incentive balance from the sale proceeds deposited in the escrow bank account. Further, the MOH is committed to buy the remaining unsold residential units by the time of completing the construction. Settlement related to this commitment will be through offsetting the refundable incentive balance.

18 EMPLOYEE TERMINATION BENEFITS

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2018	2017
	SR	*SR*
1 January	**5,459,047**	926,954
Transfer on acquisition (note 1)	**-**	4,290,167
Expense charged to profit or loss	**1,229,328**	1,286,804
Actuarial remeasurement charged to OCI	**1,020,198**	(95,701)
Payments	**(1,392,086)**	(886,425)
Net transferred from (to) a related party (note 27)	**343,801**	(62,752)
31 December	**6,660,288**	5,459,047

The expense charged to profit or loss comprise of:

	2018	2017
	SR	*SR*
Current service cost	**1,038,917**	1,099,460
Interest cost	**190,411**	187,344
Cost recognized in profit or loss	**1,229,328**	1,286,804

Significant actuarial assumptions	**As at 31 December**	
	2018	2017
Discount factor used	**4.15%**	3.40%
Salary increase rate	**4.15%**	4%
Rates of employee turnover	**Heavy**	Heavy

18 EMPLOYEE TERMINATION BENEFITS (Continued)

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2018		31 December 2017	
	%	SR	%	SR
Discount rate				
Increase	+ 0.5%	6,425,897	+ 0.5%	5,279,811
Decrease	- 0.5%	6,910,817	- 0.5%	5,650,034
Salary growth rate				
Increase	+ 0.5%	6,839,255	+ 0.5%	5,573,546
Decrease	- 0.5%	6,490,574	- 0.5%	5,350,008

19 ACCOUNTS PAYABLE

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts payable- third party	14,395,913	6,923,779	3,972,362
Accounts payable- related party (note 27)	65,510,228	43,770,194	67,159,525
Retention payable	4,980,956	4,884,157	4,744,881
	84,887,097	55,578,130	75,876,768

Accounts payable are classified into current and non-current payable as follows:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Current payables	82,960,570	54,341,483	75,097,402
Non-current payables	1,926,527	1,236,647	779,366
	84,887,097	55,578,130	75,876,768

The non-current portion of accounts payable represents balances that management estimates it will pay after one year from the date of the statement of financial position.

20 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Advances from customers	7,174,934	2,525,066	3,793,360
Advance from a related party (note 27)	22,933	2,671,298	-
Unearned revenue	1,194,383	2,816,519	-
Provision for contingencies	83,819	5,638,814	2,395,948
Employees' accruals	1,044,537	1,630,220	908,853
Others	2,945,741	959,557	629,004
	12,466,347	16,241,474	7,727,165

21 ZAKAT PAYABLE

Basis for Zakat:

The Group is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets. Zakat is calculated at the Company's and each subisidiary zakat base as a standalone entity. However, zakat return is filed with GAZT at Al Fozan Holding Company level (the ultimate shareholder) as a consolidated filing.

The movement in the zakat payable for the Group is as follows:

	2018	2017
	SR	*SR*
1 January	**9,199,106**	2,111,818
Transfer on acquisition (note 1)	**-**	3,207,114
Charge for the year	**3,311,400**	4,170,641
Payments	**(390,529)**	(290,467)
31 December	**12,119,977**	9,199,106

Status of certificates and assessments:

The Parent Company has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2017 is still under review by the GAZT.

Nesaj received final zakat and income tax certificates for the years up to 2017. The assessments for the years from inception to 31 Decemeber 2017 are still under review by GAZT.

BCC has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. The company received final assessment from GAZT untill 2010. Zakat assessment for the years 2011 tol 2017 is still under review by the GAZT.

Tadbier has submitted its zakat returns up to the year ended 31 December 2017 and obtained the required certificates and official receipt. Zakat assessment for the period from inception until 31 December 2017 is still under review by the GAZT.

