JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

INDEX

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Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

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

Revenue recognition from property for development and sale	
See Note 4 to the consolidated financial statements for the accounting policy relating to revenue recognition from property for development and sale ('properties for development').	
The key audit matter	**How the matter was addressed in our audit**

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

Impairment review of properties and related capital work-in-progress	
See Note 4 to the consolidated financial statements for the accounting policy relating to impairment of non-financial assets.	
The key audit matter	**How the matter was addressed in our audit**
The Group holds certain properties, included under Property and Equipment and Investment Property as at December 31, 2019. The aggregate carrying values of these properties and related capital work in progress (collectively 'properties') amounted to SR 23,823 million as of that date (December 31, 2018: SR 23,040 million). In accordance with the requirements of IFRS, the Group is required to assess whether there are indicators of impairment on its properties at each reporting date. In case such indicators are identified, the Group is required to determine the recoverable amounts of such properties. As part of the assessment of impairment indicators, the Group reviews both the internal and external sources of information, including but not limited to net cash outflows, operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques. In lieu of the net operating losses incurred by the Group during the year ended December 31, 2019 and net current liability position as at the reporting date, the Group has conducted an assessment of the recoverable amounts of its property and equipment and investment properties. Since, the evaluation of impairment indicators and determination of recoverable amounts, involve the exercise of significant judgment, hence, this has been determined to be a key audit matter.	Procedures performed in response to the assessed risk of material misstatement in valuation of properties and related work-in-progress are as follows: - Obtained an understanding of Group's process in respect of: ▪ assessment of impairment indicators, and ▪ recoverable amount determination. (collectively referred to as 'impairment review process'). - Assessed the design and implementation, and tested the operating effectiveness of the controls implemented by the Group as part of the impairment review process. - Assessed: ▪ the appropriateness and completeness of factors considered by the Group in the impairment indicator assessment. ▪ the appropriateness and reasonableness of the basis used for the identification of cash generating units ('CGU'), which is the level at which recoverable amounts are determined. - Engaged internal valuation specialists and: ○ Assessed the recoverable amount assessment prepared by the Group, based on independent certified valuer's report, and assessed the model, assumptions and estimates used in the calculation ○ Assessed that the key assumptions and estimates used, including but not limited to discount rate and cashflows forecasts are reasonable in the circumstances of each cash generating unit. - Checked the sensitivity of key assumptions used by management in determination of recoverable amount. - Compared the recoverable amount of each CGU with its carrying value.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report

To the Shareholders of Jabal Omar Development Company (continued)

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamed Al Fozan
License No. 348

Shaban 14, 1441H
Corresponding to April 7, 2020

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

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

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

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

Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
Expressed in Saudi Riyal "000"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. GENERAL INFORMATION

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

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

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

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

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

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

GENERAL INFORMATION (CONTINUED)

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

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

GENERAL INFORMATION (CONTINUED)

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

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

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

Name	*Commencement of operation*	*Registration No.*	*Registration date*	*SCTA's-letter No.*	*SCTA's-letter date*
Hilton suites Makkah	01 July 2014 (corresponding to 4 Ramadan 1435H)	4031077081	25 May 2013 (corresponding to 15 Rajab 1434H)	AVM/5887/34	04 March 2013 (corresponding to 22 Rabi II 1434H)
Hyatt Regency	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031087547	09 September 2014 (corresponding to 14 Dhul Qida 1435H)	8957	25 May 2014 corresponding to 26 (Rajab 1435H)
Conrad	30 July 2016 (corresponding to 25 Shabaan 1437H)	4031091636	29 April 2015 (corresponding to 10 Rajab 1436H)	9347	16 March 2015 (corresponding to 25 Jumada I 1436H)
Hilton Convention	31 March 2017 (corresponding to 3 Rajab 1438H)	4031097174	10 August 2016 (corresponding to 07 Dhul Qida 1437H)	16474	19 July 2016 (corresponding to 14 Shawwal 1437H)
Double Tree by Hilton	01 August 2019 (corresponding to 29 Dhul Qida 1440H)	4031214815	15 May 2018 (corresponding to 29 Shaban 1439H)	1651	14 May 2018 (corresponding to 28 Shaban 1439H
Marriott Makkah (1(a))	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031085088	07 May 2014 (corresponding to 8 Rajab 1435H)	AVM/8332/35	17 March 2014 (corresponding to 16 Jumada I 1435H)

1. GENERAL INFORMATION (CONTINUED)

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

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December 2019. The Group is incorporated in Kingdom of Saudi Arabia.

