EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT FOR
THE YEAR ENDED 31 DECEMBER 2022

EMAAR THE ECONOMIC CITY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor's report to the shareholders of Emaar The Economic City

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Emaar The Economic City (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Material uncertainty related to going concern

We draw attention to Note 1 to the accompanying consolidated financial statements, which indicates that the Group incurred a loss of Saudi Riyals 1,157.3 million and had negative operating cash flows amounting to Saudi Riyals 227.4 million for the year ended 31 December 2022. In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 6,914.2 million and it had accumulated losses amounting to Saudi Riyals 4,690.1 as at that date. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in borrowings with outstanding balance of Saudi Riyals 2,777.5 million as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events and conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The accompanying consolidated financial statements do not include the adjustments that would be necessary if the Group were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

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Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Our audit approach

Overview

Key Audit Matters	• Impairment assessment of property and equipment, investment properties and right-of-use assets • Valuation of development properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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.

Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of property and equipment, investment properties and right-of-use assets	
The Group has property and equipment, investment properties and right-of-use assets amounting to Saudi Riyals 5,064.9 million, Saudi Riyals 4,739.0 million and Saudi Riyals 57.3 million, respectively, as at 31 December 2022 which represents significant balances in the Group's consolidated statement of financial position as of that date. Property and equipment, investment properties and right-of-use assets are carried at cost less accumulated depreciation and impairment losses, if any. At each reporting date, the Group reviews whether there are any events or changes in circumstances (impairment indicators) which indicate that the carrying amount may not be recoverable. If any impairment indicators exist, management performs a detailed impairment assessment by calculating the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, for the property and equipment, investment properties and right-of-use assets at the Cash-Generating Unit ("CGU") level and comparing them against their carrying amounts. For the purpose of the consolidated financial statements for the year ended 31 December 2022, management identified the negative operating cash flows and higher than budgeted operating losses as impairment indicators and, accordingly, performed an impairment assessment of property and equipment, investment properties and right-of-use assets as at 31 December 2022. For the purpose of impairment assessment, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers who performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).	We obtained the impairment assessment carried out by management and performed the following audit procedures: • Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed. • Evaluated management's assessment of the existence of impairment indicators. • Assessed the competence, capabilities and objectivity of the Valuer engaged by management. • Tested the mathematical accuracy of the calculations included within management's impairment assessment. • Involved our internal valuation experts who performed the following procedures: - Reviewed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the recoverable value of property and equipment and investment properties; and - Assessed the reasonableness of key underlying assumptions used by the Valuer and management. • Checked the accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models. • Assessed management's sensitivity analysis around the impact of any change in key assumptions used by management to the recoverable amount of the CGU. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the Key audit matter
Recoverable amounts, in case of value-in-use, are based on management's view of key assumptions around future business growth in the forecasted period as well as external market conditions such as expected future sales prices as set out in the approved business plans of the respective CGUs. It also requires management to determine the most appropriate discount rates. The valuation of the Group's property and equipment, investment properties and right-of-use assets, for the purpose of impairment assessment and the disclosure of the fair value in the Group's consolidated financial statements at 31 December 2022, is inherently subjective due to, among other factors, the individual nature of each property, its location, the expected future cash flows for the properties valued under the 'income approach' and comparable selling prices for the properties that have been valued using the 'market approach'. Based on the impairment assessment performed, management has determined that the recoverable value of certain of the Group's CGUs were lower than their carrying amounts, and accordingly, recorded an impairment loss of Saudi Riyals 59.0 million for the year ended 31 December 2022. We considered this to be a key audit matter as the evaluation of the recoverable amount of the CGU requires significant estimation and critical management judgment and any significant variation in determination of the valuation inputs could have a material impact on the value of the Group's property and equipment, investment properties and right-of-use assets. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to the impairment of property and equipment, investment properties and right-of-use assets and Notes 13, 15 and 14 to the accompanying consolidated financial statements for the disclosure of other matters related to impairment assessment.	

Key audit matter	How our audit addressed the Key audit matter
Valuation of development properties	
The Group holds development properties amounting to Saudi Riyals 1,386.7 million as at 31 December 2022. Development properties are carried at the lower of cost and net realisable value ("NRV") and principally include completed and under development residential units and free-hold land parcels. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale. For the purpose of estimating the NRV, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers who performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Furthermore, management has also performed an assessment of estimating the future selling price with reference to recent sales transactions of comparable properties. The valuation of the Group's development properties, for the purpose of NRV, is inherently subjective due to, among other factors, the individual nature of each property, its location and comparable selling prices. We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of development properties, such as the Group's estimate of the sales price warrants specific audit focus in this area as any significant change in this estimate, could have a material impact on the carrying value of the Group's development properties. Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to development properties and Note 18 to the accompanying consolidated financial statements for the disclosure of other related financial information.	We performed the following audit procedures in relation to the Group's assessment of valuation of development properties: • Assessed the competence, capabilities and objectivity of the Valuer engaged by management. • Involved our internal valuation experts who performed the following procedures: - Reviewed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the NRV of development properties for the purpose of the consolidated financial statements; - Assessed the reasonableness of key underlying assumptions used by the Valuer and management. • Evaluated the reasonableness of the Group's estimated sales prices, estimated costs to complete and estimated costs to make the sale through a combination of management discussions and test of details. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Other information

The directors are responsible for the other information. The other information comprises the Board of Directors' report but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

Those charged with governance, i.e., the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent auditor's report to the shareholders of Emaar The Economic City (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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

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 auditor's 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.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

9 April 2023

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محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
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C.R. 4030289002

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated – Note 38)
Revenue	6	**363,267**	372,079
Cost of revenue	7	**(580,770)**	(609,134)
Gross loss		**(217,503)**	(237,055)
Selling and marketing expenses	8	**(61,748)**	(78,782)
General and administrative expenses	9	**(422,633)**	(250,713)
Impairment loss on financial and contract assets	19, 20	**(63,033)**	(55,490)
Impairment loss on non-financial assets	13	**-**	(15,560)
Depreciation	13, 14	**(53,231)**	(53,841)
Amortisation	16	**(1,865)**	(8,023)
Other operating income	11	**25,486**	90,701
Operating loss		**(794,527)**	(608,763)
Financial income		**1,891**	558
Financial charges	10	**(290,192)**	(243,163)
Share of profit of equity accounted investee	17	**25,046**	45,839
Loss before zakat		**(1,057,782)**	(805,529)
Zakat	29	**(99,508)**	(31,000)
Loss for the year		**(1,157,290)**	(836,529)
Other comprehensive income			
Items that will be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of equity accounted investee	17	**28,651**	41,382
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefit obligations	27	**6,609**	7,499
Other comprehensive income for the year		**35,260**	48,881
Total comprehensive loss for the year		**(1,122,030)**	(787,648)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	12, 38	**(1.02)**	(0.90)

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

Chairman Board of Directors	Chief Executive Officer	Chief Financial Officer

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021 (Restated – Note 38)	As at 1 January 2021 (Restated – Note 38)
Assets				
Non-current assets				
Property and equipment	13	**5,064,924**	5,364,992	5,609,660
Right-of-use assets	14	**57,291**	67,701	84,250
Investment properties	15	**4,739,035**	4,831,742	4,906,277
Intangible assets	16	**4,275**	4,430	7,877
Investment in equity accounted investees	17	**2,586,740**	2,533,043	2,445,822
Development properties	18	**565,935**	578,451	864,263
Unbilled revenue	20	**588,849**	622,654	1,083,126
Employees' receivable - home ownership scheme	22	**60,123**	75,681	85,871
Restricted cash	21	**45,389**	101,199	100,000
Total non-current assets		**13,712,561**	14,179,893	15,187,146
Current assets				
Development properties	18	**820,802**	838,275	596,384
Unbilled revenue	20	**154,676**	520,913	591,065
Current portion of employees' receivable - home ownership scheme	22	**3,858**	4,116	4,214
Trade receivables and other current assets	19	**425,594**	586,798	644,236
Short-term investments		**-**	-	101,358
Restricted cash – current portion	21	**6,333**	6,522	11,798
Cash and cash equivalents	21	**82,141**	240,433	63,106
Total current assets	1	**1,493,404**	2,197,057	2,012,161
Total assets		**15,205,965**	16,376,950	17,199,307
Equity and liabilities				
Equity				
Share capital	23	**11,333,333**	11,333,333	8,500,000
Statutory reserve	24	**11,536**	11,536	11,536
Accumulated losses		**(4,690,092)**	(3,568,062)	(2,761,636)
Total equity		**6,654,777**	7,776,807	5,749,900
Non-current liabilities				
Long-term borrowings	25	**76,917**	2,378,533	5,475,161
Lease liabilities	14	**25,815**	36,556	51,319
Employee benefit obligations	27	**40,841**	43,371	61,937
Total non-current liabilities		**143,573**	2,458,460	5,588,417

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

Chairman Board of Directors | **Chief Executive Officer** | **Chief Financial Officer**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of financial position (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021 (Restated – Note 38)	As at 1 January 2021 (Restated – Note 38)
Current liabilities				
Lease liabilities - current portion	14	**55,448**	45,005	40,799
Long-term borrowings - current portion	25	**5,962,373**	3,579,797	2,964,709
Short-term borrowings	26	**201,765**	198,773	472,933
Trade and other payables	28	**1,809,318**	2,169,584	2,186,264
Other provisions	31	**163,253**	-	-
Zakat provision	29	**215,458**	148,524	196,285
Total current liabilities	1	**8,407,615**	6,141,683	5,860,990
Total liabilities		**8,551,188**	8,600,143	11,449,407
Total equity and liabilities		**15,205,965**	16,376,950	17,199,307

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

Chairman Board of Directors **Chief Executive Officer** **Chief Financial Officer**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated losses	Total Equity
Balance as at 1 January 2021 (Restated – Note 38)		8,500,000	11,536	(2,761,636)	5,749,900
Loss for the year		-	-	(836,529)	(836,529)
Other comprehensive income for the year		-	-	48,881	48,881
Total comprehensive loss for the year		-	-	(787,648)	(787,648)
Increase in share capital from converting long-term loan to equity	23	2,833,333	-	-	2,833,333
Transaction costs arising from conversion of long-term loan to equity	23	-	-	(18,778)	(18,778)
Balance as at 31 December 2021 (Restated – Note 38)		11,333,333	11,536	(3,568,062)	7,776,807
Balance as at 1 January 2022 (Restated – Note 38)		**11,333,333**	**11,536**	**(3,568,062)**	**7,776,807**
Loss for the year		-	-	**(1,157,290)**	**(1,157,290)**
Other comprehensive income for the year		-	-	**35,260**	**35,260**
Total comprehensive loss for the year		-	-	**(1,122,030)**	**(1,122,030)**
Balance as at 31 December 2022		**11,333,333**	**11,536**	**(4,690,092)**	**6,654,777**

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

Chairman Board of Directors | **Chief Executive Officer** | **Chief Financial Officer**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December 2022	2021 (Restated – Note 38)
Operating activities			
Loss before zakat		**(1,057,782)**	(805,529)
Adjustments for:			
Depreciation on property and equipment	13	**228,950**	234,625
Depreciation on investment properties	15	**39,169**	51,194
Depreciation on right-of-use assets	14	**10,410**	16,549
Impairment loss on financial and contract assets	19, 20	**63,033**	55,490
Amortization	16	**1,865**	8,023
Financial charges	10	**290,192**	243,163
Share of results of equity accounted investees	17	**(25,046)**	(45,839)
Financial income		**(1,891)**	(558)
Interest income on unwinding of unbilled revenue		**(480)**	(34,529)
Gain on disposal of investment properties	11	**(7,876)**	(13,535)
Provision for development properties		**409**	38,701
Impairment reversal on investment properties	15	**(11,853)**	(6,064)
Impairment on property and equipment	13	**26,069**	15,560
Impairment on investment properties	15	**32,917**	-
Capital work in progress write-off	13	**46,523**	-
Interest income on unwinding of employees' receivable – home ownership scheme		**(4,352)**	2,952
Provision for employees benefit obligations	27	**13,581**	14,083
		(356,162)	(225,714)
Changes in operating assets and liabilities:			
Development properties		**48,890**	20,659
Employees' receivable – home ownership scheme		**20,168**	7,336
Unbilled revenue		**400,522**	553,174
Trade receivables and other current assets		**98,171**	13,927
Trade and other payables		**(360,266)**	(12,575)
Other liabilities		**163,253**	-
Restricted cash balances received		**189**	5,276
Net cash generated from operations		**14,765**	362,083
Financial charges paid on borrowings		**(197,957)**	(112,392)
Financial charges paid on lease liabilities		**(2,153)**	(2,871)
Zakat paid	29	**(32,574)**	(78,761)
Employee benefit obligations paid	27	**(9,502)**	(25,150)
Net cash (used in) / generated from operating activities		**(227,421)**	142,909
Investing activities			
Investment in short-term deposits		**(80,112)**	(598,230)
Proceeds from maturity of short-term deposits		**80,112**	699,588
Additions to property and equipment	13	**(1,474)**	(7,294)
Additions to investment properties	15	**(8,176)**	(2,564)
Financial income		**1,891**	558
Proceeds from sale of investment properties		**29,216**	30,065
Restricted cash balances received		**55,810**	-
Restricted cash balances disbursement		-	(1,199)
Additions to intangible assets	16	**(1,710)**	(2,799)
Net cash generated from investing activities		**75,557**	118,125

Chairman Board of Directors **Chief Executive Officer** **Chief Financial Officer**

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December 2022	2021 (Restated – Note 38)
Financing activities			
Proceeds from loans and borrowings		**148,303**	3,980
Repayments of loans and borrowings		**(154,433)**	(55,481)
Transaction cost for increase in share capital		**-**	(18,778)
Principal element of lease repayments		**(298)**	(13,428)
Net cash used in financing activities		**(6,428)**	(83,707)
et (decrease) / increase in cash and cash equivalents		**(158,292)**	177,327
Cash and cash equivalents at the beginning of the year		**240,433**	63,106
Cash and cash equivalents at the end of the year	21	**82,141**	240,433
Non-cash supplementary information	34		

The accompanying notes from 1 to 40 form an integral part of the consolidated financial statements, which have been authorised for issue by the Board of Directors on behalf of the shareholders and signed on its behalf by:

Chairman Board of Directors	**Chief Executive Officer**	**Chief Financial Officer**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information

Emaar The Economic City (the "Company" or the "Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 2533, dated 3 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration ("CR") number 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006. The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

The Company is engaged in the development of real estate in the economic or other zones and other development activities including infrastructures, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, construction on behalf of other parties, lease of real estate for different purposes, operate educational institutions and hotels. The main activity of the Company is the development of the King Abdullah Economic City ("KAEC").

