KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019 (UNAUDITED)

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019

INDEX	PAGE

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders
Knowledge Economic City Company
(A Saudi Joint Stock Company)
Madinah, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Knowledge Economic City Company (the "Company") and its subsidiaries (the "Group") as of September 30, 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three and nine month period ended September 30, 2019, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.
Chartered Accountants

Al-Mutahhar Y. Hamiduddin
Certified Public Accountant
License No. 296

6 Rabi Awal, 1441
November 3, 2019

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019
(Expressed in Saudi Riyals)

	Note	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**49,683,253**	50,318,738
Right-of-use assets	2.5	**5,016,675**	-
Intangible assets		**1,015,956**	1,192,075
Investment properties	4	**2,506,732,450**	2,436,746,098
Equity accounted investment	6	**-**	7,614,302
Total non-current assets		**2,562,448,334**	2,495,871,213
Current assets			
Development properties	5	**161,780,664**	176,061,370
Trade receivables	7	**14,360,313**	11,610,521
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	8	**119,004,776**	43,536,142
Prepayments and other current assets		**12,686,625**	6,401,611
Short-term investment	9	**146,253,889**	387,674,417
Cash and cash equivalents	10	**321,812,827**	167,140,602
		775,899,094	792,424,663
Assets classified as held for sale	19	**-**	13,368,163
Total current assets		**775,899,094**	805,792,826
TOTAL ASSETS		**3,338,347,428**	3,301,664,039
LIABILITIES			
Non-current liabilities			
Accrued expenses and other non-current liabilities		**21,330,156**	16,491,909
Employees' end of service benefits	12	**7,515,366**	7,144,101
Lease liabilities		**3,755,448**	-
Total non-current liabilities		**32,600,970**	23,636,010
Current liabilities			
Accounts payable		**2,509,570**	3,232,884
Lease liabilities		**1,126,718**	-
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	8	**571,750**	1,771,715
Deferred gain		**1,201,774**	184,867
Accrued expenses and other current liabilities		**72,207,618**	49,854,265
Zakat payable	13	**10,329,567**	12,569,593
		87,946,997	67,613,324
Liabilities directly associated with assets classified as held for sale	19	**-**	11,294,814
Total current liabilities		**87,946,997**	78,908,138
TOTAL LIABILITIES		**120,547,967**	102,544,148

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued
AS OF SEPTEMBER 30, 2019
(Expressed in Saudi Riyals)

	Note	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
EQUITY			
Share capital	14	**3,393,000,000**	3.393,000,000
Accumulated losses		**(268,656,137)**	(288,329,278)
Equity attributable to owners of the Company		**3,124,343,863**	3,104,670,722
Non-controlling interest		**93,455,598**	94,449,169
TOTAL EQUITY		**3,217,799,461**	3,199,119,891
TOTAL LIABILITIES AND EQUITY		**3,338,347,428**	3,301,664,039

This interim condensed consolidated financial statements including the accompanying notes and other explanatory information were approved and authorized for issue by the Board of Directors and were signed on their behalf by:

Abdul Moid Mohammed Chief Financial Officer	Sami Bin Abdulaziz Almakhdhob Chief Executive Officer	Dr. Jassim Al Rumaihi Designated Board Member

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019
(Expressed in Saudi Riyals)

	Note	Three-month period ended September 30 (Unaudited)		Nine-month period ended September 30 (Unaudited)	
		2019	2018	2019	2018
Revenue		17,426,415	14,768,931	129,705,529	37,666,417
Cost of revenue		(13,640,077)	(11,829,931)	(88,647,260)	(32,996,592)
Gross profit		3,786,338	2,939,000	41,058,269	4,669,825
Selling and marketing expenses		(1,938,768)	(1,296,256)	(4,975,543)	(4,122,125)
General and administrative expenses	11	(7,289,379)	(14,807,705)	(28,358,876)	(33,892,693)
Other income, net		69,597	771,946	803,253	872,531
Operating (loss)/profit		(5,372,212)	(12,393,015)	8,527,103	(32,472,462)
Income from Murabaha deposits and short term investment	9, 10	3,218,125	3,266,189	10,628,875	9,030,390
Loss on disposal of a subsidiary	19	-	-	(449,517)	-
Re-measurement to fair value of pre-existing interest in an joint venture	6	-	-	19,757,117	-
Bargain gain on acquisition of a subsidiary	6	-	-	812,890	-
Share of loss of equity accounted investees	6	-	(5,000)	-	(15,000)
Finance cost		(59,107)	-	(187,717)	-
(Loss)/profit before zakat		(2,213,194)	(9,131,826)	39,088,751	(23,457,072)
Zakat expense	13	(3,220,940)	(2,926,450)	(19,482,950)	(9,575,065)
(Loss)/ profit for the period from continuing operations		(5,434,134)	(12,058,276)	19,605,801	(33,032,137)
Discontinued operations					
Loss from discontinued operations	19	-	(602,533)	-	(2,798,715)
Net (loss)/profit		(5,434,134)	(12,660,809)	19,605,801	(35,830,852)
Other comprehensive income					
Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss					
Actuarial loss derecognized on disposal of subsidiary	19	-	-	65,541	-
Total comprehensive (loss)/income		(5,434,134)	(12,660,809)	19,671,342	(35,830,852)
Net (loss)/profit attributable to:					
Owners of the Company		(5,430,784)	(12,468,185)	19,616,322	(34,813,510)
Non-controlling interests		(3,350)	(192,624)	(10,521)	(1,017,342)
		(5,434,134)	(12,660,809)	19,605,801	(35,830,852)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(5,430,784)	(12,468,185)	19,681,863	(34,813,510)
Non-controlling interests		(3,350)	(192,624)	(10,521)	(1,017,342)
		(5,434,134)	(12,660,809)	19,671,342	(35,830,852)
Total comprehensive (loss)/income attributable to owners of the Company arises from:					
Continuing operations		(5,430,784)	(11,865,652)	19,681,863	(32,014,795)
Discontinued operations		-	(602,533)	-	(2,798,715)
		(5,430,784)	(12,468,185)	19,681,863	(34,813,510)
Earnings/(loss) per share attributable to equity holders of the Company:					
Basic and diluted earnings in Saudi Riyals per share from continuing operations	15	(0.016)	(0.035)	0.058	(0.094)
Basic and diluted earnings in Saudi Riyals per share from continuing and discontinued operations	15	(0.016)	(0.037)	0.058	(0.103)