Name of the Subsidiary	*Registration No.*	*Registration date*	*Ownership interest*	*Financial year end*	*Principal activities*
Shamikhat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company (Note 29)	4031210499	22 October 2017 corresponding to 02 Safar 1439H	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	01 January 2018 corresponding 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishrakat for logistic services Company	4030303509	06 May 2018 corresponding 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for marketing Company	4030326220	05 March 2019 corresponding 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Loss of control

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

Transactions eliminated on consolidation

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS

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

Judgements, estimates and assumptions

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

Revenue recognition from sale of residential units

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

- the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs

- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

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

Determination of transaction prices

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

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

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

Defined benefit plans (employees' terminal benefits)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in an associate (continued)

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

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

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

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

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

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

Current versus non-current classification

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

Assets:

An asset is current when it is:

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

All other assets are classified as non-current.

Liabilities:

A liability is current when:

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

All other liabilities are classified as non-current.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

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

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

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

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

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

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

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

a. Revenue recognition

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

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

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

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. When determining the transaction price, the Group considers the impact of factors such as variable consideration, existence of significant financing component, non-cash consideration and consideration payable to customer.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Revenue recognition (continued)

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

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

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

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

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

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

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

i) Revenue from contracts with customers for sale of properties

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

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

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

3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Revenue recognition (continued)

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

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

ii) Rental income

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

iii) Revenue from hotel services

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered. Performance obligations are satisfied over time, and revenue from hotel services is recognized on a daily basis, as the rooms are occupied and services are rendered.

iv) Other income

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

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

b. Expenses

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

c. Zakat

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

d. Foreign currency transactions

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Borrowing costs

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

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

f. Property and equipment

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property and equipment (continued)

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

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

g. Leases

Policies applicable before 1 January, 2019

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Leases (continued)

Policies applicable from 1 January, 2019

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

Definition of a lease

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

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

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

Policies applicable from 1 January 2019

As a lessee

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Leases (continued)

Transition

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

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

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

As a lessor

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

Policies applicable from 1 January 2019

Impact on financial statements

Impact on transition

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

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

h. Investment properties

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Investment properties (continued)

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

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

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

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

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

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

i. Intangible assets

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

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

j. Impairment of non-financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Impairment of non-financial assets (continued)

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

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

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

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

k. Property for development and sale

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

l. Assets classified held for sale

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

m. Financial instruments

Initial recognition - Financial assets and financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

Financial assets

Initial measurement

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

Classification and Subsequent measurement

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

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

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

Financial assets measured at amortised cost

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

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

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

Reclassification

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

De-recognition

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

Impairment of financial assets

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

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

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

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

Financial liabilities

Initial measurement

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

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

Classification and subsequent measurement

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

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

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

c) financial guarantee contracts.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Financial instruments (continued)

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

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

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

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

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

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

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

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

p. Employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. Earnings per share

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

r. Segment reporting

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

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

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

(iii) for which financial information is discretely available.

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

5. NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

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

6. INVESTMENT PROPERTIES

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

6. INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

d) Measurement of fair values:

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

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

7. PROPERTY AND EQUIPMENT

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

7. PROPERTY AND EQUIPMENT (CONTINUED)

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

7. PROPERTY AND EQUIPMENT (CONTINUED)

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

i. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") an associate for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. Since the Agreement with CDCC in respect of DCS contains lease arrangement hence it has been classified as a lease by the Group. At 31 December 2019 the net carrying amount of DCS was SR 603 million (31 December 2018: SR 618 million).

ii. During the period ended 31 December 2017 the Group signed a Sale Purchase Agreement (the "Agreement") with Alinma Investment Company ("AIC") for the sale of certain towers in phase 1, including hotels and commercial centers, to Alinma Makkah Real Estate Fund (the "Fund") a Fund incorporated in the Kingdom of Saudi Arabia as a closed ended fund managed by AIC (the "Fund Manager") at a sale price of SR 6 billion. In relation to the Agreement the Group signed other agreements through additional supplemental agreements namely Sale Undertaking Agreement Lease Agreement and Exclusive Sale Agency Agreement (together-with the Agreement termed as the "Arrangement") to complete the sale as one linked transaction.