These consolidated financial statements include the results, assets and liabilities of the following registered branches of the Group:

Branch	**CR number**
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The following subsidiaries are primarily involved in development, investments, marketing, sale/lease, operations and maintenance of properties, providing higher education and establishment of companies:

Name	**Country of incorporation**	**Year of incorporation**	**Effective ownership percentage as at 31 December (directly or indirectly)**	
			2022	**2021**
Economic Cities Investments Company Limited ("ECIC")	Kingdom of Saudi Arabia	2010	**100%**	100%
Industrial Zones Development Company Limited ("IZDCL")	Kingdom of Saudi Arabia	2011	**100%**	100%
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	**100%**	100%
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	**100%**	100%
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	**100%**	100%
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	**100%**	100%

1 General information (continued)

Going Concern

The Group incurred a loss of Saudi Riyals 1,157.3 million (for the year ended 31 December 2021: loss of Saudi Riyals 836.5 million) and had negative operating cash flows amounting to Saudi Riyals 227.4 million for the year ended 31 December 2022 (positive operating cash flows for the year ended 31 December 2021 of Saudi Riyals 142.9 million). In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 6,914.2 million and it had accumulated losses amounting to Saudi Riyals 4,690.1 million as at 31 December 2022 (31 December 2021: current liabilities exceed current assets by Saudi Riyals 3,944.6 million and accumulated losses amounted to Saudi Riyals 3,568.1 million). In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in borrowings with outstanding balance of Saudi Riyals 2,777.5 million (See note 25) as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

King Abdullah Economic City ("KAEC" or the "City") was announced in 2005, and development began in 2006. The City is intended to be a hub for various economic sectors, including industry, logistics, and tourism. It is planned to include residential areas, commercial centers, and other amenities, such as schools, hospitals, and recreational facilities. KAEC has faced challenges related to investment and development, besides logistical and infrastructure challenges. Building a city from scratch on a large scale is a complex undertaking, and KAEC has faced delays and setbacks related to the construction of infrastructure. However, over the years, the Group has done massive development in the City. Apart from the Industrial Valley, the City has six distinctive residential districts each with its unique construction, location and facilities. Further, the City has multiple fully developed and functional facilities like luxury hotels, 18 hole championship golf course, resorts, beaches, cinemas, yacht club, karting center, lagoon campsite, art center, malls, schools, college, medical facilities, labor village etc. The Group is currently going through a restructuring and is focusing on the following:

a) Industrial Valley

KAEC's Industrial Valley ("IV") is considered one of the most sought-after industrial and logistics destinations in the country benefiting from close proximity to the King Abdullah Port ("KAP" or the "Port"), one of the largest and most advanced seaports in the region. KAP is also the first privatised port in the Kingdom of Saudi Arabia. The Government's National Industrial Plan prioritizes logistics and transportation, and the Port should drive additional logistics investment in the city in this regard.

The sales and leasing activities for land in IV are demonstrating a positive trend over the past three years, which demonstrates the increased demand in the area and reflects the increasing interest in the industrial warehousing and logistics sector as an asset class in the Kingdom of Saudi Arabia as the government has been trying to diversify the economy.

The direct link between the IV and King Abdullah Port in KAEC makes the IV a global logistics hub and an access point to reach 250+ million consumers in the Middle East and North Africa, making it one of the key drivers of the Saudi economy. It incorporates five industrial clusters: FMCG/foods, logistics, pharmaceuticals, plastics, and building materials. Additionally, it provides ready industrial lands connected to a state-of-the art infrastructure.

The IV is also now becoming a hub for Electric Vehicles (EV) and other automotive manufacturing companies in the Kingdom of Saudi Arabia. During 2022, the Company entered into the following agreements:

- Lucid Company - Lease of an industrial plot in IV with a purpose to construct and operate an automotive manufacturing and assembly facility together with all ancillary services.
- CEER National Automotive Company - Industrial land sale contract in IV to build and operate a specialised factory to manufacture electric vehicles.

Also, there are other auto vehicle manufacturing companies which are already operating in the IV. Further, the Group is currently in discussion with other local entities, interested in establishing an auto parts business, for sale of land.

b) Tourism

The Group is now focusing on making KAEC Saudi Arabia's top all-purpose tourist destination and provide tourists with top-notch travel and leisure opportunities. The creation of distinctive tourist attractions, leisure and entertainment opportunities, locations for events, and outstanding hospitality services for Saudi Arabia's local tourists from all areas as well as foreign visitors. The Group plans to develop an entertainment district which will include two theme parks, a motor park and approximately 2,100+ hotel rooms.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information (continued)

Going Concern (continued)

The Group has signed a framework cooperation agreement with the Tourism Development Fund, "FTG Development Company", Albilad Investment Company and "Ekofine Holding BV" to start the procedures for establishing a Saudi Riyals 1.8 billion closed and private investment fund. The fund will be responsible to develop and operate a five-star comprehensive resort and hotel with a water park and luxury overwater villas under the brand of Rixos, one of the trademarks owned by Accor International. The Rixos Emerald Shores project is one of the largest tourist resorts targeted to be established in KAEC and is unique in the Kingdom of Saudi Arabia as it is planned that the resort will be constructed on a land of a total area of 275 thousand square meters.

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management's plans to generate sufficient cash flows from debt restructuring, additional funding from shareholders and the sale of properties is of immense significance to meet both the Group's obligations when they become due and to continue its operations without significant curtailment. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

At 31 December 2022	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	6,687,674	419,965	721,282	251,958	**8,080,879**
Trade and other payable	822,680	-	-	-	**822,680**
Short term borrowings	201,765	-	-	-	**201,765**
Lease liabilities	57,167	9,822	20,859	-	**87,848**
Total	**7,769,286**	**429,787**	**742,141**	**251,958**	**9,193,172**

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan for twelve months from 31 December 2022 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasted cash flows taking into account reasonably possible outcomes over a twelve-month period from 31 December 2022. This plan principally includes:

Plan	Description	Amount (Saudi Riyals)	Details
Debt restructuring	Loan due to Ministry of Finance ("MoF") - Note 25 (b)	2,531.0 million	The Group is in discussion with the MoF to finalise a restructuring agreement to defer the repayment of the loan obligation amounting to Saudi Riyals 2,531.0 million, to be payable starting from June 2024, in six equal annual installments, including interest due of Saudi Riyals 363.9 million, classified under current liabilities. As disclosed in Note 25, previously, the Group received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein the MoF approved conversion of accrued interest, amounting to Saudi Riyals 363.9 million, as principal outstanding and deferral of the obligation, amounting to Saudi Riyals 2,531.0 million, with repayments starting from June 2024.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Plan	Description	Amount (Saudi Riyals)	Details
Debt restructuring	Loan due to local banks – Note 25 (c), (d), (e), (f)	3,362.9 million	The Group is currently preparing a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the banks. However, in the intervening period, the Group has applied for support from all of the commercial banks, during which the Group has requested the commercial banks to postpone the principal repayments of the existing borrowing facilities. Although to date, the Group has only received the acknowledgement of support from one commercial bank relating to an outstanding obligation of Saudi Riyals 114.1 million, nonetheless, the Group's management is confident that acknowledgements will be received from the remaining commercial banks as well. The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to Saudi Riyals 3,246.4 million, disclosed in Note 25. During the year ended 31 December 2022, the Group has not complied with the requirements of covenants related to long-term borrowing facilities with an outstanding obligation of Saudi Riyals 3,246.4 million. Consequently, the management has classified the outstanding obligation under current liabilities. The management has applied to the lenders to obtain a waiver and one of the lenders confirmed via vide letter dated 29 June 2022 that the request is in process. Also, during the year ended 31 December 2022, the Group signed a restructuring agreement, with one of the lenders, containing repayments from June 2023. On this basis, the Group's management is confident that waivers on all loans where the Group is in breach of its covenants, are expected to be granted.
New financing	Loan from Public Investment Fund ("PIF")	850.0 million	During December 2022, the BoD passed a resolution to start discussions with the three major shareholders to obtain an additional finance facility amounting to Saudi Riyals 1,000 million. Subsequently, during February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to Saudi Riyals 1,000 million to be repaid after 18 months through a single bullet payment at maturity. Financial costs on the facility will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. Management expects to draw down Saudi Riyals 850 million from this facility.
New financing	Additional funding from shareholders	800.0 million	The Group expects to receive additional funding, amounting to Saudi Riyals 800 million, from its shareholders during the course of the next twelve months period.
Cost optimization	Operational performance	-	The Group has commenced an exercise to identify operational areas for cost optimization. Various measures are being considered to preserve cash and improve the overall liquidity position as a result of various cost optimization initiatives.

Plan	**Description**	**Amount (Saudi Riyals)**	**Details**
Sale of properties	Operational performance	803.3 million	The Group has identified certain plots of land and properties for sale on which discussions are going on and it expects to generate aggregate cash amounting to Saudi Riyals 803.3 million within twelve months from the date of the consolidated statement of financial position. The Group expects multiple sales discussions to materialize over the course of the next twelve months period.
Collection from operations and receivables	Operational performance	438.4 million	The Group expects to generate cash flows from its operating assets and collection from the outstanding receivables amounting to Saudi Riyals 438.4 million, over the course of the next twelve months period.

Based on the above plan, the Group's cash flow forecast for the twelve-month period from the reporting date indicates a net positive cash flow position amounting to Saudi Riyals 608.3 million. Although, there is a material uncertainty related to the successful execution and conclusion of the above plan, management has considered a base case scenario only as management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders and sale of properties is highly probable and these plans will be successful and materialise as expected and that it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the functional currency of all entities within the Group. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The presentation currency of the Group is also Saudi Riyals. All figures are rounded off to the nearest Saudi Riyals thousands except when otherwise indicated.

3 Critical accounting estimates and judgements

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

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3 Critical accounting estimates and judgements (continued)

The key assumption concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

3.1 Judgements

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the sale agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into, to provide real estate assets to customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. Based on this, the Group recognizes revenue over time. Where this is not the case, revenue is recognized at a point in 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 projects in order to determine the amount of the revenue to be recognized.

Debt to equity swap accounted for under IFRIC 19

During the prior year, the Company increased its share capital through conversion of debt (refer Note 23 and Note 25). The Company has considered that for the purpose of fair valuation of shares, level 3 inputs were more appropriate since the shares issued have not been listed and are not part of free float shares of the Company.

Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Refer Note 1.

Classification of infrastructure assets

The Group's management has made an assessment that the primary infrastructure of the Group is controlled by the Group and benefits the operations of the Group as a whole. Accordingly, the primary infrastructure has been classified as 'property and equipment' in the consolidated financial statements.

The infrastructure assets include main roads, sidewalks and pavements, signals, bridges, electric substations, electric lines, landscaping, drainage, sewerage lines which have been built around the City (the "Primary infrastructure").

Management has evaluated the following aspects to ascertain whether the primary infrastructure assets meet the definition of asset to the Group;

a) <u>Rights to the infrastructure assets</u>

The Group holds the control to the infrastructure assets and has no contractual obligation to transfer control over the primary infrastructure assets to any regulatory authority or customers. Where the customers use the primary infrastructure, for example, main roads, the Group has judged the customers have been provided with right of way over the Land of the Group and this does not transfer control to the customers.

b) <u>Potential to produce economic benefit</u>

The Group's infrastructure assets provide benefit to all the revenue streams of the Group as the assets provide support to the operations of the Group.

c) <u>Control</u>

The Group has the present ability to direct the use of the primary infrastructure assets.

3 Critical accounting estimates and judgements (continued)

Based on the above assessment, management has judged that the Group controls and benefits from the primary infrastructure assets and accordingly the primary infrastructure should be recognized as an asset and classified as 'property and equipment' in the consolidated financial statements.

3.2 Estimations and assumptions

Provision for expected credit losses (ECLs) of trade receivables and unbilled revenue

The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue. The provision matrix is initially based on the Group's historically observed rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information at each reporting date. The following components have a major impact on ECL allowance: definition of default, significant increase in credit risk, probability of default (PD), exposure at default (EAD) and loss given default (LGD), as well as models of macro-economic scenarios used as forward-looking information. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The information about the ECL on the Group's trade receivables is disclosed in Note 19.

An increase or decrease of 10% in the loss rates (PD and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 44.72 million or a decrease of Saudi Riyals 89.44 million, respectively, in the ECL allowance.

Useful lives of property and equipment and investment properties

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

As at 31 December, 2022, if the estimated useful life of the property and equipment and investment properties' increased or decreased by 10%, with all other variables held constant, total comprehensive loss for the year ended would have been Saudi Riyals 282.59 million higher or Saudi Riyals 231.21 million lower respectively.

Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include, amongst other items, the construction costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

Estimation of recoverable amount of property and equipment, investment properties and right-of-use assets

Property and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For details on the impairment assessment methodology, see Notes 13, 14 and 15.

Estimation of net realisable value of development properties

Development properties are stated at the lower of cost and net realisable value ("NRV"). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale. NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions. Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV. For details on the estimation of net realizable value, seen Note 18.

4 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

4.1 Basis of Consolidation

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group 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.

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 shareholders of the investees;
- 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 year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus on statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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

The financial statements of subsidiaries are prepared for the same reporting period using the same accounting framework as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

4 Significant accounting policies (continued)

4.1 Basis of Consolidation (continued)

(b) Investment in equity accounted investees (associate and joint venture)

Associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's investment in associate and joint venture are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associate and joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate and joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The financial statements of the associate and joint venture are prepared for the same reporting period and the same accounting framework as the Group.

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

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

Refer to Note 17 for information related to equity accounted investees.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control 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 exceeds its interest in associate or joint venture, the carrying amount of that interest 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.

4 Significant accounting policies (continued)

4.2 Current versus non-current classification

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

(a) Expected to be realized or intended to be sold or consumed in the normal operating cycle;
(b) Held primarily for the purpose of trading;
(c) Expected to be realized within twelve months after the reporting period; or
(d) 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:

(a) Expected to be settled in the normal operating cycle;
(b) Held primarily for the purpose of trading;
(c) Due to be settled within twelve months after the reporting period; or
(d) No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue is recognised, when the Group satisfies the performance obligations as specified in the contract with the customer. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over properties to a customer and when the specific criteria have been met for each of the Group's activities.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability and is recognized as advance from customers within accrued and other liabilities.

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:

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability and is recognized as advance from customers within accrued and other liabilities.

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

Step 1. Identify the contract 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 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.

4 Significant accounting policies (continued)

4.3 Revenue recognition (continued)

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer. The promised consideration can vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. An amount of consideration can vary due to discounts, rebates, refunds, credits, incentives, penalties or other similar items. The variability relating to the consideration promised by a customer, if any, is explicitly stated in the contract. Accordingly, the Group estimates the amount of variable consideration by using the most likely amount in accordance with the terms of the contract.

For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

The Group satisfies a performance obligation and recognises revenue 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 none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

Sale of development properties

Revenue on sale of development properties is recognised when control over the properties has been transferred to the customer, which is considered to be over time, as the performance obligation is satisfied over a period of time. The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land and infrastructure. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units or land is typically considered one performance obligation.

Invoices are billed as per the payment schedule agreed with the customers which are payable within 30 days.

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

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 projects in order to determine the amount of the revenue to be recognized and the input method faithfully depicts the development of the properties

The Group provides certain warranties that provide assurance with respect to the development properties. These are backed by the warranties provided by the sub-contractors.

4 Significant accounting policies (continued)

4.3 Revenue recognition (continued)

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred or incentive in negotiating and arranging an operating lease is considered an integral part of the carrying amount of the leased contract and recognized on a straight-line basis over the lease term.

Rental revenue on percentage of turnover basis is recorded based on turnover of the respective tenants.

Service revenue

Revenue from rendering of services is recognized over a period of time when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Invoices are billed on a monthly basis to the customers which are payable within 30 days.

Hospitality and leisure revenue

It comprises of revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from rooms and other associated services, performance obligation is satisfied over time and revenue is recognized on a daily basis, as the rooms are occupied, and services are rendered, which faithfully depicts the services provided to the customer. In case of foods and beverages, revenue is recognised at a point in time.

Invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are billed. For corporate customers, invoices are payable within 30 days.

Leisure revenue comprises revenue from golf membership and other entertainment activities. Revenue from golf membership is recognised over time, as the performance obligation is satisfied which faithfully depicts the services provided to the customer. Revenue from other entertainment activities is recognised at a point in time.

The golf membership fees and payment for other entertainment is received in advance.

Education revenue

It comprises of revenue from tuition fees and other fees. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from tuition fees, performance obligation is satisfied over time and revenue is recognized on a monthly basis, as the education services are rendered to the customers. In case of other fees, revenue is recognised at a point in time.

Invoices are billed as per the payment terms agreed with the customers in respect of tuition fees which are payable within 30 days.

For other fees, invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are generated.

Significant financing component

In cases where deferred payment terms are agreed, the transaction price is adjusted to reflect the impact of significant financing component.

4 Significant accounting policies (continued)

4.4 Cost of revenue

Cost of revenue includes the cost of land, development and other service-related costs. The cost of revenue is proportionate to sold units and is based on the cost incurred to-date to the estimated total costs for each project. The costs of revenues in respect of hospitality and leisure business, services, education and rental income is based on the cost of providing the services.