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019
(Expressed in Saudi Riyals)

	Notes	Share capital	Accumulated losses	Total shareholders' equity	Non-controlling interest	Total
December 31, 2018 (Audited)/ January 1, 2019		3,393,000,000	(288,329,278)	3,104,670,722	94,449,169	3,199,119,891
Change in accounting policies due to adoption of IFRS 16	2.5	-	(8,722)	(8,722)	-	(8,722)
January 1, 2019		3,393,000,000	(288,338,000)	3,104,662,000	94,449,169	3,199,111,169
Net profit/(loss) for the period		-	19,616,322	19,616,322	(10,521)	19,605,801
Other comprehensive loss	19	-	65,541	65,541	-	65,541
Total comprehensive income/(loss) for the period		-	19,681,863	19,681,863	(10,521)	19,671,342
Disposal of a subsidiary	19	-	-	-	(983,050)	(983,050)
September 30, 2019 (Unaudited)		3,393,000,000	(268,656,137)	3,124,343,863	93,455,598	3,217,799,461
December 31, 2017 (Audited)		3,393,000,000	(252,940,021)	3,140,059,979	95,644,278	3,235,704,257
Change in accounting policies due to adoption of IFRS 15		-	3,089,641	3,089,641	-	3,089,641
January 1, 2018		3,393,000,000	(249,850,380)	3,143,149,620	95,644,278	3,238,793,898
Net loss for the period		-	(34,813,510)	(34,813,510)	(1,017,342)	(35,830,852)
Other comprehensive loss		-	-	-	-	-
Total comprehensive loss for the period		-	(34,813,510)	(34,813,510)	(1,017,342)	(35,830,852)
September 30, 2018 (Unaudited)		3,393,000,000	(284,663,890)	3,108,336,110	94,626,936	3,202,963,046

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019
(Expressed in Saudi Riyals)

	Nine month period ended September 30, 2019 (Unaudited)	Nine month period ended September 30, 2018 (Unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before zakat from continuing operations	**39,088,751**	(23,457,072)
Loss before zakat from discontinued operations	-	(2,648,253)
	39,088,751	(26,105,325)
Adjustments for:		
Loss on disposal of a subsidiary	**449,517**	-
Re-measurement to fair value of pre-existing interest in a joint venture	**(19,757,117)**	-
Bargain gain on acquisition of a subsidiary	**(812,890)**	-
Income from Murabaha deposits and short-term investment	**(10,628,875)**	(9,030,390)
Share of loss of equity accounted investees	-	15,000
Provision for employees' end of service benefits	**1,757,288**	1,652,224
Finance cost for lease liabilities	**187,717**	-
Depreciation	**1,190,538**	1,247,314
Amortization for right-of-use assets	**903,001**	-
Amortization	**308,411**	382,912
Changes in operating assets and liabilities:		
Development properties	**18,222,116**	(26,618,838)
Trade receivables	**(2,749,792)**	(1,898,184)
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	**(75,468,634)**	(21,999,953)
Trade receivable – non current	-	3,063,071
Prepayments and other current assets	**(6,812,640)**	(4,810,141)
Accounts payable	**(1,588,896)**	(4,523,768)
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	**(1,199,965)**	(276,627)
Deferred gain	**1,016,907**	-
Deferred revenue	-	160,354
Accrued expenses and other current liabilities	**22,330,353**	22,395,396
Accrued expenses and other non-current liabilities	**4,838,247**	2,345,606
Cash used in operations	**(28,725,963)**	(64,001,349)
Employees' end of service benefits paid	**(1,386,023)**	(800,622)
Zakat paid	**(21,761,167)**	(14,250,744)
Net cash used in operating activities	**(51,873,153)**	(79,052,715)
INVESTING ACTIVITIES		
Addition in short-term investment	**(445,000,000)**	(640,000,000)
Withdrawal of short-term investment	**685,000,000**	740,000,000
Financial income received from short term investment	**12,049,403**	8,464,807
Net cash paid on acquisition of a subsidiary	**(26,558,528)**	-
Additions to investment properties	**(18,258,202)**	(9,211,245)
Additions to property and equipment	**(555,053)**	(534,804)
Additions to intangible assets	**(132,292)**	(46,875)
Net cash from investing activities	**206,545,328**	98,671,883
Net change in cash and cash equivalents	**154,672,175**	19,619,168
Cash and cash equivalents, January 1	**167,140,602**	112,736,008
Add: cash and cash equivalents on acquisition of a subsidiary (note 6)	**50**	-
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	**321,812,827**	132,355,176
NON-CASH TRANSACTION		
Consideration from disposal of subsidiary (note 19)	**1,090,610**	-