22 REVENUE FROM CONTRACTS WITH CUSTOMERS

22.1 DISAGGREGATED REVENUE INFORMATION

Segments	2018	2017
	SR	*SR*
Type of goods or service		
Revenue from sale of investment properties	**-**	137,650,000
Revenue from sale of real estate units / projects	**29,014,662**	47,041,151
Construction contracts revenue	**164,365,599**	62,817,485
Facility management revenue	**12,211,739**	6,568,512
Rent revenue	**2,021,662**	1,689,815
Other revenue	**1,396,161**	1,867,474
Total revenue from contracts with customers	**209,009,823**	257,634,437

22 REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

22.1 DISAGGREGATED REVENUE INFORMATION

Type of customer		
Government and quasi-government customers	**60,141,908**	-
Corporate customers	**117,831,591**	71,253,471
Individual customers	**31,036,324**	186,380,966
Total revenue from contracts with customers	**209,009,823**	257,634,437
Credit terms		
Cash sales	**31,036,324**	186,380,966
Credit sales	**177,973,499**	71,253,471
Total revenue from contracts with customers	**209,009,823**	257,634,437

22.2 CONTRACT BALANCES

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Accounts receivable (Note 10)	**34,428,480**	75,192,984	394,912
Contract assets (see note (a) below)	**74,363,325**	400,423	39,095,448
Contract liabilities (see note (b) below)	**4,830,104**	14,527,755	3,177,021

a) Contract assets:

Contract assets are initially recognised for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

b) Contract liabilities:

Contract liabilities include long-term advances against construction contracts and short-term advances received to provide services as well as transaction price allocated to unsatisfied performance obligations.

22.3 PERFORMANCE OBLIGATIONS

Revenue from sale of investment properties and real estate units:

Revenue is recognized from sale of developed projects upon the completion of the related legal formalities or unconditional exchange. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the significant risks and rewards of ownership of the sold assets have been transferred to the buyer. Revenue from sale of projects and developed land is measured at the value of consideration received.

Construction contracts:

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to been titled in exchange for those goods or services.

23 COST OF REVENUES

	2018	2017
	SR	*SR*
Cost of sale of investment properties (note 7)	-	93,155,024
Cost of sale of real estate units / projects	**26,427,769**	39,913,945
Cost of construction contracts	**136,167,073**	52,982,944
Cost of facility management	**10,638,091**	6,471,511
Cost of rent	**7,500,762**	3,501,041
Others	**2,634,383**	1,776,158
	183,368,078	197,800,623

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	SR	*SR*
Employees' salaries and related benefits	**11,140,523**	8,600,860
Rent	**1,398,928**	1,132,635
Depreciation and amortization	**593,515**	795,815
Travel	**80,671**	181,222
Professional fees	**342,599**	437,053
Utilities	**512,786**	471,350
Others	**1,900,318**	1,053,551
	15,969,340	12,672,486

25 SELLING AND MARKETING EXPENSES

	2018	2017
	SR	*SR*
Marketing and advertising	**1,713,936**	829,129
Employees' salaries and related benefits	**1,504,234**	1,219,531
Rent	**469,191**	454,843
Depreciation and amortization	**84,322**	191,686
Others	**616,014**	607,421
	4,387,697	3,302,610

26 EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION INCLUDED IN THE STATEMENT OF PROFIT OR LOSS

	2018	2017
	SR	*SR*
Included in cost of revenue:		
Employee benefits	**23,163,322**	5,825,942
Depreciation and amortization	**1,051,889**	1,852,772
Included in general and administrative expenses:		
Employee benefits	**11,140,523**	8,600,860
Depreciation and amortization	**593,515**	795,815
Included in selling and marketing expenses:		
Employee benefits	**1,504,234**	1,219,531
Depreciation and amortization	**84,322**	191,686

27 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-group rates approved by Al Fozan group management.

During the year, the Group transacted with the following related parties:

Name	Relationship
Al Fozan Holding Company and its subsidiaries / associates	Shareholder / affiliate
Abdullatif and Mohammed Al Fozan Company and its subsidiaries	Affiliate
Derayah Financial Corporation Company ("Derayah REIT")	Associate
Al Qyrawan Real Estate Fund	Associate
Al Maali Real Estate Fund	Associate

	2018	2017
	SR	*SR*
Revenue	**58,365,007**	137,650,000
Investment properties transferred from related parties (note 7)	-	6,500,000
Rent	-	3,500,000
Finance costs	**8,397,372**	7,215,724
Purchases from related parties	**20,442,786**	7,247,218
End of service indemnity transferred from / to a related party	**343,801**	62,752