4.5 Selling, marketing and general and administrative expenses

Selling and marketing 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 sales and marketing functions. All other expenses, except for financial charges, depreciation, amortization and impairment loss are classified as general and administrative expenses. Allocations of common expenses between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

4.6 Zakat and taxes

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia. Provision for Zakat for the Company and Zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law. Such withholding tax is recorded as a liability.

Value added tax ("VAT") and real estate transaction tax

During the year 2020, the ZATCA announced that pursuant to the Royal Decree No. (A/84) dated 1 October 2020, the disposal of real estate in the Kingdom of Saudi Arabia by way of certain transactions resulting in a transfer of legal ownership or possession will be VAT exempt and subject to a 5% real estate transaction tax ("RETT"). RETT is applicable on the transaction that took place on or after 4 October 2020. However, as per the RETT law, the licensed real estate developer can recover input VAT on the property sold after 4 October 2020.

Other than disposal of real estate transactions covered under RETT law, the Group is subject to Value Added Tax ("VAT") for the supply of other goods and services in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on purchases other than claimable under RETT law ("Input VAT"). The Group reports revenue and purchases net of VAT for all the periods presented in the consolidated statement of profit or loss and other comprehensive income. However, Input VAT related to exempt supplies, is added to the cost of purchases whereas Input VAT related to mixed supplies is claimed using the proportional default rate formula.

4.7 Financial income and financial costs

Financial income and expenses are recognised within financial income and financial costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

4 Significant accounting policies (continued)

4.7 Financial income and financial costs (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the financial income or financial expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

4.8 Foreign currencies

Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The consolidated financial statements are presented in "Saudi Riyals", which is the Group's presentation as well as functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling 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 in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

4.9 Property and equipment

Recognition and measurement

Property and equipment are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). Such cost also includes the borrowing costs for long-term construction projects if the recognition criteria are met.

When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

The Group adopts the cost model to measure the entire class of property and equipment. After recognition as an asset, an item of property and equipment is carried as its cost less any accumulated depreciation and impairments, if any.

The cost of replacing a major 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. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

4 Significant accounting policies (continued)

4.9 Property and equipment (continued)

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

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable. Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use.

Reversal of impairment losses other than goodwill impairment recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

Depreciation

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Freehold land and capital work-in-progress are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Depreciation methods, useful lives and residual values are reviewed periodically and adjusted if required.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the capital work-in-progress account. Capital work in progress are carried at cost less any recognized impairment loss. The cost of an item of capital-work-in-progress comprises its purchase price, construction / development cost and any other directly attributable cost to the construction or acquisition of an item intended by management. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies. Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in progress is not depreciated.

4.10 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

4 Significant accounting policies (continued)

4.10 Leases (continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets:

The Group recognises a right-of-use asset and lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. Subsequently, it is measured at cost less accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of use assets is determined on the same basis as those of property and equipment. The recognised right-of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities:

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the labilities.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate ("IBR") is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. Lease payments are allocated between principal and financial 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.

4 Significant accounting policies (continued)

4.10 Leases (continued)

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group enters into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognized in the consolidated statement of profit or loss and other comprehensive income in accordance with the terms of the lease contracts over the lease term on a systematic basis as this method is more representative of the time pattern in which use of benefits are derived from the leased assets. The Group recognises lease income for variable payment that depends on the percentage of sales of the lessor in the period to which it relates to. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Lease incentives or any escalation in the lease rental are recognized as an integral part of the total lease receivable and accounted for on a straight-line basis over the term of the lease. Contingent rents are recognized as revenue in the period in which they are earned.

The Group operates an “Employee Home Ownership Scheme” which is categorized as a finance lease. Under the scheme, the Group sells the built units to employees under interest free finance lease arrangement for a period of twenty years. Generally, the employee is entitled to continue in the scheme, even after retirement, resignation or termination from the Group. The gross value of the lease payments is recognized as a receivable under employee home ownership scheme. The difference between the gross receivable and the present value of the receivable is recognized as an unearned interest income with a corresponding impact in the consolidated statement of profit or loss and other comprehensive income as an employee benefit expense. Financial income is recognized in the consolidated statement of profit or loss and other comprehensive income over the term of the lease using the effective rate of interest. In case of cancellation of the employee home ownership contract by the employee, the amount paid by the employee under the scheme is forfeited and recognized in the consolidated statement of profit or loss and other comprehensive income.

4.11 Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, 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 respective asset. All other borrowing costs are expensed in the period in which they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

4 Significant accounting policies (continued)

4.12 Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss and other comprehensive income in the period of derecognition.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

If an investment property becomes owner-occupied, it is reclassified to property and equipment. It's carrying amount at the date of reclassification becomes its cost for subsequent accounting as property and equipment. Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the investment property no longer exist or have reduced.

4.13 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles 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.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

4 Significant accounting policies (continued)

4.13 Intangible assets (continued)

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

4.14 Trade receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection is due for settlement within a year they are classified as current. If not, they are presented as non-current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

4.15 Impairment of non-financial assets other than development properties

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU's) fair value less costs of disposal and its 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 assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rate that reflects current market assessments of the time value of money. 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.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4.16 Development properties

Properties acquired, constructed or in the course of construction and development for sale are classified as development properties and are stated at the lower of cost and net realizable value. The cost of development properties 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 based on the market prices at the reporting date, less the estimated costs of completion and selling expenses.

The management reviews the carrying values of development properties on an annual basis.

At each reporting date, the management categorizes the development properties as current or non-current based on their expected realisation date.

4 Significant accounting policies (continued)

4.17 Financial instruments

Initial recognition – Financial assets and financial liabilities

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

Financial assets

Initial Measurement
At initial recognition, except for the trade receivables which do not contain a significant financing component, the Group measures a financial asset at its fair value. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value of the respective financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and other comprehensive income, if any.

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:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The category most relevant to the Group is financial assets measured at amortized cost.

The Group has not classified any financial asset as measured at fair value through consolidated statement of profit or loss and other comprehensive income.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets measured at amortized cost include trade receivables, employees' receivable – home ownership scheme, due from related parties, Murabaha term deposits with banks and cash and cash equivalents.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less impairment (if any). Amortized 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 financial income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the consolidated statement of profit or loss and other comprehensive income.

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

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or it transfers substantially all the risks and rewards of ownership of the financial asset.

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 requires an entity to follow an expected credit loss ("ECL") model for the impairment of financial assets. It is no longer necessary for a credit event to have occurred for the recognition of credit losses. Instead, an entity, using expected credit loss model, always accounts for expected credit losses and changes therein at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

Expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for the amounts that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, with a significant financing component, a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, an entity can choose to provide for the expected losses based on lifetime ECL. The Group has chosen to avail the option of lifetime expected credit losses ("ECL"). Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors (forecasted gross domestic product and inflation rate) specific to the debtors and the economic environment.

For trade receivables with no significant financing component, an entity is required to follow lifetime ECL.

A default on trade receivable occurs when the counterparty fails to make contractual payments within 90 days when they fall due.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficult of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganizations; or the disappearance of an active market for a security because of financial difficulties.

4 Significant accounting policies (continued)

4.17 Financial instruments (continued)

Financial liabilities

Initial measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income, loans and borrowings and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, lease liabilities, accrued expenses and borrowings.

Classification and subsequent measurement
An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market commission rate.
- contingent consideration recognized by 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 consolidated statement of profit or loss and other comprehensive income.

All of the Group's financial liabilities are subsequently measured at amortized cost using the EIR method, if applicable. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 the consolidated statement of profit or loss and other comprehensive income.

Reclassification
The Group cannot reclassify any financial liability.

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 the consolidated statement of profit or loss and other comprehensive income.

Financial guarantee contracts
Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

4 Significant accounting policies (continued)

4.18 Offsetting of financial instruments

Financial assets and financial liabilities are off-set 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 to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

4.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the EIR method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised for liquidity services and amortised over the period of the facility to which it relates. This fee is presented within bank borrowings and shown as a reduction from total outstanding amount.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or financial costs.

When an existing borrowing is replaced by another from the same lender on substantially different terms, or the terms of an existing borrowing 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 recognised in the profit or loss. If the modification or exchange is not accounted for as an extinguishment (i.e., the modified instrument is not considered substantially different from the original debt instrument), the Group recalculates the borrowing's carrying amount by discounting the new modified cash flows at the original effective interest rate. The difference i.e., the modification gain or loss, if related to finance a qualifying asset are included in borrowing costs and added to the cost of the qualifying asset. Otherwise, it is immediately recognised in the profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.20 Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss and other comprehensive income.

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.

4 Significant accounting policies (continued)

4.21 Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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.

Defined benefit plans
The Group maintains an unfunded defined benefit plan for employees' termination / end of service benefits in accordance with the Saudi Arabian Labor Law.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

For the liability relating to employees' terminal benefits, the actuarial valuation process takes into account the provisions of the Saudi Arabian Labour Law as well as the Group's policy.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the consolidated statement of financial position date on government bonds issued in the Kingdom of Saudi Arabia.

4.22 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.23 Debt to equity swap

When the Group issues equity instruments in settlement of a lability owed by the Group or engages in a modification of a liability such that it is converted to equity, the Group accounts for the transaction as a Debt-to-Equity Swap (the 'Swap'). In this respect, the Group applies the applicable IFRS and related interpretations to account for the Swap as follows:

a. Swap accounted for under IFRIC 19:

Equity instruments issued to a creditor to extinguish all or part of a financial liability are treated as consideration paid and are measured at their fair value at the date of extinguishment. However, if that fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability and the consideration paid (including the equity instruments issued) should be recognised in profit or loss and disclosed separately.

b. Swap not accounted for under IFRIC 19:

IFRIC 19 does not apply to a Swap whereby:

- the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;

4 Significant accounting policies (continued)

4.23 Debt to equity swap (continued)

- the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or
- the extinguishment of the financial liability by issuing equity shares is in accordance with the original terms of the financial liability

In such cases, where the creditor is a shareholder acting in its capacity as such, or where the entity and the creditor are under common control and the substance of the transaction includes a distribution by, or capital contribution to, the entity. Such transactions are accounted for either in a manner similar to that required by IFRIC 19 or by recording the equity instruments issued at the carrying amount of the financial liability extinguished so that no profit or loss is recognised.

4.24 Restricted cash

Restricted cash is the deposits that are subject to certain restrictions and not available for general use by the Group. Restricted cash is not part of cash and cash equivalents.

4.25 Murabaha term deposits with banks

Murabaha term deposits with banks include placements with banks with original maturities of more than three months and less than one year from the placement date.

4.26 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

4.27 Segment reporting

An operating segment is a component of an entity:

- that is 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;
- whose operating results are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

For further details of business segments, refer Note 33.

A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Since the Group operates in the Kingdom of Saudi Arabia only, hence, no geographical segments are being presented in these consolidated financial statements.

5 New standards, interpretations and amendments

New and amended standards adopted by the Group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 New standards, interpretations and amendments (continued)

New standards and interpretations not yet adopted

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

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendment to IAS 1 – Non current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management is currently evaluating these amendments and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Revenue

	31 December 2022	31 December 2021
Types of revenue from contracts with customers:		
Utilities and other related services ("City operations")	**129,843**	116,028
Accommodation	**61,850**	94,386
Tuition and other fees ("Education")	**42,478**	36,018
Sale of development properties	**38,454**	43,568
Food and beverages and other related services	**22,491**	18,583
Leisure services	**7,036**	8,660
Total	**302,152**	317,243
Timing of revenue recognition		
Over time	**276,248**	293,353
Point-in-time (*)	**25,904**	23,890
Revenue from contract with customers	**302,152**	317,243
Lease rental income		
Industrial	**50,293**	47,090
Residential	**10,822**	7,746
Total lease rental income	**61,115**	54,836
Total revenue	**363,267**	372,079

(*) Revenue from point-in-time includes food and beverage services amounting to Saudi Riyals 22.49 million, leisure services amounting to Saudi Riyals 3.18 million and education services amounting to Saudi Riyals 0.23 million.

The Group has right to payment for performance completed to date, therefore as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

7. Cost of revenue

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Depreciation		**225,308**	248,527
Salaries, wages and benefits		**94,422**	94,202
Maintenance		**83,061**	85,503
Impairment loss on non-financial assets	7.1	**58,986**	-
Cost of development properties sold	18	**46,394**	33,472
Utilities		**25,832**	42,610
Hospitality		**22,255**	24,829
Refurbishment cost		**4,014**	-
Provision for development properties	18	**409**	38,701
Others		**20,089**	41,290
		580,770	609,134

7.1 Refer Notes 13 and 15 for details related to impairment on non-financial assets.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Selling and marketing expenses

	31 December 2022	31 December 2021
Promotional expenses	**29,165**	44,004
Salaries and benefits	**25,042**	21,564
Branding and marketing costs	**3,663**	4,585
Advertising costs	**715**	2,078
Others	**3,163**	6,551
	61,748	78,782

9. General and administrative expenses

	31 December 2022	31 December 2021
Salaries and benefits	**181,410**	180,515
Professional and legal charges	**205,390**	31,509
Communication and office costs	**18,546**	17,333
Facility and city management services	**3,736**	6,972
Repairs and maintenance	**2,694**	2,048
Others	**10,857**	12,336
	422,633	250,713

10. Financial charges

	Note	31 December 2022	31 December 2021
Financial charges on loans and borrowings		**283,839**	236,668
Financial charges on leases	14	**2,153**	2,871
Bank charges		**4,200**	3,624
		290,192	243,163

11. Other operating income

	31 December 2022	31 December 2021
Reimbursement of expenses (see note (11.1) below)	**-**	35,075
Amortization of unearned interest (see note (11.2) below)	**16,501**	39,979
Gain on disposal of investment properties (see note (11.3) below)	**7,876**	13,535
Others	**1,109**	2,112
	25,486	90,701

11.1 The Group has entered into an agreement (the "Agreement") with two external parties to develop, finance and operate an academic educational institute ("Institute") at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the Institute, amounting to Saudi Riyals 35 million, incurred during 2021, has been accounted for as 'other income'. As at 31 December 2021, the above limit was fully utilized. Accordingly, no reimbursement was made for the net operating loss incurred during 2022. The Group under the Agreement is also entitled to receive an additional amount of USD 100 million. As at 31 December 2022, the Group is in the process of completing the legal formalities relating to obtaining such additional amount.

11 Other operating income(continued)

11.2 Unwinding of interest income on significant financing component amounts to Saudi Riyals 16.5 million (31 December 2021: Saudi Riyals 39.9 million).

11.3 During the year, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of Saudi Riyals 7.9 million (31 December 2021: Saudi Riyals 13.5 million).