The key features of the Arrangement are as follows:

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

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

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

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

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

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

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

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

7. PROPERTY AND EQUIPMENT (CONTINUED)

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

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

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

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

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

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

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

8. CASH AND CASH EQUIVALENTS

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

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

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

9. INVESTMENT HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

b) This represents investment in 20 million units (31 December 2018: 20 million units) of the investee which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'). Since the units of the fund are traded with reference to such Indicative NAV, management believes that it is a reasonable approximation of the fair value of the investee. As per the latest audited financial statements of the investee for the year ended 31 December 2019, the Indicative NAV per unit amounts to SR 16.55 (31 December 2018: SR 15.87), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2019.

10. INVESTMENT IN AN ASSOCIATE

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

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

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

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

11. INTANGIBLE ASSETS

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

Intangible assets include licenses and computer software.

12. ADVANCES TO CERTAIN FOUNDERS

This represents amounts advanced to certain founders ("the founders") in prior years, duly approved by the shareholders and stipulated in the By-laws of the Company, and subsequently ceased via shareholder resolution in their extraordinary general assembly meeting dated 28 March 2016 (corresponding to 19 Jumada II, 1437H). The advances are adjustable against future dividend distributions by the Company and / or proceeds from disposal of Company's shares held by the founders.

13. OTHER ASSETS

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

14. PROPERTY FOR DEVELOPMENT AND SALE

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

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

15. TRADE AND OTHER RECEIVABLES

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

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

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

16. CAPITAL AND RESERVES

16.1 Share Capital

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

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

16.2 Statutory reserve

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

16.3 Capital management

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

The gearing ratio is as follows:

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

17. LOANS AND BORROWINGS

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

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

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

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

Term loans

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

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

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

c) On 16 September 2015 (corresponding to 3 Dhul-Hijjah 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of SR 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) and another short-term liability in addition to completing the construction of Phases 2 and 4 and executing Phase 5. The syndicated Islamic loan is payable over a period of 12 years from the date of signing the agreement with a grace period of 4 years. The Group has withdrawn an amount of SR 3.9 billion under the facility. The loan carries borrowing costs at commercial rates.

17. LOANS AND BORROWINGS (CONTINUED)

The Group provided the following securities against the loan:

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

d) On 30 March 2016 (corresponding to 21 Jumada II 1437H), the Group signed an unsecured facility term agreement with a local bank, with an amount of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities. On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an agreement for the same unsecured facility (as mentioned above) whereby the loan has been restructured to long term and will be repaid over a period of four years. Accordingly, as per the revised repayment terms, the loan is repayable in seven semi-annual equal instalments; the first instalment will be due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment will be on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at commercial rates. On 21 March 2019 (corresponding to 14 Rajab 1441), the Group has entered into a revised/ restructured agreement relating to the facility for the outstanding amount of the loan as at the restructuring date. Accordingly, as per the revised terms, the loan is repayable in nine installments; the first installment falling due on 18 August 2019 (Corresponding to 17 Dhual Hijjah 1440) and last installment due on 19 September 2023 (Corresponding to 4 Rabiul awal 1445). Subsequent to the reporting date, the Group has received short-term deferral on the instalment due in March 2020 until the following instalment due date in September 2020.