As at 31 December due from related parties includes the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Derayah Financial Corporation Company ("Derayah REIT")	-	55,060,000	-
Abdullatif and Mohammed Al Fozan Company	**11,984,758**	11,984,758	-
United Hardware Company (NICE)	**381,337**	-	-
Nesaj Real Estate Residential Compound	**8,870,556**	1,678,079	-
Al Qyrawan Real Estate Fund	**1,576,369**	-	-
Al Maali Real Estate Fund	**1,081,525**	1,312,469	-
Al Maali Holding Company	**1,633,972**	427,849	-
ARAC Engineering Consultants	**1,083,850**	-	-
Midad Chemical Factory	**43,659**	-	-
	26,656,026	70,463,155	-
Less:			
Non-current portion	**(11,984,758)**	(11,984,758)	-
	14,671,268	58,478,397	-

Advances from related parties (note 20) are comprised of the following:

	2018	2017
	SR	*SR*
Nesaj Real Estate Residential Compound	-	2,671,298

27 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

As at 31 December due to related parties includes the following:

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Al Fozan Holding Company	**173,465,770**	197,021,749	126,834,638
Kayan International Real Estate Development Company	**-**	10,000,000	-
Bina for Ready-mix Products Company	**3,971,031**	476,083	-
Bawan Metal Industries Company	**1,797,056**	477,117	-
Arnon Plastic Company	**137,667**	137,667	-
Al Fozan Askan Company	**-**	20,915	-
Ajwad Holding Company	**708,286**	-	-
Madar Electrical Materials Company	**724,799**	774,697	565,787
Madar Hardware Company	**89,419**	20,608	-
Madar Building Materials Company	**4,616,200**	692,990	-
	185,510,228	209,621,826	127,400,425
Less: Non-current portion	**(120,000,000)**	(165,851,632)	(60,240,900)
	65,510,228	43,770,194	67,159,525

Compensation of key management personnel

	2018	2017
	SR	*SR*
Total compensation paid to key management	**5,991,829**	2,717,935

28 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group has entered into operating leases for certain office building and residential project. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	SR	*SR*
Within one year	**5,320,000**	320,000
After one year but not more than five years	**14,518,667**	672,000
	19,838,667	992,000

Commitment for capital expenditure:

The capital expenditure contracted by the Group but not yet incurred till 31 December 2018 was approximately SR. Nil (2017: SR 20 million).

Guarantees:

The Group is contingently liable for bank guarantees issued in the normal course of business to amounting to SR 75 million as at 31 December 2018 (2017: SR 14.8 million).

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

29.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, 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.

	31 December 2018						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVOCI	37,107,593	-	37,107,593	37,107,593	-	-	37,107,593
Accounts receivable	-	34,428,480	34,428,480	-	-	-	-
	37,107,593	34,428,480	71,536,073	37,107,593	-	-	37,107,593
Financial liabilities							
Refundable incentives	-	150,018,686	150,018,686	-	-	-	-
Accounts payable	-	84,887,097	84,887,097	-	-	-	-
Accrued expenses and other payables	-	12,466,347	12,466,347	-	-	-	-
Due to related parties	-	120,000,000	120,000,000	-	-	-	-
	-	367,372,130	367,372,130	-	-	-	-

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.1 Fair value measurements of financial instruments (Continued)

	31 December 2017						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Equity instruments at FVOCI	73,259,285	-	73,259,285	-	73,259,285	-	73,259,285
Accounts receivable	-	75,192,984	75,192,984	-	-	-	-
	73,259,285	75,192,984	148,452,269	-	73,259,285	-	73,259,285
Financial liabilities							
Long-term borrowings	-	33,000,000	33,000,000	-	-	-	-
Accounts payable	-	55,578,130	55,578,130	-	-	-	-
Accrued expenses and other payables	-	16,241,474	16,241,474	-	-	-	-
Due to related parties	-	165,851,632	165,851,632	-	-	-	-
	-	270,671,236	270,671,236	-	-	-	-

	1 January 2017						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Accounts receivable	-	394,912	394,912	-	-	-	-
Financial liabilities							
Borrowings	-	23,000,000	23,000,000	-	-	-	-
Accounts payable	-	75,876,768	75,876,768	-	-	-	-
Accrued expenses and other payables	-	7,727,165	7,727,165	-	-	-	-
Due to related parties	-	60,240,900	60,240,900	-	-	-	-
	-	166,844,833	166,844,833	-	-	-	-

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its contract assets, trade receivables and bank balances as follows.