12. Loss per share

Loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. The Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

The loss per share calculation is given below:

	31 December 2022	**31 December 2021 (Restated – Note 38)**
Loss attributable to ordinary equity holders of the parent	**(1,157,290)**	(836,529)
Weighted average number of ordinary shares ('000)	**1,133,333**	925,297
Loss per share (Saudi Riyals) – Basic and diluted	**(1.02)**	(0.90)

On September 26, 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company. Basic and diluted loss per ordinary share is calculated by dividing the loss attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the year. Refer Note 23 and Note 38.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings 10-50 years
- Heavy equipment & machinery 5-10 years
- Office equipment 3 years
- Infrastructure assets 10-30 years
- Leasehold improvements 2 – 10 years
- Furniture and fixtures 4 – 10 years
- Motor vehicles 4 years

	Freehold land	Buildings	Heavy equipment and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Infrastruc-ture assets	Capital work in progress (CWIP)	Total 2022
Cost:									
At the beginning of the year	**135,283**	**1,605,840**	**92,673**	**161,229**	**106,033**	**15,431**	**3,189,975**	**1,820,373**	**7,126,837**
Additions	**-**	**199**	**26**	**677**	**572**	**-**	**-**	**-**	**1,474**
Transfers	**-**	**71,352**	**-**	**-**	**-**	**-**	**23,370**	**(94,722)**	**-**
Write-off (note 13.4)	**-**	**-**	**-**	**-**	**(13)**	**-**	**-**	**(46,510)**	**(46,523)**
At the end of the year	**135,283**	**1,677,391**	**92,699**	**161,906**	**106,592**	**15,431**	**3,213,345**	**1,679,141**	**7,081,788**
Accumulated depreciation and impairment:									
At the beginning of the year	**-**	**554,609**	**65,300**	**153,796**	**96,894**	**15,431**	**875,815**	**-**	**1,761,845**
Depreciation charge for the year	**-**	**92,056**	**5,446**	**8,110**	**3,279**	**-**	**120,059**	**-**	**228,950**
Impairment charge for the year (note (13.5 and 13.8) below)	**-**	**15,487**	**-**	**-**	**-**	**-**	**-**	**10,582**	**26,069**
At the end of the year	**-**	**662,152**	**70,746**	**161,906**	**100,173**	**15,431**	**995,874**	**10,582**	**2,016,864**
Net book value									
At 31 December 2022	**135,283**	**1,015,239**	**21,953**	**-**	**6,419**	**-**	**2,217,471**	**1,668,559**	**5,064,924**

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

	Freehold land	Buildings	Heavy equipment and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2021
Cost:									
At the beginning of the year	135,283	1,605,714	91,658	161,158	106,596	15,431	3,190,000	1,815,480	7,121,320
Additions	-	126	990	71	1,214	-	-	4,893	7,294
Transfers (note (13.7) below)	-	-	25	-	(1,777)	-	(25)	-	(1,777)
At the end of the year	135,283	1,605,840	92,673	161,229	106,033	15,431	3,189,975	1,820,373	7,126,837
Accumulated depreciation and impairment									
At the beginning of the year	-	464,316	57,026	139,091	87,337	14,995	748,895	-	1,511,660
Charge for the year	-	74,733	8,274	14,705	9,557	436	126,920	-	234,625
Impairment charge for the year (note (13.5) below)	-	15,560	-	-	-	-	-	-	15,560
At the end of the year	-	554,609	65,300	153,796	96,894	15,431	875,815	-	1,761,845
Net book value									
At 31 December 2021	135,283	1,051,231	27,373	7,433	9,139	-	2,314,160	1,820,373	5,364,992

13.1 Depreciation charge for the year has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue	**176,448**	183,644
Operating expenses	**52,502**	50,981
	228,950	234,625

13.2 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC.

13.3 Freehold land amounting to Saudi Riyals 135 million (2021: Saudi Riyals 135 million), mainly relates to infrastructure and operating assets.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.4 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC. During the year ended 31 December 2022, the Company has written-off certain items in capital work in progress, which are no longer required for use.

13.5 During the year ended 31 December 2022, the Group has recognised an impairment loss and it has has been allocated as follows:

	31 December 2022	**31 December 2021**
Cost of revenues	**26,069**	-
Operating expenses	**-**	15,560
	26,069	15,560

13.6 During the years ended 31 December 2022 and 2021, no borrowing cost was capitalized as no development or construction of property, plant and equipment was carried out.

13.7 During the year ended 31 December 2021, certain assets amounting to Saudi Riyals 1.7 million were reclassified to intangible assets (2022: Nil).

13.8 Impairment:

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use.

i) The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCOD are as follows:

The Group engaged independent professionally qualified valuation expert i.e. Knight Frank Spain Saudi Arabia Real Estate Valuations Company ("Knight Frank") who holds recognised relevant professional qualification and has recent experience under IFRS 13 – Fair Value Measurement, in determining the fair values for properties in the locations and segments where the Group's properties are situated. Knight Frank is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

13. Property and equipment (continued)

13.8 Impairment (continued)

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer. Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates.

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The Group has a number of commercial centers, residential units, hotel and other leisure assets and under development properties. The Group considered each individual commercial center, hotel and other leisure asset as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated each of them as separate CGUs. In determining the fair value, the valuer has used an income approach for income-generating assets and residual value approach for under construction properties.

Valuation approach	**Description**
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

Significant inputs and adjustments to determine the fair value for properties are as follows:

Significant unobservable input	Basis of determination	2022
Average daily rate (ADR) growth in year 3	The growth in average daily rate in year 3 based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rates for similar properties and expected inflation in the economy.	4%-5%
Discount rates	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	11%-17%
Estimated occupancy rate in year 4	Based on current, historic and expected future market conditions.	75%
Absorption period	The time period during which available units are sold in a specific market.	102 months
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SAR 1,570 per SQM
Number of tickets sold	Based on the property's actual and forecasted demand	101,399
Number of events	Based on the actual and forecasted demand including external evidence from comparable properties.	21

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

The Group has relied on the valuation performed as at 31 December 2022.

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	Valuation approach	Discount rate	Year 3 ADR growth (%)	Year 4 Occupancy rate	# of tickets sold in Year 3	# of events	Carrying amount	Recoverable amount			Sensitivities (percentage impact on recoverable value of the CGUs)		
											Change in year 3 ADR growth rate		
											-1%	0%	1%
Hospitality assets -1	Income approach	11-12%	4%-5%	-	-	-	299,922	443,200	Change in discount rate	-0.50%	3.93%	6.32%	7.74%
										0%	-2.21%	-	1.78%
										0.50%	-7.69%	-5.60%	-3.93%
											Change in year 4 occupancy rate		
											-5%	0%	5%
Hospitality assets - 2	Income approach	11.5%	-	75%	-	-	136,146	160,300	Change in discount rate	-0.50%	-1.43%	7.11%	17.28%
										0%	-7.99%	-	9.61%
										0.50%	-13.85%	-6.30%	2.74%
											Number of events		
											81,399	101,399	121,399
Leisure asset - 1	Income approach	17%	-	-	101,399	-	1,664	50,100	Change in discount rate	-0.50%	-18.96%	3.99%	25.95%
										0%	-21.76%	-	21.16%
										0.50%	-24.55%	-3.59%	16.77%

13. Property and equipment (continued)

13.8 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	# of events held in Year 3	Sales rate per SQM	Absorption period	Carrying amount (SAR in 000)	Recoverable amount (SAR in 000)			Sensitivities (percentage impact on recoverable value of the CGUs)		
										Change in number of events in year 3		
										11	21	30
Leisure asset - 2	Income approach	17%	21	-	-	2,096	6,600	Change in discount rate	-0.50%	-50.00%	3.03%	39.39%
									0%	-51.52%	-	33.33%
									0.50%	-54.55%	-4.55%	27.27%
Leisure asset - 3	Market approach	13%	-	SAR 1,570	102 months	115,763	330,000	Change in Sales rate	10%		23.99%	
								Change in absorption period	-10%			
								Change in discount rate	-0.50%			
								Change in Sales rate	-10%		-22.60%	
								Change in absorption period	10%			
								Change in discount rate	0.50%			

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Property and equipment (continued)

13.8 Impairment (continued)

During the year ended 31 December 2022, management recorded impairment against the total carrying value of an asset classified under capital work in progress, which is no longer required for us, amounting to Saudi Riyals 10.58 million.

ii) The valuation methodology and related significant inputs and assumptions used by the management in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on value-in-use are as follows:

Value in use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

The key estimates and assumptions used by the Company's management for the value-in-use calculations were as follows:

- Projected cash flows using approved business plans;
- The discount rate used was approximately 8.80% based on weighted average cost of capital.

During the year, management has recorded impairment amounting to Saudi Riyals 15.5 million against a CGU. The recoverable amount and carrying amount of the asset after adjusting for impairment as at 31 December 2022 amounts to Saudi Riyals 44 million. A change of discount rate by +0.5%/-0.5% will impact the recoverable amount by 9.01% / (7.44%).

14. Leases

14.1 Right-of-use assets

The Group leases various properties such as offices, a resort, machinery & equipment and vehicles. Rental contracts are typically made for fixed periods ranging from 2 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes.

The estimated useful lives of the right-of-use assets for the calculation of depreciation are as follows:

• Buildings	3-10 years
• Heavy equipment & machinery	3-4 years
• Motor vehicles	2-4 years

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. Leases (continued)

	Buildings	Heavy equipment and machinery	Motor vehicles	Total
Cost:				
Balance as at 1 January 2022	**105,583**	**52,836**	**6,424**	**164,843**
Cessation of lease	**-**	**(51,629)**	**(6,424)**	**(58,053)**
Balance as at 31 December 2022	**105,583**	**1,207**	**-**	**106,790**
Accumulated depreciation:				
As at 1 January 2022	**38,722**	**52,113**	**6,307**	**97,142**
Charge for the year	**10,052**	**241**	**117**	**10,410**
Cessation of lease	**-**	**(51,629)**	**(6,424)**	**(58,053)**
As at 31 December 2022	**48,774**	**725**	**-**	**49,499**
Net book value:				
As at 31 December 2022	**56,809**	**482**	**-**	**57,291**
Cost:				
Balance as at 31 December and 1 January 2021	105,583	52,836	6,424	164,843
Accumulated depreciation:				
As at 1 January 2021	27,112	48,309	5,172	80,593
Charge for the year	11,610	3,804	1,135	16,549
As at 31 December 2021	38,722	52,113	6,307	97,142
Net book value:				
As at 31 December 2021	66,861	723	117	67,701

Depreciation charge for the year has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue	**9,681**	13,689
Operating expenses	**729**	2,860
	10,410	16,549

14.2 Lease liabilities

At 31 December, the lease liabilities are presented in the consolidated statement of financial position as follows:

	31 December 2022	31 December 2021
Non-current portion	**25,815**	36,556
Current portion	**55,448**	45,005
	81,263	81,561

Movement of lease liabilities:

	31 December 2022	31 December 2021
As at 1 January	**81,561**	92,118
Financial charges (Note 10)	**2,153**	2,871
Repayments	**(2,451)**	(13,428)
As at 31 December	**81,263**	81,561

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. Leases (continued)

The aging of minimum lease payments together with the present value of minimum lease payments, as of 31 December, are as follows:

	2022		**2021**	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Within twelve months	**57,167**	**55,448**	56,300	45,005
One to five years	**30,681**	**25,815**	40,504	36,556
Total minimum lease payments	**87,848**	**81,263**	96,804	81,561
Less: financial charges	**(6,585)**	**-**	(15,243)	-
Present value of minimum lease payments	**81,263**	**81,263**	81,561	81,561

14.3 Impairment

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

The management reviews carrying amounts of its non-financial assets to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The management has determined that the resort is a separate CGU.

Value-in-use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

The key estimates used by the Group's management for the value in use calculations were as follows:

- Projected cash flows using approved business plans.
- Sales growth rate of 27.19%.
- Discount rate of 8.80%.

(i) Sales growth rate

The sales growth in the forecast period has been estimated to be average revenue growth rate of 27.19%. If all other assumptions are kept the same, a reduction of this growth rate by 1.57% across all expected cashflows would give a value-in-use equal to the current carrying amount.

(ii) Discount rate

The discount was an estimate of the weighted average cost of capital as of 31 December 2022 based on market rates adjusted to reflect management's estimate of the specific risks relating operations and the related industry. If all other assumptions are kept the same, an increase of the discount rate by 2.17% across all expected cashflows would give a value-in-use equal to the current carrying amount.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings 20-30 years
- Leasehold improvements 2 - 10 years
- Infrastructure assets 10-30 years

	2022					
	Land	**Buildings**	**Leasehold improvements**	**Infrastructure assets**	**Capital work-in-progress (CWIP)**	**Total**
Cost:						
At the beginning of the year	**2,818,638**	**899,089**	**945**	**432,008**	**1,052,611**	**5,203,291**
Additions	-	-	-	-	**8,176**	**8,176**
Disposals	-	**(25,773)**	-	-	-	**(25,773)**
Transfer to development properties (Note 18)	**(3,149)**	-	-	-	**(16,161)**	**(19,310)**
At the end of the year	**2,815,489**	**873,316**	**945**	**432,008**	**1,044,626**	**5,166,384**
Accumulated depreciation and impairment:						
At the beginning of the year	-	**237,353**	**945**	**133,251**	-	**371,549**
Depreciation charge for the year	-	**27,306**	-	**11,863**	-	**39,169**
Impairment charge	-	**1,419**	-	-	**31,498**	**32,917**
Reversal of impairment (Note 15.11)	-	**(11,853)**	-	-	-	**(11,853)**
Disposals	-	**(4,433)**	-	-	-	**(4,433)**
At the end of the year	-	**249,792**	**945**	**145,114**	**31,498**	**427,349**
Net book value						
At 31 December 2022	**2,815,489**	**623,524**	-	**286,894**	**1,013,128**	**4,739,035**

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

	2021					
	Land	**Buildings**	**Leasehold improvements**	**Infrastructure assets**	**Capital work in progress (CWIP)**	**Total 2021**
Cost:						
At the beginning of the year	2,820,056	915,090	945	432,008	1,067,341	5,235,440
Additions	-	-	-	-	2,564	2,564
Disposals	(1,418)	(16,001)	-	-	(1,855)	(19,274)
Transfers to development properties (Note 18)	-	-	-	-	(15,439)	(15,439)
At the end of the year	2,818,638	899,089	945	432,008	1,052,611	5,203,291
Accumulated depreciation and impairment:						
At the beginning of the year	-	209,858	945	118,360	-	329,163
Depreciation charge for the year	-	36,303	-	14,891	-	51,194
Disposals	-	(2,744)	-	-	-	(2,744)
Reversal of impairment (Note 15.11)	-	(6,064)	-	-	-	(6,064)
At the end of the year	-	237,353	945	133,251	-	371,549
Net book value						
At 31 December 2021	2,818,638	661,736	-	298,757	1,052,611	4,831,742

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.1 Investment properties comprises commercial centers, serviced lands, residential units, properties with undetermined future use and properties under development. Commercial centers, serviced lands and residential units generate rental income through lease agreements. Properties with undetermined future use mainly comprise raw land parcels that do not generate any income and no expense is incurred on those properties.

15.2 Capital work in progress represents assets under construction relating to a commercial center's expansion and infrastructure development work on the land parcels.

15.3 Greenfield land measures approximately 168 million square meters and includes land measuring approximately 37 million square meters contributed by a shareholder as part of its capital contribution for an agreed sum of Saudi Riyals 1,700 million in lieu of shares of the same value in the Company (Note 23). The specific allocation of the Greenfield land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield land and associated costs, amounting to Saudi Riyals 2,466 million (2021: Saudi Riyals 2,466 million), has been classified as investment properties. No depreciation has been charged as these comprise only freehold land. Greenfield land includes 24.7 million square meters amounting to Saudi Riyals 5,005 million pledged in favour of the Ministry of Finance against a long-term loan of Saudi Riyals 2,531 million (Note 25). The Group is currently in discussion with Ministry of Finance to release the excess lands, as a result of the conversion of the partial amount of loan, and is awaiting finalization of formalities for de-collateralization. The excess lands will be used for future development. Loans obtained from commercial banks are also secured against Greenfield land. Greenfield land, measuring 15.95 million square meters, has been earmarked for lease to industrial customers.

15.4 Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties held for rental income for the year are as follows:

	31 December 2022	**31 December 2021**
Rental income from operating leases	**61,115**	54,836
Direct operating expenses on investments properties that generated rental income	**2,775**	7,374

15.5 There were no direct operating expenses on investment properties that did not generate rental income during 2022 and 2021.

15.6 At 31 December 2022 the Group's investment properties with a carrying amount of Saudi Riyals 928 million were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2022 and 2021, no borrowing cost was capitalized as no development or construction of investment properties was carried out.

15.7 During the year ended 31 December 2022, properties amounting to Saudi Riyals 19.3 million (2021: Saudi Riyals 15.4 million) were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the property was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, this property is classified and transferred to development properties.

15.8 Some of the investment properties are leased to tenants under operating leases with rentals payable on a monthly, quarterly and semi-annual basis. Rental payments for some contracts are variable and are based on percentage of sales, and not on an index rate.