The accompanying notes from 1 to 19 form an integral part of these interim condensed consolidated financial statements

1. ORGANIZATION AND ACTIVITIES

Knowledge Economic City Company ("KEC" or the "Company") and its subsidiaries (collectively the "Group") consist of the Company and its various Saudi Arabian subsidiaries. The Group is engaged in developing real estate, economic cities and other development projects including infrastructure, telecommunication networks, electricity plants, water treatment plant and other works related to developing economic cities in the Kingdom of Saudi Arabia. The Company owns land parcels in Madinah Al-Munawarah and is the lead developer for transforming such land parcels into an economic city.

The Company is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and Industry's resolution number 256/Q dated 15 Sha'baan 1431H (July 27, 2010) and registered under commercial registration number 4650071196 issued in Madinah Al Munawarah dated Sha'baan 23, 1431H (August 4, 2010). The Company's shares are listed on the Saudi Stock Exchange Tadawul on August 9, 2010.

The registered address of the Company is Diwan Al Marefah, King Abdul Aziz Road, P. O. Box 43033, Madinah Al Munawarah 41561, Kingdom of Saudi Arabia.

The accompanying interim condensed consolidated financial statements include the accounts of the Company, its branch and its following subsidiaries operating under individual commercial registrations.

			Effective ownership	
Subsidiaries	**Country of incorporation**	**Paid up capital**	**September 30, 2019**	December 31, 2018
Mounshaat Al Maarifa Al Akaria Company Limited ("Mounshaat")	Saudi Arabia	1,000,000	**100%**	100%
Mashariaa Al Maarifa Al Akaria Company Limited ("Mashariaa")	Saudi Arabia	633,000,000	**100%**	100%
Al Garra International Company for Real Estate ("Al Garra")	Saudi Arabia	467,765,000	**80%**	80%
Midrar Development Management Company Limited ("Midrar") (Note 19)	Saudi Arabia	1,333,300	**-**	60%
Al Maarifa Al Akaria Company Limited ("Amaak")	Saudi Arabia	50,000,000	**100%**	100%
Makarem for Hospitality Company Limited ("Makarem for Hospitality") (note 6) *	Saudi Arabia	56,400,000	**100%**	50%

Mounshaat, Mashariaa, Al Garra and Makarem for Hospitality have not commenced operations as of September 30, 2019. Amaak is engaged in developing and investing in real estate projects.

* As of December 31, 2018, Makarem for Hospitality was accounted for as an investment in joint venture.

The Company has a branch under the name of Madinah Institute for Leadership and Entrepreneurship MILE which conducts programs for executive education and training and is based in Madinah Al Munawarah under the license number 4650053318 dated Shawwal 21, 1432H corresponding to September 19, 2011 issued by Technical and Vocational Training Corporation Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the nine month period ended September 30, 2019 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

These interim condensed consolidated financial statements does not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2018. In addition, results of the interim nine month period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

All IFRS standards effective on January 1, 2019 have been adopted and applied in these interim condensed consolidated financial statements. The Capital Market Authority ("CMA") announced on October 16, 2016 that obligates the listed entities to apply the cost model to measure the property, plant and equipment, investment properties and intangible assets upon adopting the IFRSs for three years period starting from the IFRSs adoption date. The Group has complied with the requirements in the accompanying interim condensed consolidated financial statements.

Basis of Measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern concept, modified for the employee's end of service benefits, for which actuarial present value calculations are used.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is the Group's functional and presentation currency.

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on November 3, 2019.

2.2 Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. 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 estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2. BASIS OF PREPRATION (CONTINUED)

2.2 Critical accounting estimates and judgments (continued)

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for the change mentioned below:

Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

2.3 New and amended standards adopted by the Group

The new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2019 have been adopted in these interim condensed consolidated financial statements.

As of January 1, 2019, the Group applies, for the first time, IFRS 16 Leases that are required to be applied retrospectively with adjustment to make in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in Note 2.5 of the interim condensed consolidated financial statements.

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

Other than the above, there are no other significant IFRSs and amendments that were effective for the financial year beginning on or after January 1, 2019.

2.4 Prospective changes in accounting policies

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments regarding the definition of material
Amendments to clarify the definition of a business
IFRS 17: Insurance Contracts
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the *Conceptual Framework*

2.5 Change in accounting policies

Impact on the interim condensed consolidated financial statements of IFRS 16 applicable from January 1, 2019

The Group adopted IFRS 16 ‘Leases’ the standard replaces the existing guidance on leases, including IAS 17 ‘Leases”, IFRIC 4 ‘Determining whether an Arrangement contains a Lease”, SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Group’s financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 “Leases” into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized the lease liabilities as of January 1, 2019.