e) On 03 August 2017 (corresponding to 11 Dhul Qadah 1438H), the Group signed an unsecured facility with a local bank, with an amount of SR 500 million for the purpose of settlement of certain Group's outstanding liabilities. The loan carries borrowing costs at commercial rates and was repayable after six months (with an option to extend for a further period of six months). Original maturity date of the loan was 01 February 2018 (corresponding to 15 Jumada I 1439H). On 16 October 2017 (corresponding to 26 Muharram 1439H), the Group has re-negotiated and signed an agreement to convert the existing unsecured facility with secured facility for an additional amount of SR 500 million which makes the facility SR 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with SR 1 billion subscribed units of JODC in Alinma Makkah Real Estate Fund was due for payment on28 December 2019. The loan carries borrowing costs at commercial rates. Subsequent to the reporting date, the Group has received a communication from the lender confirming the deferral of total loan amount for 18 months starting April 2020. The deferred repayments will be linked with the assigned operating cashflows. The Group is in process of finalizing the detailed terms and conditions of restructuring with the lender.

f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facility with a local bank, with an amount of SR 200 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and facility was rolled over till 17 September 2022 (corresponding to 21 Safar 1444). At 31 December 2019, the Group has utilized SR 148 million to settle some of the outstanding liabilities. The lender has common directorship with the Company.

g) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured non-funded facility with a local bank, with an amount of SR 300 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility was renewed with amount of SR 209.8 million with expiry date of 31 January 2020. The facility carries borrowing costs at commercial rates. At 31 December 2019, the Group has utilized SR 203.3 million to settle some of the outstanding liabilities.

h) On 30 January 2019 (corresponding to 24 Jamada awal 1440), the Group has signed an unsecured facility with a local bank, with an amount of SR 600 million for the purpose of financing existing phase 3 project overhead requirements and other financial commitments. The loan is repayable on 27 February 2020. The facility carries borrowing costs at commercial rates. At 31 December 2019, the Group has utilized the facility in full. Subsequent to the reporting date, the Group has received a communication from the lender citing the deferral of total loan amount for 18 months starting April 2020.

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

18. LIABILITIES AGAINST FINANCE LEASE

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

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

The lease payments under finance leases are as follows:

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

19. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

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

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

19. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (CONTINUED)

a) Actuarial assumptions

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

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

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

b) Sensitivity analysis

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

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

20. OTHER NON-CURRENT LIABILITIES

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

21. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

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

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

22. ZAKAT PAYABLE

Zakat is computed at 2.5% of income subject to zakat or Zakat base, whichever is higher. As such, Zakat for the year ended 31 December 2019 is based on Zakat base, significant components of which are as follows:

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

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

Status of assessments

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

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

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

23. REVENUE

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

23. REVENUE (CONTINUED)

a. DISAGGREGATION OF REVENUE

Set out below is the revenue disaggregated by type of revenue and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 32). Further, the Group's revenue is earned in Kingdom of Saudi Arabia.

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

24. COST OF REVENUE

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

25. GENERAL AND ADMINISTRATIVE EXPENSES

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

26. OTHER INCOME, NET

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

27. FINANCIAL CHARGES

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

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

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

28. (LOSS) / EARNINGS PER SHARE

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

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

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

29. NON-CONTROLLING INTERESTS (NCI)

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

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

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

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

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

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

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

30. RELATED PARTIES AND OTHER AFFILIATES

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

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

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

Balances arising from transactions with related parties are as follows:

Related party	Included under	For the year ended 31 December 2019	For the year ended 31 December 2018
Alinma Makkah Real Estate Fund	Trade and other receivables	**51,556**	110,000
Al-Bilad Makkah Hospitality Fund	(Accounts payable and other current liabilities)/ Trade and other receivables	**(20,501)**	45,894
Central District Cooling Company	Accounts payable and other current liabilities	**55,159**	25,362
Makkah Construction and Development Company	Other non-current liabilities	**309,565**	309,565

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

31. CONTINGENCIES AND COMMITMENTS

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

32. SEGMENT REPORTING

Basis for segmentation

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

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

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

32. SEGMENT REPORTING (CONTINUED)

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

33. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A) Accounting classifications and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

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

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

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

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

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

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

A) Accounting classifications and fair values (continued)

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

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

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

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

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

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

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

B) Financial risk management

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

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

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

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

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

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

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

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

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

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group (note 1).

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

B) Financial risk management (continued)

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

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

34. COMPARATIVE FIGURES

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

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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