15.9 As at 31 December 2022 and 2021, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.10 Group as lessor:

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under operating leases contracted for as at the reporting date but not recognized as receivables, are as follows:

	31 December 2022	**31 December 2021**
Within one year	**61,906**	38,834
After one year but not more than five years	**188,845**	151,815
More than five years	**437,925**	396,685
	688,676	587,334

15.11 During the year ended 31 December 2022, the Group has recognised reversal of impairment, amounting to Saudi Riyals 11.9 million (2021: reversal of impairment amounting to Saudi Riyals 6 million). The reversal of impairment loss was recognised as a result of disposal of properties which had been previously impaired.

15.12 During the year ended 31 December 2022, the Group has recognised an impairment loss, amounting to Saudi Riyals 32.9 million.

15.13 Impairment:

The Group witnessed higher than budgeted operating loss and negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the fair value less cost of disposal (FVLCOD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.
- For certain CGUs based on value-in-use.

i) The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCOD are as follows:

The fair value of the Group's investment property, as at 31 December 2022, has been arrived on the basis of the valuation exercise carried out by independent professionally qualified valuation expert i.e. Knight Frank Spain Saudi Arabia Real Estate Valuations Company ("Knight Frank") who holds recognised relevant professional qualification and has recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. Knight Frank is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer.

Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates.

There were no changes in the valuation techniques during the year.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The valuation methodology and related significant inputs and assumptions used by valuers in estimation of net recoverable amount are as follows:

Valuation approach	**Description**
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

The Group has performed impairment assessment on investment properties held for rental income at CGU level. The group considered the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated such assets as CGU.

The significant unobservable inputs for properties held for rental income are as follows:

Significant unobservable input	**Basis of determination**	**2022**
Discount rate	The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc.	**10.50% - 13.25 %**
Capitalisation rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.	**4.50% - 8%**
Rental growth rate	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties and expected inflation in the economy.	**SAR 12 - 600**
Absorption period	The time period during which available units are sold in a specific market.	**18-120 months**
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	**SAR 508 – 4,670**

15. Investment properties (continued)

15.13 Impairment (continued)

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	**Valuation approach**	**Discount rate**	**Absorption period**	**Sales rate**	**Capitalis-ation rate**	**Rental growth rate**	**Carrying amount (SAR in 000)**	**Recoverable amount (SAR in 000)**			**Sensitivities (percentage impact on recoverable value of the CGUs)**		
											Change in rental growth rate		
											-10%	0%	10%
Industrial	Income approach	-	-	-	4.50%-8%	SAR 12-18	515,421	4,102,394	Change in capitalisation rate	0.50%	-16.57%	-10.34%	-
										0%	-8.11%	-	3.47%
										-0.50%	5.03%	12.93%	7.67%
													21.61%
Residential	Income approach	11%	6-66 months	SAR 5,950 – 8,750	-	-	177,305	282,660	Change in Discount rate	-0.50%		12.66%	
									Change in Absorption	-10%			
									Change in Sales rate	10%			
									Change in Discount rate	0.50%		-12.26%	
									Change in Absorption	10%			
									Change in Sales rate	-10%			

15. Investment properties (continued)

15.13 <u>Impairment</u> (continued)

Class of CGU	**Valuation approach**	**Discount rate**	**Absorption period**	**Sales rate**	**Capitalis-ation rate**	**Rental growth rate**	**Carrying amount (SAR in 000)**	**Recoverable amount (SAR in 000)**			**Sensitivities (percentage impact on recoverable value of the CGUs)**		
											Change in rental rate		
											-10%	0%	10%
Commercial - 1	Income approach	-	-	-	8%-8.50%	SAR 269-600	128,992	196,406	Change in capitalisation rate	0.50%	-8.52%	-6.07%	4.20%
										0%	-2.92%	-	4.81%
										-0.50%	5.02%	7.30%	11.59%
Commercial - 2	Market approach	10.50%-13.25%	18-102 months	SAR 508-4,670	180,310	810,562	180,310	810,562	Change in Discount rate	-0.50%		17.98%	
									Change in Absorption	-10%			
									Change in Sales rate	10%			
									Change in Discount rate	0.50%		-16.66%	
									Change in Absorption	10%			
									Change in Sales rate	-10%			

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

These significant unobservable inputs for properties with undetermined use include:

Significant unobservable input	Basis of determination	2022
Discount rate	Reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.	**12.5%-17%**
Absorption period	The time period during which available units are sold in a specific market.	**9-99 months**
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	**SAR 508-8,458**

Inputs were adjusted for difference in location, land size, amenities and services, and development status and quality of land parcels.

The Group has relied on the valuation performed as at 31 December 2022.

The following tables sets out the key assumptions for the properties with undetermined uses:

Class of CGU	Discount rate	Absorption period	Sales rate	Recoverable amount	Change in assumptions		Sensitivities (percentage impact on fair value)
Residential land	12.75% - 17%	12-87 months	SAR 361 – 4,426	20,338,935	Discount rate	0.50%	-25.92%
					Absorption	10%	
					Sales rate	-10%	
Commercial land	12.5%-15.5%	33-99 months	SAR 799 – 5,581	3,311,100	Discount rate	0.50%	-21.49%
					Absorption	10%	
					Sales rate	-10%	
Urban mixed-use land	12.5%-16.25%	9-72 months	SAR 874 – 8,458	3,569,050	Discount rate	0.50%	-21.70%
					Absorption	10%	
					Sales rate	-10%	
Industrial land	13.5%-16.25%	9-72 months	SAR 508 - 510	2,020,795	Discount rate	0.50%	-14.52%
					Absorption	10%	
					Sales rate	-10%	

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. Investment properties (continued)

15.13 Impairment (continued)

Class of CGU	Valuation approach	Discount rate	Absorption period	Sales rate	Recoverable amount	Change in assumptions		Sensitivities (percentage impact on fair value)
Residential land	Market approach	12.75% -17%	12-87 months	SAR 361 – 4,426	20,338,935	Discount rate Absorption Sales rate	-0.50% -10% 10%	27.29%
Commercial land	Market approach	12.5%-15.5%	33-99 months	SAR 799 – 5,581	3,311,100	Discount rate Absorption Sales rate	-0.50% -10% 10%	22.15%
Urban mixed-use land	Market approach	12.5%-16.25%	9-72 months	SAR 874 – 8,458	3,569,050	Discount rate Absorption Sales rate	-0.50% -10% 10%	17.70%
Industrial land	Market approach	13.5%-16.25%	9-72 months	SAR 508 - 510	2,020,795	Discount rate Absorption Sales rate	-0.50% -10% 10%	14.72%

ii) The valuation methodology and related significant inputs and assumptions used by the management in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on value-in-use are as follows:

Value in use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

Key assumptions underlying the projections are:

Key assumptions	31 December 2022
Discount rate	**8.80%**

During the year, management has recorded impairment amounting to Saudi Riyals 32.9 million against certain CGUs. The recoverable amounts and carrying amounts of the CGUs after adjusting for impairment as at 31 December 2022 amounts to Saudi Riyals 1,183.3 million and Saudi Riyals 1,183.3 million respectively.

15.14 The Group uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	Level 1	Level 2	Level 3	Total
31 December 2022	-	-	**35,741,750**	**35,741,750**
31 December 2021	-	-	34,486,889	34,486,889

15.15 Following is the fair value and carrying amount of investment properties held for various purposes:

	Fair value		Carrying amount	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Rental income	**6,501,870**	4,067,689	1,923,546	2,013,105
Currently undetermined future use	**29,239,880**	30,419,200	2,815,489	2,818,637
	35,741,750	34,486,889	4,739,035	4,831,742

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Intangible assets

The movement in the intangible assets is as follows:

	31 December 2022	31 December 2021
Cost:		
At the beginning of the year	**111,517**	106,941
Additions	**1,710**	2,799
Transfer from property and equipment	**-**	1,777
At the end of the year	**113,227**	111,517
Amortization:		
At the beginning of the year	**107,087**	99,064
Charge for the year	**1,865**	8,023
At the end of the year	**108,952**	107,087
Net book value	**4,275**	4,430

17 Interest in other entities

17.1 Investment in equity accounted investees

The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The entities are incorporated in the Kingdom of Saudi Arabia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Effective ownership interest (%)		Balance as at	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Investment in Ports Development Company ("PDC") (see note (a) below)	**50%**	50%	**2,540,950**	2,487,253
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	**20%**	20%	**45,790**	45,790
			2,586,740	2,533,043

a) Ports Development Company

Movement in investment in Ports Development Company ("PDC") for the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,487,253**	2,400,032
Share of results for the year, net of Zakat charge	**25,046**	45,839
Share of other comprehensive income	**28,651**	41,382
Balance at the end of the year	**2,540,950**	2,487,253

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Interest in other entities (continued)

17.1 Investment in equity accounted investees (continued)

Quantitative information of PDC is as follows:

	31 December 2022	31 December 2021
Non-current assets	**7,829,095**	7,891,326
Current assets	**440,341**	452,484
Cash and cash equivalents	**205,736**	198,079
Non-current liabilities	**(2,284,716)**	(2,113,265)
Current liabilities	**(328,269)**	(675,738)
Non-current financial liabilities	**(2,270,558)**	(2,107,012)
Equity	**5,656,451**	5,554,807
Group's share in equity – 50% (2021: 50 %)	**2,828,226**	2,777,404
Elimination of share of profit on sale of land and commission income*	**(290,151)**	(290,151)
Group's carrying amount of the investment	**2,538,075**	2,487,253

(*) The amount pertains to profit derived by the Group on sale of land to PDC to develop and operate the port.

	31 December 2022	31 December 2021
Revenue	**445,922**	437,397
Depreciation	**134,406**	124,958
Interest expense	**156,962**	108,194
Zakat and tax charge	**8,200**	15,316
Net profit for the year	**48,225**	91,678
Other comprehensive income to be reclassified to profit or loss in subsequent years	**57,302**	82,764
Total comprehensive income for the year	**105,689**	174,442
Group's share of profit for the year, net of related Zakat charge	**24,113**	45,839
Group's share of other comprehensive income for the year	**28,732**	41,382

On 14 Jumada Awal 1431H (corresponding to 29 April 2010), the Ports Development Company ("PDC"), a Closed Joint Stock Company, was incorporated in the Kingdom of Saudi Arabia, which is engaged in development, operation and maintenance of the King Abdullah Port (the "Port") at KAEC. During 2011, the shareholders of PDC entered into an agreement, whereby, the shareholding structure and funding mechanism of PDC was agreed.

Considering the 50% shareholding by the Group as per the shareholding structure that was last amended in 2014, and pursuant to the terms of the shareholders agreement, the shareholders of PDC have concluded that they have joint control over PDC and hence the Group has classified the investment as "Investment in an equity accounted investee".

The management of PDC makes the decision regarding the pricing and the government does not control the price being charged to the customers. Accordingly, management has performed an assessment and concluded that the operations of PDC do not fall within the scope of IFRIC 12 'Service Concession Arrangements'.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Interest in other entities (continued)

17.1 Investment in equity accounted investees (continued)

The Group has provided a corporate guarantee along with promissory notes to a commercial bank, limited for Saudi Riyals 1,321 million plus any Murabaha profits due to be paid by the PDC, that allowed PDC to secure a Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, such loan is also secured by a pledge of the shares of the Group in PDC.

Also, the Group has provided a corporate guarantee to a commercial bank, limited to Saudi Riyals 112.5 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant commodity Murabaha facilities, having a maximum limit of Saudi Riyals 180 million. During 2017, PDC availed the subject Murabaha facility, amounting to Saudi Riyals 150 million, to finance its working capital requirements. The subject facility has been increased to Saudi Riyals 180 million during 2018. In this connection, the Group had also provided promissory notes, amounting to Saudi Riyals 75 million, which has been increased to Saudi Riyals 90 million during 2019, plus any Murabaha profits due to be paid by the PDC.

The management has determined the fair value of financial guarantees to be immaterial.

PDC has also entered into interest rate swaps arrangement (the "Swap Contracts"), with local commercial banks, to hedge future adverse fluctuation in interest rates on its long-term loan. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

PDC designated the Swap Contracts, at its outset, as a cash flow hedge. The Swap Contracts are intended to effectively convert the interest rate cash flow on the long-term loan from a floating rate to a fixed rate, during the entire tenure of the loan agreements. Cash flow hedges which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss on the effective portion of the hedging instrument to the other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

b) Biyoutat Progressive Company for Real Estate Investment & Development (“Biyoutat”)

During 2016, the Group entered into an arrangement with an entity owned by a local Saudi group to incorporate a new entity, namely Biyoutat, a Limited Liability Company, to build, own and manage a residential compound at KAEC.

The Group owns 20% shares in the share capital of Biyoutat. As per the shareholders’ agreement, during 2016, the Group also made an additional investment of Saudi Riyals 53.75 million, in the form of a contributed land, for the development of the project. The only material financial statement line item in the financial statements of Biyoutat is the land and the fair value of the land is higher than the carrying value as at 31 December 2022.

The movement in investment in Biyoutat during the year is as follows:

	31 December 2022	**31 December 2021**
Initial investment	**200**	200
Additional investment	**53,755**	53,755
Elimination of share of profit on sale of land (*)	**(8,165)**	(8,165)
	45,790	45,790

(*) The amount pertains to profit derived by the Group on sale of land to Biyoutat for development of a residential compound.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. Interest in other entities (continued)

17.2 Subsidiaries

The following table summarizes the statement of financial position of these subsidiaries as at 31 December 2022. This information is based on the amounts before inter-company elimination.

	2022					
	ECIC	**IZDCL**	**REOM**	**REM**	**EKC**	**RED**
Total assets	**3,620,632**	**1,324,377**	**1,292,459**	**478,408**	**104,751**	**1,853,476**
Total liabilities	**25,781**	**105,515**	**257,400**	**167,478**	**143,211**	**815,606**
Total equity	**3,594,851**	**1,218,862**	**1,035,059**	**310,930**	**(38,460)**	**1,037,870**

The following table summarizes the statement of financial position of the subsidiaries as at 31 December 2021. This information is based on the amounts before inter-company elimination.

	2021					
	ECIC	**IZDCL**	**REOM**	**REM**	**EKC**	**RED**
Total assets	3,846,802	1,397,903	1,421,815	460,985	139,863	1,888,026
Total liabilities	25,651	107,014	312,749	144,602	130,405	779,265
Total equity	3,821,151	1,290,889	1,109,066	316,383	9,458	1,108,761

The following table summarizes the statement of profit or loss and other comprehensive income of these subsidiaries for the year ended 31 December 2022. This information is based on the amounts before inter-company elimination.

	2022					
	ECIC	**IZDCL**	**REOM**	**REM**	**EKC**	**RED**
Revenue	**-**	**7,634**	**108,641**	**25,934**	**31,939**	**15,618**
Loss for the year	**(228,767)**	**(72,355)**	**(74,858)**	**(4,978)**	**(47,169)**	**(72,735)**
Total comprehensive loss for the year	**(224,803)**	**(72,027)**	**(72,871)**	**(5,165)**	**(47,919)**	**(70,817)**

The following table summarizes the profit or loss and other comprehensive income of these subsidiaries as at 31 December 2021. This information is based on the amounts before inter-company elimination.

	2021					
	ECIC	**IZDCL**	**REOM**	**REM**	**EKC**	**RED**
Revenue	899	21,250	138,310	33,738	19,935	14,650
Loss for the year	(152,858)	(17,970)	(38,106)	(525)	(16,096)	(91,547)
Total comprehensive loss for the year	(151,987)	(17,687)	(38,752)	(541)	(15,814)	(90,280)

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. Development properties

These represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plot of lands which is determined by management to be used for future sale in the ordinary course of Group's operations.