	SR
Operating lease commitments disclosed as of December 31, 2018	**5,384,505**
Discounted using the lessee’s incremental borrowing rate at the date of initial application	(690,056)
Lease liability recognized as at January 1, 2019	**4,694,449**
Of which are:	
Current lease liabilities	424,419
Non-current lease liabilities	4,270,030
	4,694,449

2. BASIS OF PREPRATION (CONTINUED)

2.5 Change in accounting policies (continued)

Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	September 30, 2019	January 1, 2019
Building	5,016,675	5,919,676
Total Right-of-use assets	**5,016,675**	**5,919,676**

The change in accounting policy (IFRS 16) affected the following items in the interim condensed consolidated statement of financial position on January 1, 2019:

- Right-of-use assets – increase by SR 5,919,676
- Lease liabilities – increase by SR 4,694,449
- Prepaid rent – decrease by SR 1,233,949

The net impact on retained earnings on January 1, 2019 was a decrease of SR 8,722.

Impact on segment disclosures and impact on earnings per share

Adjusted EBITDA, segment assets and segment liabilities for September 30, 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	EBITDA	Segment assets
Building	(81,125)	5,016,675

The Group's leasing activities and how these are accounted for:

The Group lease offices and contract is typically made for fixed periods of 5 years but may have extension options. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until December 31, 2018 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2. BASIS OF PREPRATION (CONTINUED)

2.5 Change in accounting policies (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the accounting policy mentioned in note 2.5.

4. INVESTMENT PROPERTIES

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	**2,436,746,098**	2,424,196,064
Additions, principally infrastructure cost	**18,258,202**	12,550,034
Acquisition through business combination (note 6)	**55,669,560**	-
Transfer to development properties	**(3,941,410)**	-
Closing balance	**2,506,732,450**	2,436,746,098

The fair value of the Group's investment properties as of December 31, 2018 was valued at SR 5.6 billion by independent professionally qualified valuers namely Jones Lang LaSalle Incorporated ("JLL") using both the market comparable approach and the residual value approach. The Group's management is also of the view that the fair value of SR 5.6 billion approximates the fair value as of September 30, 2019.

5. DEVELOPMENT PROPERTIES

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	**176,061,370**	156,639,230
Additions	**62,889,025**	60,179,516
Transfer from investment properties	**3,941,410**	-
Transfer to cost of revenue	**(81,111,141)**	(40,757,376)
Closing balance	**161,780,664**	176,061,370

During December 2016, the Board of Directors approved two new real estate projects launched in 2017. These projects relate to construction and sale of residential villas and sale of developed land parcels. During 2017, the Company has launched its residential villas project. The additions during 2019 and 2018 mainly relate to advances and progress payments to a contractor for construction work on the project. The fair value of the Group's development properties as per JLL valuation report at December 31, 2018 approximately SR 356 million. The Group's management is also of the view that the fair value of SR 356 million approximates the fair value as of September 30, 2019.

The balances above are split into these categories as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Land held for sale	**46,585,932**	46,585,932
Properties under development	**115,194,732**	129,475,438
	161,780,664	176,061,370

6. EQUITY ACCOUNTED INVESTMENT

	Ownership interest			
	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
Equity accounted investment				
Makarem for Hospitality Company Limited ("Makarem for Hospitality")	-	50%	-	7,614,302

i) The movement in investment in Makarem for Hospitality is as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	**7,614,302**	7,638,592
Share in net loss of Makarem for Hospitality	**-**	(24,290)
Carrying value transfer for re-measurement of existing interest	**(7,614,302)**	-
Closing balance	**-**	7,614,302

Following is a summary of the financial information for the equity accounted investee as of and for the period/year then ended:

	Country of incorporation/ principal place of business	Assets	Liabilities	Revenues	Net loss
September 30, 2019 (Unaudited)					
Makarem for Hospitality	Saudi Arabia	-	-	-	-
December 31, 2018 (Audited)					
Makarem for Hospitality	Saudi Arabia	54,944,602	(913,773)	-	(48,580)

On March 20, 2019, the Board of Directors of the Company approved the proposed acquisition of remaining fifty percent shareholding in Makarem for Hospitality for consideration of SR 26,558,528. Subsequently, to the board approval, the Company made a formal offer to the other shareholder in Makarem for Hospitality (owing fifty percent share capital) to acquire its entire share capital at the above mentioned consideration, which was accepted by the other shareholders on April 1, 2019. During the period ended September 30, 2019, both parties completed all the required formalities, except for legal formalities in process as of reporting date, however, the Company established control over Makarem for Hospitality as of April 1, 2019. As a result, the Company derecognized the investment in joint venture at fair value which resulted in a gain of SR 19,757,117.