	31 December 2018	31 December 2017	1 January 2017
	SR	*SR*	*SR*
Contract assets	**74,363,325**	400,423	39,095,448
Accounts receivable	**34,428,480**	75,192,984	394,912
Cash and cash equivalents	**85,055,054**	2,424,697	624,372
	193,846,859	78,018,104	40,114,732

The carrying amount of financial assets represents the maximum credit exposure.

The Group seeks to limit its credit risk with respect to contract assets and trade receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

Bank balances are held with banks with sound credit ratings.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2018			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial Liabilities				
Borrowings	**150,018,686**	**150,018,686**	**-**	**-**
Accounts payable	**84,887,097**	**82,960,570**	**1,926,527**	**-**
Accrued expenses and other payables	**12,466,347**	**12,466,347**	**-**	**-**
	247,372,130	**245,445,603**	**1,926,527**	**-**

	31 December 2017			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Borrowings	33,000,000	26,333,333	6,666,667	-
Accounts payable	55,578,130	54,341,483	1,236,647	-
Accrued expenses and other payables	16,241,474	16,241,474	-	-
	104,819,604	96,916,290	7,903,314	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group's future commitments.

29 FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

29.2 Risk Management of Financial Instruments (Continued)

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD"). The Group's management believes that their exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable rate financial liabilities as at 31 December 2018 amounted to SR Nil (2017: SR 33 million).

Management monitors the changes in interest rates and manages its impact on the financial statements accordingly.

30 SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its financial statements:

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018 as disclosed in note 1.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group directly or indirectly has:

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

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

- Any 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

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

BUSINESS COMBINATIONS AND GOODWILL

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss as a bargain purchase gain .

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

FAIR VALUE MEASUREMENT

The Group measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

FOREIGN CURRENCIES

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Furniture, fixtures and office equipment 4 to 10 years
- Machinery and equipment 4 years
- Motor vehicles 5 years
- Leasehold improvements 4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEVELOPMENT PROPERTIES

Properties that are being constructed or developed for the purpose of selling them in the normal course of the Group's business are classified as development properties until the completion of their construction or development.

Development properties that are expected to be ready for sale within next twelve months are classified as part of the Group's current assets.

Properties that are being constructed or developed on leased land to earn rentals in the normal course of the Group's business are classified as Development properties until the completion of its construction or development, at that time they are transferred as investment property under non-current assets.

Development properties include the costs incurred for the construction and development of such properties

INVESTMENT PROPERTIES

Investment properties are accounted for using the Cost Model consistent with the way property, plant and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 30 years.

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

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives 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 accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2016, the date of inception is deemed to be 1 January 2016 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

INVESTMENT IN ASSOCIATES

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

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method.

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

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate venture and its carrying value and recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN ASSOCIATES (Continued)

Upon loss of significant influence, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw materials:

- Purchase cost on a weighted average basis.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. Where 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 assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may 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 profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes contract assets, trade receivables, and loan to an associate.

Equity investments designated at fair value through OCI

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when The Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in equity instruments under this category.

Derecognition

A financial asset is primarily derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

PROVISIONS

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. the expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

EMPLOYEE TERMINATION BENEFITS

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and accruals, loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

The Group does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Detailed policies relating to each of the Group's revenue streams is disclosed in note 22.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Cost to obtain a contract

The Group pays for bid fees and technical studies performed by third parties in order to obtain contracts. These costs are capitalised and amortized over the term of the contract on a straight-line basis.

EXPENSES

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and marketing expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Group.

30 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ZAKAT

Zakat

The Group provide for zakat in accordance with the regulations of the General Authority of Zakat and Tax (GAZT). The provision is charged to the statement of profit or loss.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with GAZT.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

31 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is still in the process of assessing the potential effect of IFRS 16 on its financial statements.

31 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

32 COMPARATIVE FIGURES

Certain figures for the year 2017 have been reclassified to conform with the presentation of the current year.

33 DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue Board of Directors on 25 Rajab 1440H corresponding to 1 April 2019.