Movement during the year ended 31 December 2022 is as follows:

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Costs incurred to-date		**1,591,949**	1,612,478
Transferred from investment properties	15	**19,310**	15,439
Less: disposals		**(46,394)**	(33,472)
Less: provision for development properties		**(178,128)**	(177,719)
Closing balance		**1,386,737**	1,416,726
Current portion of development properties		**820,802**	838,275
Non-current portion of development properties		**565,935**	578,451
Total		**1,386,737**	1,416,726

a) Disposals of development properties are recognised as expense within cost of revenue.

b) As at 31 December 2022, development properties include land amounting to Saudi Riyals 159.32 million (2021: Saudi Riyals 158.7 million).

c) The Group has transferred certain properties from investment properties to development properties based on the change in the intended use of such developments (see Note 15).

d) Properties that are not available for immediate sale in their current condition, without significant development activities, have been classified by management as non-current assets.

e) The Group carried out an assessment of net realizable value for development properties and recognized a provision, amounting to Saudi Riyals 0.41 million during the year ended 31 December 2022 (2021: Saudi Riyals 38.7 million).

Determination of NRV:

Projects other than plots of land

The management of the Group has carried out an exercise to determine the NRV of their development properties other than plots of land. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. The management determines the estimated selling price by observing the transactions being carried out in the market. During the year 2022, the management based on the above assessment recorded an impairment amounting to Saudi Riyals 0.41 million (2021: Saudi Riyals 38.7 million) as the NRV of some of the properties were assessed to be lower than the carrying amount of the residential unit.

Unlaunched projects

Management has involved independent valuation expert for the valuation of unlaunched projects to arrive at the estimated selling price of the properties. The valuer has used comparable and residual approach. For details related to the valuation process, refer to Note 15.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Financial assets			
Trade receivables	19.1	**670,731**	801,627
Less: impairment on trade receivables	19.2	**(334,362)**	(290,143)
		336,369	511,484
Contribution receivable	19.6	**15,134**	15,163
Amounts due from related parties	30	**18,874**	3,563
Commission receivable on Murabaha term deposits		**1,083**	1,111
Others		**15,754**	18,935
		387,214	550,256
Non-financial assets			
Prepayments		**12,523**	16,175
Advances to suppliers		**19,230**	16,001
Others		**6,627**	4,366
		38,380	36,542
Trade receivables and other current assets		**425,594**	586,798

19.1 Breakup of trade receivables is as follows:

	31 December 2022	31 December 2021
Receivables from residential customers against sale of development properties (a)	**273,377**	371,298
Receivable against city operation services (b)	**180,448**	143,630
Lease receivables from industrial customers (c)	**130,135**	122,295
Receivables from industrial customers against sale of development properties (d)	**51,627**	105,056
Lease receivables from residential customers (e)	**19,307**	17,518
Receivables for education services	**9,013**	5,961
Receivable against hospitality services	**6,824**	35,869
	670,731	801,627

a) Movement of receivables from residential customers against sale of development properties is as follows:

	31 December 2022	31 December 2021
Opening balance	**371,298**	426,511
Billing raised during the year	**143,103**	154,345
Collections made during the year	**(241,024)**	(209,558)
Closing Balance	**273,377**	371,298

b) Movement of receivables from city operations services is as follows:

	31 December 2022	31 December 2021
Opening balance	**143,630**	101,351
Billing raised during the year	**163,577**	145,900
Collections made during the year	**(126,759)**	(103,621)
Closing Balance	**180,448**	143,630

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets (continued)

c) Movement of lease receivables from industrial customers is as follows:

	31 December 2022	31 December 2021
Opening balance	**122,295**	123,163
Billing raised during the year	**58,853**	41,498
Collections made during the year	**(51,013)**	(42,366)
Closing Balance	**130,135**	122,295

d) Movement of receivables from industrial customers against sale of development properties is as follows:

	31 December 2022	31 December 2021
Opening balance	**105,056**	61,769
Billing raised during the year	**192,436**	286,351
Collections made during the year	**(245,865)**	(243,064)
Closing Balance	**51,627**	105,056

e) Movement of lease receivables from residential customers is as follows:

	31 December 2022	31 December 2021
Opening balance	**17,518**	2,137
Billing raised during the year	**8,034**	23,072
Collections made during the year	**(6,245)**	(7,691)
Closing Balance	**19,307**	17,518

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 days. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2022, five largest customers accounted for 29% (2021: 26.4%) of the outstanding trade receivables. The estimated fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

Advances to suppliers mainly include advances for undertaking repair and maintenance of infrastructure work.

Collateral

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, and the minimum collateral against sale of development property is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of receivable against sale of development properties. There has not been any change in the quality of collateral. As at 31 December 2022 and 2021, the fair value of all collaterals exceeds the carrying value of the respective trade receivable balances of the related contract.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. Trade receivables and other current assets (continued)

19.2 Movement in the impairment loss on trade receivables is as follows:

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	**290,143**	247,282
Provision for the year	**44,219**	43,511
Written-off	**-**	(650)
At the end of the year	**334,362**	290,143

Increase in gross amount of unsecured receivable balances contribute to the changes in impairment loss on trade receivables.

19.3 The break-up of impairment loss of trade receivables is as follows:

	31 December 2022	31 December 2021
Receivable against city operation services	**199,423**	172,695
Lease receivables from industrial customers	**116,620**	103,932
Lease receivables from residential customers	**8,766**	7,572
Receivable against education services	**7,062**	3,281
Receivable against hospitality services	**2,491**	2,663
	334,362	290,143

19.4 The following table provides information about the expected credit loss for trade receivables:

31 December 2022	Current (Not past due)	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
Expected loss rate	**69.20%**	**84.27%**	**96.64%**	**99.65%**	
Gross carrying amount – trade receivable	**21,128**	**18,427**	**29,635**	**276,537**	**345,727**
Expected credit loss allowance	**14,621**	**15,528**	**28,639**	**275,574**	**334,362**

31 December 2021	Current (Not past due)	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
Expected loss rate	51.89%	75.07%	90.74%	91.85%	
Gross carrying amount – trade receivable	12,367	20,694	27,241	264,971	325,373
Expected credit loss allowance	6,417	15,535	24,718	243,473	290,143

19.5 As at 31 December, the ageing analysis of trade receivables, is as follows:

			Past due				
	Total	Not past due	< 30 days	30–60 days	61–90 days	91–180 days	> 180 Days
31 December 2022	**670,731**	**66,692**	**14,389**	**5,686**	**10,100**	**42,731**	**531,133**
31 December 2021	801,627	68,000	60,557	4,698	13,617	45,795	608,960

19.6 This relates to contribution receivable from the shareholder under the framework agreement dated 19 December 2013 of EKC.

(All amounts in Saudi Riyals thousands unless otherwise stated)

20. Unbilled revenue

Movements in the unbilled revenue is as follows:

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	**1,143,567**	1,674,191
Revenue for the year	**69,129**	67,569
Billing raised during the year	**(469,171)**	(598,193)
	743,525	1,143,567
Current portion of unbilled revenue	**(154,676)**	(520,913)
Non-current portion of unbilled revenue	**588,849**	622,654

a) Unbilled revenue against sale of development property

	31 December 2022	31 December 2021
Unbilled revenue against sale of development property	**733,989**	1,122,297
Less: Unbilled revenue against sale of development property - current portion	**(145,140)**	(499,643)
Unbilled revenue against sale of development property – non-current portion	**588,849**	622,654

b) Unbilled revenue against leasing

	31 December 2022	31 December 2021
Unbilled revenue against leasing	**123,162**	116,082
Less: impairment on unbilled revenue against leasing	**(113,626)**	(94,812)
Unbilled revenue against leasing - current portion	**9,536**	21,270

c) Movement in impairment on unbilled revenue against leasing

	31 December 2022	31 December 2021
At the beginning of the year	**94,812**	82,833
Provision for the year	**18,814**	11,979
At the end of the year	**113,626**	94,812

The unbilled revenue primarily relates to the Group's right to payment for performance completed to date in respect of sale of development properties but not billed at the reporting at the date. The unbilled revenue is transferred to trade receivable when the rights become unconditional.

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, the minimum collateral against sale of development properties is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of unbilled revenue. As at 31 December 2022 and 2021, the fair value of all collaterals exceeds the carrying value of the respective unbilled revenue balances of the related contract.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21. Cash and cash equivalents

	Note	31 December 2022	31 December 2021 (Restated – Note 38)
Cash and bank balances		**133,863**	306,617
Short-term Murabaha deposits	21.1	**-**	41,537
		133,863	348,154
Less: restricted cash – non-current	21.2	**(45,389)**	(101,199)
Less: restricted cash – current	21.2	**(6,333)**	(6,522)
		82,141	240,433

21.1 Short-term deposits, as at 31 December 2021, represent Murabaha deposits amounting to Saudi Riyals 41.5 million (2022: Nil) and were placed with commercial banks, with a maturity period of three months or less from date of placement, and yielded finance income at commercial rates.

21.2 As at 31 December 2022, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to Saudi Riyals 45.4 million (31 December 2021: Saudi Riyals 101.2 million) and balances relating to off-plan sale of development properties amounting to Saudi Riyals 6.3 million (31 December 2021: Saudi Riyals 6.5 million). The classification of these balances depends on the contractual arrangement and completion of the projects.

21.3 The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalents approximates the carrying value at 31 December 2022 and 2021.

22. Employees' receivable – Home ownership scheme

In accordance with the Group's policy, until 31 December 2016, the Group used to sell constructed units to eligible employees under interest free finance lease arrangement repayable over a period of twenty years. The Group has made the judgement that the arrangement should be treated under IFRS 15 and the resultant receivable is accounted under IFRS 9. The gross value of the lease payments is recognized as a receivable under employee home ownership scheme. The difference between the gross receivable and the present value of the receivable is recognized as an unearned interest income.

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	Gross receivable		**Present value of gross receivable**	
				(Restated – Note 38)
Current portion	**6,559**	7,280	**3,858**	4,116
Non-current portion:				
One to five years	**26,235**	29,121	**16,875**	18,019
Over five years	**54,696**	72,779	**43,248**	57,662
	80,931	101,900	**60,123**	75,681
Total	**87,490**	109,180	**63,981**	79,797

As at 31 December 2022, balance amounting to Saudi Riyals 86.46 million is not overdue and the remaining balance amounting to Saudi Riyals 1.03 million is overdue. No ECL has not been recorded against the balances as the Group transfers property title upon receipt of the entire amount of the contract.

The Group, in respect of sale of constructed units have collaterals in the form of the underlying property sold to the employee as the Group transfers property title to the employee only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of employees' receivable.

23. Share capital

As of 31 December 2022 and 2021, the Company's authorized and issued share capital was Saudi Riyals 11,333.33 million consisting of 1,333.33 million shares of Saudi Riyals 10 each (2021: 1,133 million shares of Saudi Riyals 10 each), allocated as follows:

	2022		2021	
	Number of Shares' 000	**Capital**	**Number of Shares' 000**	**Capital**
Issued for cash	**680,000**	**6,800,000**	680,000	6,800,000
Issued for consideration in kind	**170,000**	**1,700,000**	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	**283,333**	**2,833,333**	283,333	2,833,333
	1,133,333	**11,333,333**	1,133,333	11,333,333

In addition to Note 25 to the consolidated financial statements, for partial novation agreement of the loan to the PIF, the Group had entered into a subscription agreement dated 31 August 2020 among the Group, its warrantors, and PIF, for capital increase by way of capitalizing the novation amount i.e. Saudi Riyals 2,833 million in accordance with the terms and provisions of the subscription agreement.

Subsequently, the Company's Board of Directors recommended the approval of the increase of the share capital of the Company to the extraordinary general assembly on 5 May 2021. Thereafter, the request to increase the Company's share capital through conversion of debt amounting to Saudi Riyals 2,833 million was approved by the Capital Market Authority ("CMA") on 1 Aug 2021 (debt-to-equity swap "Swap").

On 26 September 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company from Saudi Riyals 8,500 million to Saudi Riyals 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283,333,334 new shares, at the nominal value of Saudi Riyals 10 per share, against the debt amount of Saudi Riyals 2,833 million. Since the transaction represented a Swap, the Group was required to apply the guidance detailed in Note 4 "Debt to equity swap". This included performing a fair value assessment of the new shares issued on the date of the liability extinguishment. Management had performed the fair valuation assessment dated 26 September 2021 of newly issued shares and assessed the fair value of Saudi Riyals 9.91, which is consistent with the subscription agreement, hence, Company did not record any gain / loss on debt-to-equity swap.

24. Statutory reserve

In accordance with the Company's By-laws, approved by the shareholders during April 2017, the Company must set aside 10% of its net profit in each year, after setting-off its accumulated losses, if applicable, until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. No such transfer was made for the years ended 31 December 2022 and 2021 due to net loss and accumulated losses for the year.

(All amounts in Saudi Riyals thousands unless otherwise stated)

25. Long-term borrowings

	31 December 2022	31 December 2021 (Restated-Note 38)
Ministry of Finance ("MoF") loan (Note (b) below)	**2,166,667**	2,166,667
Accrued commission	**509,659**	420,366
	2,676,326	2,587,033
Current portion	**(2,676,326)**	(2,520,366)
Non-current portion	**-**	66,667
Facility from a local bank (Note (c) below)	**976,240**	976,250
Accrued commission	**1,258**	1,875
	977,498	978,125
Current portion	**(977,498)**	(978,125)
Non-current portion	**-**	-
Facility from a local bank (Note (d) below)	**1,690,124**	1,688,896
Accrued commission	**29,485**	33,961
	1,719,609	1,722,857
Current portion	**(1,719,609)**	(33,961)
Non-current portion	**-**	1,688,896
Facility from a local bank (Note (e) below)	**537,420**	528,731
Accrued commission	**11,841**	7,002
	549,261	535,733
Current portion	**(549,261)**	(7,004)
Non-current portion	**-**	528,729
Facility from a local bank (Note (f) below)	**114,105**	131,428
Accrued commission	**2,491**	3,154
	116,596	134,582
Current portion	**(39,679)**	(40,341)
Non-current portion	**76,917**	94,241
Total long-term borrowings	**6,039,290**	5,958,330
Current portion of long-term borrowings*	**(5,962,373)**	(3,579,797)
Non-current portion of long-term borrowings	**76,917**	2,378,533

* As mentioned below, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of Saudi Riyals 2,777.5 million as at 31 December 2022 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

25. Long-term borrowings (continued)

(a) Loan-term borrowings are non-derivative financial liabilities carried at amortised cost.

(b) During 2011, the Group received a loan of Saudi Riyals 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SIBOR) plus spread. The loan is secured against pledge of 24.7 million sqm of the Group's certain land parcels and was originally repayable, with a three-year grace period, in seven annual instalments commencing from 1 September 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

On 20 March 2021, a partial novation agreement was signed between the Group, PIF & MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to Saudi Riyals 2.83 billion (the novation amount) from MoF to PIF. The novation agreement was approved by the Group's Board of Directors on 30 March 2021. The request to increase the Company's share capital through conversion of debt amounting to Saudi Riyals 2,833 million was approved by the CMA on 1 Aug 2021. Further, on 26 September 2021, the shareholders in extraordinary general assembly approved the increase of the share capital of the Company from Saudi Riyals 8,500 million to Saudi Riyals 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283 million new shares, at the fair value of Saudi Riyals 10 per share, against the debt amount of Saudi Riyals 2,833 million.

Further, during 2021, the Group received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved conversion of accrued interests as of 1 June 2021 amounting to Saudi Riyals 363.9 million as principal outstanding and restructuring of the total remaining obligation of Saudi Riyals 2,531 million to be payable starting from June 2024, in six equal annual instalments of Saudi Riyals 361.5 million each and the final seventh instalment in June 2030 amounting to Saudi Riyals 361.6 million. The Group is under discussion with MoF to finalise the restructuring agreement. There are no covenants related to the facility.

(c) During 2014, the Group signed an Islamic facility agreement with a commercial bank for Saudi Riyals 2,000 million Murabaha liquidity finance facility. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from 30 June 2018 to 31 December 2021. The loan is secured against certain land parcels of the Group and a promissory note for Saudi Riyals 1,276 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During the year ended 31 December 2022, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable in fourteen semi-annual instalments starting from June 2023 to December 2029. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different. Modification costs for the restructured agreement amounting to Saudi Riyals 4.4 million have been recognized in the consolidated profit or loss.