The Company consolidated the results of Makarem for Hospitality from April 1, 2019 (acquisition date) to September 30, 2019. Further, the Company was able to get a bargain price which resulted in a gain principally due to the fact that the other shareholder was not interested in continuing with its shareholding in Makarem for Hospitality.

a) Gain on re-measurement of the previously held 50% ownership interest in Makarem for Hospitality:

	SR
Fair value of 50% of investment at acquisition date	**27,371,419**
Carrying value of 50% of investment at acquisition date	**(7,614,302)**
Re-measurement to fair value of pre-exiting interest in joint venture	**19,757,117**

b) Gain on bargain purchase on 50% interest in Makarem for Hospitality is as follows:

	SR
Fair values of assets and liabilities acquired from Makarem for Hospitality:	
Cash and cash equivalent	**50**
Investment property	**55,669,560**
Due to a related party	**(865,582)**
Accrued expenses	**(23,000)**
Zakat payable	**(38,191)**
Net identifiable assets	**54,742,837**
Less: Fair value of the previously held 50% ownership interest	**(27,371,419)**
Purchase consideration	**(26,558,528)**
Gain on bargain purchase on 50% interest in Makarem for Hospitality	**812,890**

The valuation of investment property was performed by JLL as on December 31, 2018. The Group's management is also of the view that the fair value as of December 31, 2018 approximates the fair value as on acquisition date. The fair value of other net identifiable assets was considered to equate the carrying value.

ii) Net cash outflow arising on acquisition:

	SR
Cash consideration	**(26,558,528)**
Less: cash and cash equivalent balances acquired	**50**
	(26,558,478)

7. TRADE RECEIVABLES

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade customers for sale of land parcels/residential villas	**8,645,341**	6,765,394
Trade customers for services	**5,714,972**	4,845,127
	14,360,313	11,610,521

Movement in allowance for expected losses is as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	**-**	1,560,750
Additions	**-**	642,050
Reclassified as held for sale	**-**	(2,202,800)
Closing balance	**-**	-

8. COSTS INCURRED AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Costs incurred on completed contracts	**122,142,555**	44,972,831
Estimated earnings	**57,321,009**	23,386,181
	179,463,564	68,359,012
Less: Billings to-date	**(61,030,538)**	(26,594,585)
	118,433,026	41,764,427

The above amounts are included in the interim condensed consolidated statement of financial position under the following captions:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	**119,004,776**	43,536,142
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	**(571,750)**	(1,771,715)
	118,433,026	41,764,427

(*) There were no significant changes in the billings in excess of costs incurred and estimated earnings on uncompleted contracts balances during the reporting period.

9. SHORT- TERM INVESTMENT

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Murabaha deposits	**146,253,889**	387,674,417

Short-term investment as of September 30, 2019 and December 31, 2018 represent investments in Murabaha deposits having original maturities of three to six months. Murabaha deposits with original maturities of three months or less are presented within cash and cash equivalents. Murabaha deposits are placed with local commercial banks and are denominated in Saudi Riyals ("SR"). Murabaha deposits yield financial income at prevailing market rate. During second quarter of 2017, the Company obtained a long-term loan facility for two years from a local commercial bank amounting to SR 130 million. Such long-term loan facility is fully collateralized against the Murabaha deposits of same amount. As of September 30, 2019 and December 31, 2018, the Company did not utilize this facility and, accordingly, there is no restriction on the Murabaha deposits. As of reporting date, the said facility has expired.

Short-term investment balances are placed with banks which are assessed to have low credit risk of default since these banks are highly regulated by Saudi Arabian Monetary Authority in the Kingdom of Saudi Arabia. Accordingly, Group management estimates the loss allowance on short-term investment balances at the end of the reporting period at an amount equal to 12 month ECL. None of the short-term investment balances at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the Group management have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

10. CASH AND CASH EQUIVALENTS

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash in hand	**141,950**	-
Cash at bank	**50,697,127**	26,371,400
Murabaha deposits (Note 9)	**270,973,750**	140,769,202
	321,812,827	167,140,602

Murabaha deposits and cash at banks are placed with local commercial banks and denominated in Saudi Riyal ("SR"). Murabaha deposit yields financial income at prevailing market rates.

The Company is required to maintain deposits at 5% of amount collected from customers against sale of development properties which are deposited into escrow accounts. The balance as of September 30, 2019 amounted to SR 11.8 million (December 31, 2018: SR 8.2 million). These deposits are not under lien.

Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by Saudi Arabian Monetary Authority in the Kingdom of Saudi Arabia. Accordingly, Group management estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the Group management have assessed that there is no impairment, and hence have not recorded any loss allowances on these balances.

11. RELATED PARTY TRANSACTIONS AND BALANACES

Related party transactions

Significant transactions with related parties in the ordinary course of business included in the interim condensed consolidated financial statements are summarized below:

	Three-month period ended		**Nine-month period ended**	
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	September 30, 2018 (Unaudited)
Directors' remuneration and related expenses	**1,382,574**	2,242,312	**4,289,472**	4,148,157
Remuneration to the key management personnel	**502,000**	1,876,664	**2,370,627**	5,629,991
End of service benefits of key management personnel	**24,834**	35,023	**577,123**	105,068

Other transactions with subsidiaries

During the nine month period ended September 30, 2018, Midrar provided project and consulting services to the Company amounting to SR 1.9 million which has been eliminated in the accompanying interim condensed consolidated financial statements.

During the nine month period ended September 30, 2019, the Company paid project management and other expense on behalf of Amaak amounting to SR 2.7 million (September 30, 2018: SR 3.1 million) which has been eliminated in the accompanying interim condensed consolidated financial statements.

12. EMPLOYEES' END OF SERVICE BENEFITS

12.1 General description of the plan

The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law.

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Employee end of service benefits scheme	**7,515,366**	7,144,101

12.2 Actuarial assumptions

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Discount rate	**4.10% - 4.40%**	4.10% - 4.40%
Future salary growth/expected rate of salary increase	**5.40% - 5.50%**	5.40% - 5.50%
Mortality rate	**0.40%**	0.40%
Employee turnover/withdrawal rates	**12.70%**	12.70%
Retirement age	**60 years**	60 years

13. ZAKAT

From 2017, the Company and its 100% owned subsidiaries are required to file a combined zakat return on consolidated basis. The subsidiaries where the Company's ownership is less than 100% are required to file their separate zakat returns. Prior to 2017, the subsidiaries were filing separate zakat declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property and equipment, investment properties, development properties and investments.

The movement in zakat provision is as follows:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	**12,569,593**	15,165,159
Acquisition of a subsidiary (Note 6)	**38,191**	-
Provision for:		
Current period/year	**9,181,764**	11,742,458
Prior years	**10,301,186**	-
Payment for:		
Current period/year	**(13,300,053)**	(14,059,138)
Prior years	**(8,461,114)**	-
Reclassified as held for sale	**-**	(278,886)
Closing balance	**10,329,567**	12,569,593

Status of assessments
The Company and its subsidiaries have filed the Zakat returns until 2018, except for Al Garra, which is yet to file its zakat return after completing some procedural requirements. For 2017 and 2018, the Company has filed a consolidated zakat return for the Company and its 100% owned subsidiaries and have obtained a zakat certificate valid till April 30, 2020.

During 2017, the Company received an assessment from General Authority of Zakat and Tax ("GAZT") for the years from 2011 to 2014 with an additional zakat liability of SR 2.68 million principally related to adjustments for pre-operating expenses, unrealized gain on sale of development property, accumulated losses and investments. During the current period ended September 30, 2019, the Company received an amended assessment for 2011 to 2014 with an additional zakat lability of 8.46 million instead of earlier assessed liability of SR 2.68. The said additional liability of SR 8.46 million for years 2011 to 2014 was settled by the Company in the current period. The zakat declaration of the Company for the years 2015 to 2018 are under review by the GAZT.

Further, during 2017 the GAZT had issued an assessment for 2015 and 2016 for Amaak and claimed additional zakat of SR 1.56 million for 2015, principally related to deduction of King Abdullah Bin Abdulaziz Foundation for Development Housing dedicated to his parents. This amount was reduced to SR 0.99 million by GAZT and an additional claim amounting SR 0.33 million for 2016 was made by GAZT. The Company and Amaak have recorded the additional provision during 2017 and filed an appeal with the GAZT. The Company's other subsidiaries have not received any additional assessments for the years for 2016 and 2017.

14. SHARE CAPITAL

As of September 30, 2019 and December 31, 2018, the Company's share capital of SR 3,393,000,000 consists of 339,300,000 fully paid shares of SR10 each.

15. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share for the three and nine month period ended September 30, 2019 and 2018 respectively have been computed by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of shares outstanding during such periods.

From continuing operations

	Three-month period ended		**Nine-month period ended**	
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	September 30, 2018 (Unaudited)
Net (loss)/profit attributable to owners of the Company	**(5,430,784)**	(11,865,652)	**19,616,322**	(32,014,795)
Weighted average number of Shares	**339,300,000**	339,300,000	**339,300,000**	339,300,000
Basic earnings/(loss) per share (Saudi Riyals per share)	**(0.016)**	(0.035)	**0.058**	(0.094)

From continuing and discontinued operations

	Three-month period ended		**Nine-month period ended**	
	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)	**September 30, 2019 (Unaudited)**	September 30, 2018 (Unaudited)
Net (loss)/profit attributable to owners of the Company	**(5,430,784)**	(12,468,185)	**19,616,322**	(34,813,510)
Weighted average number of shares	**339,300,000**	339,300,000	**339,300,000**	339,300,000
Basic earnings/(loss) per share (Saudi Riyals per share)	**(0.016)**	(0.037)	**0.058**	(0.103)

The Company does not have any diluted potential shares.

16. SEGMENT INFORMATION

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different line of services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Real estate development segment represents activities related to developing real estate, economic cities and other development projects in the Kingdom of Saudi Arabia.

- Investment segment represents financial position and financial results of Group's equity accounted investees and other short term investments provided in the Kingdom of Saudi Arabia.

- Real estate management and consulting services represents activities related to wide range of real estate management and consulting services provided in the Kingdom of Saudi Arabia. As of the reporting date, the segment is classified as held for sale in these interim condensed consolidated financial statements (refer note 19).

- Executive education and training segment represents activities related to various executive and education and training programs provided in the Kingdom of Saudi Arabia.