There are financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

(d) During 2014 and 2015, the Group signed two facility agreements with a commercial bank for Saudi Riyals 1,000 million each. As per the terms of the agreements, the loans were payable in five annual equal instalments after three years of grace period starting from respective dates of the agreements. Subsequently, an additional facility of Saudi Riyals 250 million was given to the Group. The loan is secured against certain land parcels of the Group and a promissory note for Saudi Riyals 1,700 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

25. Long-term borrowings (continued)

During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2023 to April 2030. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

(e) During 2015, the Group signed an Islamic facility agreement with a commercial bank for Saudi Riyals 1,000 million. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from October 2019 to April 2023. The loan is secured against certain land parcels of the Group and a promissory note for Saudi Riyals 587.5 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During 2021, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the existing facilities which consisted of long-term and short-term loan were restructured into a long-term loan repayable in fourteen semi-annual instalments starting from April 2023 to April 2029. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are financial and non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2022, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements. The management has applied to the lender to obtain a waiver and the request is in process.

(f) During 2018, the Group availed a short-term facility from a commercial bank, amounting to Saudi Riyals 250 million, to finance the working capital requirements.

During 2020, the Group signed a revised facility letter agreement for working capital facility amounting to Saudi Riyals 170 million and a documentary credit ("DC") facility of Saudi Riyals 20 million with the same commercial bank. Accordingly, as per the revised terms, the loan is repayable in eight semi-annual equal instalments over 4 years starting from August 2021, subsequent to the payment of Saudi Riyals 21.25 million in February 2021. The loan is denominated in Saudi Riyals and bears fixed finance charge. The loan is secured against certain land parcels of the Group and a promissory note for Saudi Riyals 209 million. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different.

There are no covenants related to the facility.

During 2022, the Group requested the bank for extending the maturity of installment amounting to Saudi Riyals 18.6 million due on 25 August 2022 and the bank has extended the payment date of installment for 60 days which was again deferred on 6 November 2022 for 86 days.

Subsequent to the year end 31 December 2022, on 8 February 2023, the Group entered into support agreement with bank and as a result all the principal repayments of the loan will be deferred till September 30, 2023.

As at 31 December 2022 DC facility has not been utilised by the Group.

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. Short-term borrowings

The Group obtained short-term loan facility from a local commercial bank aggregating to Saudi Riyals 300 million as of 31 December 2022 (2021: Saudi Riyals 300 million). The facility bears financial costs at market rate which is based on SIBOR and is collateralised by promissory notes. The covenants of the short-term loan facility require the Group to maintain certain level of financial conditions and certain other matters. As at 31 December 2022, the Group was not in compliance with certain covenants, however, there was no impact of such non-compliance on the accompanying consolidated financial statements as the borrowing is already classified as a current liability based on its contractual maturity. The management has applied to the lender to obtain a waiver and the request is in process.

The unused balance of the facilities as at 31 December 2022 amounted to Saudi Riyals 98.71 million (2021: Saudi Riyals 101.23 million).

27. Employee benefit obligations

General Description of the plan

The Group operates an unfunded defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2022 for the Group.

	31 December 2022	**31 December 2021**
Balance at the beginning of the year	**43,371**	61,937
Included in consolidated profit or loss		
Current service cost	**12,279**	12,225
Interest cost	**1,302**	1,858
	13,581	14,083
Included in consolidated other comprehensive income		
Remeasurement gain arising from experience adjustments	**(6,609)**	(7,499)
Benefits paid	**(9,502)**	(25,150)
Balance at the end of the year	**40,841**	43,371

Actuarial assumptions

The following were the significant actuarial assumptions applied at the reporting date:

	2022	2021
Discount rate	**4.50%**	3.0%
Expected rate of future salary increase	**5.0%**	3.5%
Retirement age	**60 years**	60 years

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. Employee benefit obligation (continued)

The sensitivity of employee benefit obligations, as at 31 December, to changes in the weighted principal assumptions is as follows:

		Impact on ETB liability Increase / (decrease)			
		31 December 2022		**31 December 2021**	
	Change in assumption by	**Increase in rate**	**Decrease in rate**	**Increase in rate**	**Decrease in rate**
Discount rate	1%	**(3,424)**	**3,984**	(3,661)	4,275
Expected rate of future salary increase	1%	**3,923**	**(3,439)**	4,186	(3,662)

The weighted average duration of the defined benefit obligation for 2022 is 9 years.

The expected maturity analysis of undiscounted employee end of service benefits is as follows:

	31 December 2022	**31 December 2021**
Less than a year	**3,946**	4,336
Between 1-2 years	**2,854**	2,596
Between 2-5 years	**8,878**	8,902
Over 5 years	**49,498**	39,167
	65,176	55,001

28. Trade and other payables

	Note	**31 December 2022**	**31 December 2021 (Restated – Note 38)**
Contract liabilities	28.1	**986,638**	1,141,216
Accrued expenses and other payables		**252,595**	206,027
Trade payables		**226,565**	378,628
Retentions payable		**203,370**	247,906
Contractors accrued balances		**101,984**	151,552
Amounts due to related parties	30	**6,442**	8,043
Others	28.2	**31,724**	36,212
		1,809,318	2,169,584

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. Trade and other payables (continued)

Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current based on expected date of settlements which are within 12 months.

Accrued expenses comprise of accruals in respect of procurement costs, marketing costs, maintenance, and employee costs.

28.1 Contract liabilities represents excess of billings against recognised revenue, advance amount received against sale and advance rent in respect of residential and industrial units and plots of land and amount received against tuition fees.

Following is the movement of contract liability:

	31 December 2022	31 December 2021
At the beginning of the year	**1,141,216**	1,175,477
Revenue for the year	**(193,870)**	(180,798)
Billing raised / advance received during the year	**39,292**	146,537
	986,638	1,141,216

In the case of sale of development property and education services the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

In the case of leasing services the customer pays the fixed amount based on a payment schedule. If the rental income recognized in accordance with IFRS 16 exceed the payment, a contract asset is recognised. If the payments exceed rental income recognized in accordance with IFRS 16, a contract liability is recognised.

28.2 The Board of Directors decided in 2006 to donate the amount earned on the founding shareholders' share capital contribution (before initial public offering) placed in fixed deposits maintained with a bank before placing funds under an Islamic deposit scheme. Commission earned on this deposit is added to the amount to be donated for charitable purposes.

29. Zakat

29.1 Charge for the year

	31 December 2022	31 December 2021
Provision for current year Zakat expense	**43,152**	31,000
Provision related to open assessments	**56,356**	-
	99,508	31,000

The provision for the year is based on the consolidated Zakat base of the Group.

29.2 Movement in provision

The movement in the Zakat provision is as follows:

	31 December 2022	31 December 2021 (Restated – Note 38)
At the beginning of the year	**148,524**	196,285
Charge for the current year	**43,152**	31,000
Charge for the open assessments	**56,356**	-
	99,508	31,000
Payments during the year	**(32,574)**	(78,761)
At the end of the year	**215,458**	148,524

29. Zakat (continued)

29.3 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

29.4 Status of assessments

a) ECC

EEC finalized its zakat status up to the year 2011 except for the withholding tax ("WHT") assessments for the years 2006 to 2008.

The ZATCA issued WHT assessment for the years 2006 to 2008 with an additional WHT liability of Saudi Riyals 3.96 million in addition to delay fines of Saudi Riyals 2 million on the WHT. In compliance with the appeal procedures, EEC paid the WHT difference under protest.

The WHT case was also under the review of the Board of Grievance ("BOG"). BOG issued a decision supporting EEC's objection relating to delay fine and ruled against EEC on imposition of WHT. The ZATCA has filed an appeal with the Royal Court against the BOG's decision in respect of the delay fine, which is pending adjudication.

During 2020, ZATCA issued Zakat assessment for the year 2014 and claimed additional Zakat of Saudi Riyals 67.7 million. EEC filed an appeal against the ZATCA's assessment. ZATCA issued a revised assessment on 8 October 2020 with a reduced Zakat liability of Saudi Riyals 33 million. EEC filed an appeal against the revised assessment with the Tax Violations Dispute Resolution Committee ("TVDRC"). The TVDRC rendered its decision on 28 December 2021 and partially accepted EEC's appeal resulting in a reduced Zakat liability to Saudi Riyals 21 million. EEC has further filed an appeal with the Tax Violations and Dispute Appellate Committee ("TVDAC") which is pending adjudication.

The ZATCA has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional Zakat liability of Saudi Riyals 254 million. EEC filed an appeal against the ZATCA's assessment. The ZATCA issued a revised assessment on 24 February 2021 with reduced Zakat liability of Saudi Riyals 247 million. EEC filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted EEC's appeal resulting in a reduced Zakat liability to Saudi Riyals 219 million. EEC has filed an appeal with the TVDAC on 27 April 2022 which is pending adjudication.

The ZATCA issued Zakat assessments dated 8 November 2021 for the years 2019 and 2020 with additional Zakat liability of Saudi Riyals 27 million and Saudi Riyals 18 million, respectively. EEC filed objections against the ZATCA's assessments on 6 January 2022. The ZATCA issued a revised assessment on 25 April 2022 for the year 2019 with a reduced zakat liability of Saudi Riyals 20.6 million and on 24 April 2022 for the year 2020 with reduced zakat liability of Saudi Riyals 10.3 million. EEC has filed an appeal with the TVDRC on 4 May 2022. The TVDRC rendered its decision on 23 October 2022 and partially accepted the EEC's appeal resulting in a reduced liability of Saudi Riyals 19.8 million for the year 2019 and Saudi Riyals 3.7 million for the year 2020. Both, EEC and the ZATCA have filed appeals with the TVDAC against the TVDRC's decision, which is pending adjudication.

EEC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of EEC's remaining returns to date.

b) IZDCL

IZDCL finalized its Zakat returns up to the year 2012. The ZATCA issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat liability of Saudi Riyals 4.6 million. IZDCL objected against the ZATCA assessment, providing the supporting documents for its position. The ZATCA has transferred the case to the General Secretariat of Zakat, Tax and Customs Committees ("GSTC") and IZDCL has also registered an appeal on GSTC's portal. The TVDRC conducted the hearing session on 22 October 2020 and rendered its decision on 22 December 2020, rejecting IZDCL's appeal. IZDCL has filed an appeal against the TVDRC's decision with the TVDAC.

29. Zakat (continued)

29.4 Status of assessments (continued)

The ZATCA has issued Zakat assessment for the years ended 31 December 2016 and 2017 and claimed additional Zakat of Saudi Riyals 7.4 million and Saudi Riyals 18 million, respectively. IZDCL has objected against the ZATCA's assessment, providing the supporting documents for its position. The ZATCA rejected the objection through its letter dated 16 January 2022. IZDCL has filed an appeal with the TVDRC against the ZATCA decision, which is pending adjudication.

IZDCL has submitted the application for Ministerial Resolution ('MR') No. 13957, which allows Zakat payers to apply the provisions of the Zakat regulations issued under MR No. 2216 to years prior to 2019, for the years 2013 to 2017 on 13 December 2022. The ZATCA has confirmed initial acceptance of the application request for all the years on 28 December 2022.

IZDCL filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of IZDCL's remaining returns to date.

c) RED

The ZATCA issued Zakat assessments dated 29 November 2020 for the years 2015 to 2017 with additional Zakat liability of Saudi Riyals 72.45 million. RED objected against the ZATCA assessment. The ZATCA rejected RED's objection and RED has filed an appeal against the ZATCA's decision with the TVDRC. TVDRC rendered its decision on 5 April 2022 wherein they partially accepted RED's appeal resulting in a reduced Zakat liability of Saudi Riyals 38.2 million. Following receipt of the TVDRC's decision, RED has now filed an appeal with the TVDAC on 28 April 2022 which is pending adjudication.

On 13 December 2022, RED has submitted the application for MR No. 13957 for the years 2015 to 2017. The ZATCA has confirmed initial acceptance of the application request for these years on 28 December 2022.

RED filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of RED's remaining returns to date.

d) REOM

REOM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

e) ECIC

ECIC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. ECIC finalized Zakat returns up to the year 2012. The ZATCA has not finalized the review of the remaining returns to date.

f) EKC

EKC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. EKC finalized Zakat returns up to the year 2017. The ZATCA has not finalized the review of the remaining returns to date.

g) REM

REM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

In relation to the aforementioned assessments, the management has applied its judgement and interpretation of the ZATCA requirements and applicable regulations and is confident that the matters will be ultimately decided in the Group's favour.

30. Related party matters

Related parties include shareholders, directors, associated companies and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Related parties also include business entities in which certain directors or senior management have significant influence ("other related parties").

In addition to Note 17, following are the significant related party transactions during the year and the related balances:

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. Related party transactions (continued)

Related party	Nature of transactions	Transactions		Balance as at	
		2022	2021	31 December 2022	31 December 2021
Amounts due from related parties					
Affiliates	Sales, lease rentals, utilities, service charges and other	**70,055**	172	**18,163**	206
Joint Venture	Lease rentals and utilities charges	**3**	-	**581**	3,269
Key management personnel	Sale of properties, utilities and service charges	**16**	204	**3**	88
	Lease rentals	**157**	-	**73**	-
Board of directors	Other	**-**	-	**54**	-
Total		**70,231**	376	**18,874**	3,563
Amounts due to related parties					
Affiliates	Services provided to the Group	**1,290**	3,449	**(2,011)**	(3,031)
Key management personnel	Remuneration	**22,901**	18,995	**-**	(12)
Board of directors	Remuneration and meeting fees	**4,415**	5,000	**(4,415)**	(5,000)
	Others	**-**	2,798	**(16)**	-
Total		**28,606**	30,242	**(6,442)**	(8,043)

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. Related party transactions (continued)

Compensation of key management personnel of the Group

	31 December 2022	31 December 2021
Short-term employee benefits	**20,185**	16,675
Non-monetary benefits	**1,146**	1,121
Post-employment benefits	**824**	815
Termination benefits	**745**	384
	22,900	18,995

Key management personnel comprise Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

31. Other provisions

The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. During the year ended 31 December 2022, management has recorded a provision amounting to Saudi Riyals 163.25 million for certain lawsuits, where the management expects an unfavourable outcome based on the consultation with its legal advisors.

32. Contingent liabilities and commitments

In addition to disclosure set out in Notes 17 and 31, contingent liabilities and commitments, as at 31 December 2022, are described as below:

a) Based on management's assessment and consultation with its Zakat advisors, management has assessed potential exposure arising from open Zakat assessments and, accordingly, has recorded a provision amounting to Saudi Riyals 56.36 million. Refer to Note 29 for zakat related contingencies.

b) The Group's outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to Saudi Riyals 209.56 million, Saudi Riyals 148.69 million and Saudi Riyals 70.53 million respectively (2021: Saudi Riyals 307.82 million, Saudi Riyals 138.91 million and Saudi Riyals 90.43 million).

c) The Group's outstanding commitments related to letter of guarantee and letters of credit amounting to Saudi Riyals 22.89 million and Saudi Riyals 25.18 million respectively (2021: Saudi Riyals Nil and Saudi Riyals 45.51 million respectively).

d) Refer to Note 17 for equity accounted investee related contingency.

e) The Group's share in the capital commitments of the joint venture is Saudi Riyals 138.5 million (2021: Saudi Riyals 232.18 million).

f) Refer to Note 15 for future minimum rentals receivable.

33. Segmental information

Basis of segmentation

For management purposes, the Group has six strategic divisions, which are its operating segments. These divisions offer different products and/or services and are managed separately. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and makes strategic decisions including resource allocation.

The CODM primarily uses a measure of profit / loss before tax to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue on a quarterly basis.

The profit / loss before tax of the Group's operating segments reported to the CODM are measured in a manner consistent with that in consolidated statement of profit or loss and other comprehensive income. Hence a reconciliation is therefore not presented separately.