Segment results that are reported to the top management (Chairman Board of Directors, Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and net income, as included in the internal management reports that are reviewed by the top management. Selected financial information as of September 30, 2019 and December 31, 2018 and for the three and nine month period ended on September 30, 2019 and 2018, summarized by segment, is as follows:

16. SEGMENT INFORMATION (CONTINUED)

	Real estate development	Investment	Real estate management and consulting services	Held for Sale	Executive education and training	Eliminations	Total
As of September 30, 2019 (Unaudited)							
Investment properties	**2,506,732,450**	-	-	-	-	-	**2,506,732,450**
Development properties	**161,780,664**	-	-	-	-	-	**161,780,664**
Equity accounted investee	-	-	-	-	-	-	-
Short term investment	-	**146,253,889**	-	-	-	-	**146,253,889**
Total assets	**2,916,337,094**	**417,227,639**	-	-	**7,543,611**	**(2,760,916)**	**3,338,347,428**
As of December 31, 2018 (Audited/Restated)							
Investment properties	2,436,746,098	-	-	-	-	-	2,436,746,098
Development properties	176,061,370	-	-	-	-	-	176,061,370
Equity accounted investee	-	7,614,302	-	-	-	-	7,614,302
Short term investment	-	387,674,417	-	-	-	-	387,674,417
Total assets	2,759,643,087	536,057,921	13,368,163	(13,368,163)	6,094,364	(131,333)	3,301,664,039
Three month period ended September 30, 2019 (Unaudited)							
Total segment revenue from external customers	**17,161,669**	-	-	-	**264,746**	-	**17,426,415**
Timing of revenue							
At a point in time	-	-	-	-	**264,746**	-	**264,746**
Over time	**17,161,669**	-	-	-	-	-	**17,161,669**
	17,161,669	-	-	-	**264,746**	-	**17,426,415**
Income from Murabaha deposits and short term investment	-	**3,218,125**	-	-	-	-	**3,218,125**
Depreciation and amortization	**(381,906)**	-	-	-	**(12,367)**	-	**(394,273)**
Zakat expense	**(3,220,940)**	-	-	-	-	-	**(3,220,940)**
Net (loss)/profit	**(7,558,650)**	**3,218,125**	-	-	**(1,093,609)**	-	**(5,434,134)**

16. SEGMENT INFORMATION (CONTINUED)

	Real estate development	Investment	Real estate management and consulting services	Held for Sale	Executive education and training	Eliminations	Total
Three month period ended September 30, 2018 (Unaudited)							
Total segment revenue	13,494,145	-	3,258,149	(3,258,149)	1,274,786	-	14,768,931
Revenues from inter-segment transactions	-	-	(498,576)	498,576	-	-	-
Revenues derived from external customers	13,494,145	-	2,759,573	(2,759,573)	1,274,786	-	14,768,931
Timing of revenue							
At a point in time	-	-	2,759,573	(2,759,573)	1,274,786	-	1,274,786
Over time	13,494,145	-	-	-	-	-	13,494,145
	13,494,145	-	2,759,573	(2,759,573)	1,274,786	-	14,768,931
Income from Murabaha deposits and short term investment	-	3,266,189	-	-	-	-	3,266,189
Share of loss of equity accounted investees	-	(5,000)	-	-	-	-	(5,000)
Depreciation and amortization	(488,691)	-	(11,317)	11,317	(19,846)	-	(508,537)
Zakat expense	(2,926,450)	-	(64,197)	64,197	-	-	(2,926,450)
Net (loss)/profit	(14,568,607)	3,261,189	(472,115)	472,115	(750,858)		(12,058,276)

16. SEGMENT INFORMATION (CONTINUED)

	Real estate development	Investment	Real estate management and consulting services	Held for Sale	Executive education and training	Eliminations	Total
Nine month period ended September 30, 2019 (Unaudited)							
Total segment revenue and revenue from external customers	**125,177,340**	-	-	-	**4,528,189**	-	**129,705,529**
Timing of revenue							
At a point in time	**12,000,000**	-	-	-	**4,528,189**	-	**16,528,189**
Over time	**113,177,340**	-	-	-	-	-	**113,177,340**
	125,177,340	-	-	-	**4,528,189**	-	**129,705,529**
Income from Murabaha deposits and short-term investment	-	**10,628,875**	-	-	-	-	**10,628,875**
Depreciation and amortization	**(1,459,169)**	-	-	-	**(39,780)**	-	**(1,498,949)**
Zakat expense	**(19,482,950)**	-	-	-	-	-	**(19,482,950)**
Net profit/(loss)	**10,626,453**	**10,628,875**	-	-	**(1,649,527)**	-	**19,605,801**
Nine month period ended September 30, 2018 (Unaudited)							
Total segment revenue	34,565,905	-	8,493,940	(8,493,940)	3,100,512	-	37,666,417
Revenues from inter-segment transactions	-	-	(1,880,991)	1,880,991	-	-	-
Revenue derived from external customers	34,565,905	-	6,612,949	(6,612,949)	3,100,512	-	37,666,417
Timing of revenue							
At a point in time	-	-	6,612,949	(6,612,949)	3,100,512	-	3,100,512
Over time	34,565,905	-	-	-	-	-	34,565,905
	34,565,905	-	6,612,949	(6,612,949)	3,100,512	-	37,666,417
Income from Murabaha deposits and short-term investment	-	9,030,390	-	-	-	-	9,030,390
Share of loss of equity accounted investees	-	(15,000)	-	-	-	-	(15,000)
Depreciation and amortization	(1,534,556)	-	(35,463)	35,463	(60,206)	-	(1,594,762)
Zakat expense	(9,575,065)	-	(150,462)	150,462	-	-	(9,575,065)
Net (loss)/profit	(37,426,717)	9,015,390	(2,280,852)	2,280,852	(4,620,810)	-	(33,032,137)

17. CONTINGENCIES AND COMMITMENTS

As of September 30, 2019, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 217 million (December 31, 2018: SR 214 million).

Also, as of September 30, 2019, the Group had an outstanding letter of guarantee amounting to SR 0.6 million (December 31, 2018: SR 0.6 million).

The Group is a defendant in lawsuits in respect certain cases with its contractors. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Group. It is expected to reach to a conclusion in relation to these cases in the foreseeable future.

18. FAIR VALUE ESTIMATION

a) Assets and liabilities carried at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

As at September 30, 2019 and December 31, 2018, all of the Group's financial assets and liabilities are classified as amortized cost and their fair values are estimated to approximate their carrying values.

b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at September 30, 2019 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	-	-	2,506,732,450	2,506,732,450
Development properties	-	-	161,780,664	161,780,664
Trade receivables	-	-	14,360,313	14,360,313
Other receivable	-	-	8,577,200	8,577,200
Short-term investment	146,253,889	-	-	146,253,889
Cash and cash equivalents	321,812,827	-	-	321,812,827
Total	468,066,716	-	2,691,450,627	3,159,517,343
Liabilities				
Accounts payable	-	-	2,509,570	2,509,570
Other liabilities	-	-	32,401,436	32,401,436
Total	-	-	34,911,006	34,911,006

18. FAIR VALUE ESTIMATION (CONTINUED)

b) Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at December 31, 2018 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Assets				
Investment properties	-	-	2,436,746,098	2,436,746,098
Development properties	-	-	176,061,370	176,061,370
Trade receivables	-	-	11,610,521	11,610,521
Other receivable	-	-	3,769,560	3,769,560
Short-term investment	387,674,417	-	-	387,674,417
Cash and cash equivalents	167,140,602	-	-	167,140,602
Total	**554,815,019**	-	**2,628,187,549**	**3,183,002,568**
Liabilities				
Accounts payable	-	-	3,232,884	3,232,884
Other liabilities	-	-	22,905,935	22,905,935
Total	-	-	**26,138,819**	**26,138,819**

19. HELD FOR SALE

During 2018, the Board of Directors of the Group decided to sell the share of the Group in Midrar, consequently, the subsidiary has been classified as held for sale as of December 31, 2018. On March 26, 2019, the Company entered into an agreement effective from January 1, 2019, with the existing shareholders of Midrar to sell its shares representing 60% of the total share capital of Midrar to the existing shareholders at a consideration of SR 1,090,610, which was paid subsequent to the reporting period. Consequently, the subsidiary have been disposed off in the current period and net loss of SR 383,976 (after netting off with actuarial loss of SR 65,541 derecognized on disposal of subsidiary) is recorded in the interim condensed statement of profit and loss and other comprehensive income as a difference between sale proceeds of SR 1,090,610 and carrying value of investment of SR 1,474,586 in these interim condensed consolidated financial statements.

The financial results of Midrar includes the financial results of the following joint operation, which was accounted for based on Midrar's share in the assets, liabilities, revenues and expenses in the joint operation:

	Ownership % December 31, 2018
Nikken Sekkei Limited/Midrar Development Management Company/Engineering Consultant Group	39.14

19. HELD FOR SALE (CONTINUED)

The following table shows the major classes of assets and liabilities comprising the operations classified as held for sale after intercompany eliminations of net receivable SR 384,294 as of December 31, 2018:

	December 31, 2018 (Audited)
Non-current assets	
Property and equipment	37,452
Current assets	
Trade receivables	4,965,697
Prepayments and other current assets	247,605
Cash and cash equivalents	8,117,409
Total assets classified as held for sale	13,368,163
Non-current liabilities	
Employees' end of service benefits	4,702,187
Current liabilities	
Accrued expenses and other current liabilities	6,377,485
Zakat payable	215,142
Total liabilities directly associated with assets classified as held for sale	11,294,814
Net assets	2,073,349

The results of the discontinued operations after intercompany elimination, which have been included in the loss for the nine month period ended September 30, 2018 were as follows:

	September 30, 2018
Revenue	6,612,949
Cost of revenue	(7,792,148)
Gross loss	(1,179,199)
General and administrative expenses	(1,462,508)
Other expense, net	(6,546)
Loss before zakat	(2,648,253)
Zakat expense	(150,462)
Loss from discontinued operations	(2,798,715)

Cash flows from discontinued operations

	September 30, 2018
Net cash from operating activities	(2,598,022)
Net cash from investing activities	(9,217)
Net cash from discontinued operations	(2,607,239)