Financial income charges are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Reportable segments	**Operations**
Residential business	Includes revenue from sale/lease rental income of land and units for residential purposes.
Industrial development	Includes revenue from sale/lease rental income of land and units for commercial purposes and situated in industrial zone.
Hospitality and leisure	Includes room rent, food and beverages and other related services from operations of hotels, resorts and other leisure clubs.
Education services	Includes revenue from tuition and other fees from schools and colleges operated by the Group.
City operations	Includes revenue from utilities and other city management services by the Group in KAEC.
Corporate (Head office)	Activities of corporate office including selling, marketing and financing.

(All amounts in Saudi Riyals thousands unless otherwise stated)

33. Segments related revenue and profitability

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Corporate	Adjustments and eliminations	Total
For the year ended 31 December 2022								
Revenue								
External customers*	**52,258**	**147,932**	**103,905**	**42,635**	**26,597**	**(9,940)**	**-**	**363,387**
Inter-segment	**11,919**	**-**	**32,641**	**-**	**63,046**	**-**	**(107,606)**	**-**
	64,177	**147,932**	**136,546**	**42,635**	**89,643**	**(9,940)**	**(107,606)**	**363,387**
Results								
Cost of inventories and services recognised as an expense	**(82,803)**	**(43,995)**	**(47,656)**	**(4,464)**	**(77,629)**	**(16,832)**	**52,343**	**(221,036)**
Impairment loss on non - financial assets	**(22,231)**	**-**	**-**	**-**	**-**	**(36,755)**	**-**	**(58,986)**
Impairment loss on financial assets	**(36,830)**	**(15,304)**	**(3,357)**	**(2,456)**	**(5,086)**	**-**	**-**	**(63,033)**
Financial charges	**(69)**	**-**	**(2,534)**	**(4,404)**	**-**	**(287,292)**	**-**	**(294,299)**
Financial income	**-**	**-**	**-**	**-**	**-**	**1,892**	**-**	**1,892**
Depreciation	**(36,879)**	**(22,857)**	**(74,770)**	**(24,553)**	**(3,137)**	**(134,196)**	**-**	**(296,392)**
Amortisation	**(226)**	**-**	**-**	**(52)**	**-**	**(1,587)**	**-**	**(1,865)**
Share of results of equity accounted investee	**-**	**-**	**-**	**-**	**-**	**25,045**	**-**	**25,045**
Other (expenses) / income	**(63,374)**	**(26,731)**	**(59,059)**	**(68,580)**	**(20,361)**	**(247,068)**	**(27,322)**	**(512,495)**
Loss before Zakat	**(178,235)**	**39,045**	**(50,830)**	**(61,874)**	**(16,570)**	**(706,733)**	**(82,585)**	**(1,057,782)**
Zakat	**-**	**-**	**-**	**-**	**-**	**(99,508)**	**-**	**(99,508)**
Loss for the year	**(178,235)**	**39,045**	**(50,830)**	**(61,874)**	**(16,570)**	**(806,241)**	**(82,585)**	**(1,157,290)**

*Revenues from one customer of the Group, relating to the industrial development segment, amounts to Saudi Riyals 69.8 million (2021: Nil).

(All amounts in Saudi Riyals thousands unless otherwise stated)

33. Segments related revenue and profitability (continued)

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Corporate	Adjustments and eliminations	Total
For the year ended 31 December 2021								
Revenue								
External customers	84,121	93,056	133,149	36,234	23,341	2,178	-	372,079
Inter-segment	26,251	1,632	35,978	-	61,124	-	(124,985)	-
	110,372	94,688	169,127	36,234	84,465	2,178	(124,985)	372,079
Results								
Cost of inventories and services recognised as an expense	(143,452)	(31,641)	(47,514)	(5,026)	(104,169)	(28,946)	74,995	(285,753)
Impairment loss on non - financial assets	-	-	-	-	-	(15,560)	-	(15,560)
Impairment loss on financial assets	(26,523)	(12,802)	(1,727)	(1,878)	(2,880)	-9,680	-	(55,490)
Financial charges	(199)	-	(4,216)	(5,033)	(10)	(238,452)	4,745	(243,165)
Financial income	-	-	-	-	-	558	-	558
Depreciation	(43,495)	(23,486)	(77,561)	(25,590)	(5,851)	(132,232)	5,847	(302,368)
Amortisation	(571)	-	(21)	(1,282)		(6,149)	-	(8,023)
Share of results of equity accounted investee	-	-	-			45,839		45,839
Other (expenses) / income	(65,317)	(18,725)	(58,585)	(36,225)	(22,957)	(149,458)	37,621	(313,646)
Loss before Zakat	(169,185)	8,034	(20,497)	(38,800)	(51,402)	(531,902)	(1,777)	(805,529)
Zakat	-	-	-	-	-	(31,000)	-	(31,000)
Loss for the year	(169,185)	8,034	(20,497)	(38,800)	(51,402)	(562,902)	(1,777)	(836,529)

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. Supplemental schedule of non-cash information

	Note	31 December 2022	31 December 2021
Transfer of investment properties to development properties	15, 18	**19,310**	15,439

35. Financial instruments risk management

Overview

The Group's activities may expose it to a variety of financial risks. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

The Group may expose to the following risks from its use of financial instruments:

- Credit risk;
- Market risk (commission rate risk, currency risk and price risk)
- Liquidity risk.

This note presents information about the Group's possible exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance 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. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's principal financial liabilities comprise of trade and other payables, lease liabilities and long-term and short-term borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include investment in equity accounted investees, employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets, restricted cash and cash and cash equivalents.

The Board of Directors reviews and agrees policies for managing each of the following risks which are summarised below:

35.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets.

Customer credit risk is assessed by the Group according to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating process. Each new customer is analysed individually for credit worthiness before entering into contract with the customer.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.1 Credit risk (continued)

The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Certain sales pertaining to real estate are made on instalment basis. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The collection department monitors the situation of outstanding receivables and follows up with customers for the payments in accordance with the contractual terms. The five largest customers account for 29% (2021: 26.4%) of outstanding trade receivables as at 31 December 2022. Payment term varies from product to product with some exceptions at the customer level.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and inflation rate) affecting the ability of the customers to settle the receivables. The fair value of the collateral where relevant is incorporated in LGD. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Given the profile of its bankers, management does not expect any counterparty to fail meeting its obligations. The Group deals with reputable banks with investment grade credit ratings and the credit quality of these financial assets can be assessed by reference to external credit ratings. Credit risk on cash at banks and restricted cash is limited as these are held with banks with sound credit ratings ranging from BBB+ and above. While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9 'Financial Instruments' ("IFRS 9"), these are considered as low risk and the impairment loss is not expected to be material.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	31 December 2022	**31 December 2021**
Unbilled revenue	**743,525**	1,143,567
Employees' receivable – home ownership scheme	**63,981**	79,797
Trade receivables and other current assets	**387,214**	550,256
Restricted cash	**51,722**	107,721
Cash and cash equivalents	**82,141**	240,433
	1,328,583	2,121,774

Excessive risk of concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of risk is managed through focus on the maintenance of a diversified portfolio. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk

i. Commission rate risk

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates.

The Group's exposure to the risk of changes in market commission rates may relate primarily to the Group's long-term and short-term borrowings with floating commission rates. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at 31 December, 2022, the fair value of the borrowings and their carrying values are estimated to approximate their fair values.

Commission rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in commission rates on long term loans. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	**Effect on loss before Zakat**
2022	+100	**(54,944)**
	-100	**54,944**
2021	+100	(55,031)
	-100	55,031

The assumed movement in basis points for the commission rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

The weighted average rate for the Group's long-term borrowings is approximately 4.73%.

ii. Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. As US Dollar is pegged to Saudi Riyal, the Group is not exposed to significant currency risk.

iii. Price risk

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern (refer Note 1).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Financial liabilities

	31 December 2022					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Loans and borrowings	**5,925,587**	**88,327**	**673,760**	**1,141,247**	**251,958**	**8,080,879**
Lease liabilities	**44,707**	**-**	**12,460**	**30,681**	**-**	**87,848**
Short-term borrowings	**-**	**201,765**	**-**	**-**	**-**	**201,765**
Trade and other payables	**2,473**	**271,369**	**548,838**	**-**	**-**	**822,680**
	5,972,767	**561,461**	**1,235,058**	**1,171,928**	**251,958**	**9,193,172**

	31 December 2021					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Loans and borrowings	3,500,739	34,147	221,719	2,586,837	1,860,514	8,203,956
Lease liabilities	18,390	-	26,615	36,556	-	81,561
Short-term borrowings	-	198,773	-	-	-	198,773
Trade and other payables	3,552	233,454	791,362	-	-	1,028,368
	3,522,681	466,374	1,039,696	2,623,393	1,860,514	9,512,658

Financial assets

	31 December 2022		
31 December 2022	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	**387,214**	**-**	**387,214**
Restricted cash	**51,722**	**-**	**51,722**
Cash and cash equivalents	**82,141**	**-**	**82,141**
	521,077	**-**	**521,077**

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. Financial instruments risk management (continued)

35.3 Liquidity risk (continued)

	31 December 2021		
	Less than 12 months	**More than 12 months**	**Total**
Trade receivables and other current assets	557,910	-	557,910
Restricted cash	6,522	101,199	107,721
Cash and cash equivalents	240,433	-	240,433
	804,865	101,199	906,064

36. Capital management

Capital includes equity attributable to the ordinary equity holders of the Parent Company. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The capital structure includes all component of shareholders' equity amounting to Saudi Riyals 6.65 billion. The Group maintains credit facilities with banks to maintain its working capital requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, the ratio is calculated based on the net debt divided by total capital. At 31 December 2022, the Group's gearing ratio is 48.39% (2021: 43.54%). The target of the Group is to keep the gearing ratio below 50%.

	2022	**2021**
Borrowings	**6,241,055**	6,157,103
Lease liabilities	**81,263**	81,561
Less: cash and cash equivalents	**(82,141)**	(240,433)
Net debt (A)	**6,240,177**	5,998,231
Total equity (B)	**6,654,777**	7,776,807
Total capital (A+B)	**12,894,954**	13,775,038
Gearing ratio (A / (A+B))	**48.39%**	43.54%

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been breaches of the some of the financial covenants of borrowings in the current year (refer Note 25). No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021. Also see Note 1.

Net debt reconciliation of the Group is as follows:

	Borrowings	**Leases**	**Net debt**
1 January 2021	(8,912,803)	(92,118)	(9,004,921)
Debt equity swap	2,833,333	-	2,833,333
Finance costs	(236,668)	(2,871)	(239,539)
Proceeds	(3,980)	-	(3,980)
Repayment of loan and borrowing	55,481	13,428	68,909
Finance cost paid	107,534	-	107,534
31 December 2021	(6,157,103)	(81,561)	(6,238,664)
Finance costs	**(288,039)**	**(2,153)**	**(290,192)**
Proceeds	**(148,303)**	**-**	**(148,303)**
Repayment of loan and borrowing	**154,433**	**2,451**	**156,884**
Finance cost paid	**197,957**	**-**	**197,957**
31 December 2022	**(6,241,055)**	**(81,263)**	**(6,322,318)**

37. Fair value of assets and liabilities

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

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

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

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

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

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

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, 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 liability falls 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 input level 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. There were no transfers among the levels during the period.

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 approximate their fair values and are measured at amortized cost. For fair value of investment properties refer Note 15.

38. Restatement of comparative information

During the year, the Group restated certain amounts and balances included in the prior year consolidated financial statements in order to reflect appropriate accounting and classification. The details of each of such restatements have been summarised below:

Restatement - 1

In the prior years, accrued financial charges were included within ‘trade and other payables’ which is inconsistent with the nature of trade and other payables. Trade and other payables are generally liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Interest payable is financing in nature and accounting standards require financing to be shown separately from trade and other payables.

During the year ended 31 December 2022, management of the Group has reclassified these balances from ‘trade and other payables’ to ‘loans and borrowings - current portion’ in order to reflect the nature of these balances and also to realign the accounting for long-term loans with amortised cost accounting.

38. Restatement of comparative information (continued)

Restatement - 2

During the year ended 31 December 2022, the presentation of unearned finance income related to revenue from contracts with customers was reassessed. In prior years, unbilled receivables from customers were recorded at the gross amount of such consideration. Given such transactions contained a significant financing component, revenue was recorded at the gross amount less an adjustment for the significant financing component which was recorded as "unearned financing component" in non-current liabilities. This resulted in an overstatement of the unbilled receivables and non-current liabilities and did not conform to the requirements of IFRS 15 - Revenue from Contracts with Customers ("IFRS 15").

During the year ended 31 December 2022, management reassessed the above treatment of "unearned financing component" and consequently restated the comparative figures by adjusting the 'unearned financing component' from non-current liabilities against related 'unbilled revenue' to correct the presentation.

Restatement - 3

The Group operates an "Employee Ownership Scheme", which is categorised as finance lease in the financial statements. In prior years, management has recorded receivables comprising lease payments at the gross value which included unearned interest and a liability was recognised for 'unearned interest income' in the consolidated statement of financial position under non-current liabilities and the current portion within 'trade and other payables'. In accordance with IFRS 16 - Leases, the lessor shall recognise assets under a finance lease at an amount equal to the net investment in the lease, which does not include 'unearned finance income'.

During the year ended 31 December 2022, management corrected the above treatment of "unearned interest income" and consequently has adjusted such balance of 'unearned interest income' from non-current liabilities against the lease receivables.

Restatement - 4

The development properties of the Group represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plots of lands. Management has determined the properties and plots of land would be used for future sale in the ordinary course of Group's operations and in its normal operating cycle. In the prior years, management classified certain development properties under non-current assets, which it determined to be completed and not as current assets.

During the year ended 31 December 2022, management reconsidered the classification of development properties under non-current assets. As a result, certain properties and plots of lands which are completed and are available for immediate sale in their current condition without significant development activities were reclassified to current assets to align with the requirements of IFRS.

Restatement - 5

On 26 September 2021, the shareholders in the extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SAR 11,333 million. Accordingly, 283,333,334 new shares were issued, at the nominal value of SR 10 per share (see Note 23 for details). However, in the prior year financial statements, management in calculating the earnings per share, management used the total outstanding number of shares as at 31 December, 2021. IAS 33 - Earnings per Share requires ordinary shares issued in exchange for the settlement of a liability of the entity as of the settlement date and not for the full period. As such, shares should be included in the weighted average calculation from the date consideration is receivable.

During the year ended 31 December 2022, management corrected the calculation of earnings per share by appropriately weighting the average number of shares.

38. Restatement of comparative information (continued)

Restatement - 6

In the prior years, the cash and cash equivalents of the Group included bank balance held in an escrow account with a commercial bank as collateral under loan arrangement.

These balances are subject to significant restrictions and are not available for general use by the Group. In accordance with IAS 7 - Statement of Cash flows, given the bank balances that are not available for general use by the Group should not form part of cash and cash equivalents.

For the year ended 31 December 2022, the Group re-assessed the nature of the restricted deposits and concluded that the balances are not available on demand and the nature of the restrictions are severe to the extent the balances do not meet the definition of cash and cash equivalents as defined in IAS 7 - Statement of Cash flows.

Restatement - 7

In addition to the above bank balances related to collateral, the cash and cash equivalents of the Group consists of balances held in escrow accounts for development of off - plan projects.

These balances are subject to restrictions and are not available for general use by the Group. In accordance with IAS 7 - Statement of Cash Flows, bank balances that are not available for general use by the Group should not form part of cash and cash equivalents.

For the year ended 31 December 2022, the Group re-assessed the nature of the restricted deposits and concluded that the balances are not available on demand and the nature of the restrictions are severe to the extent the balances do not meet the definition of cash and cash equivalents as defined in IAS 7 - Statement of Cash Flows.

Restatement - 8

During the year management identified that contract liability and contract asset (unbilled revenue) balances were presented on a net basis. In accordance with IAS 1 - Presentation of Financial Statements, an asset and liability shall not be offset, unless required by IFRS. There is no IFRS which allows such balances to be presented net. As such, during the year ended 31 December 2022, management corrected the above treatment and consequently adjusted the balance of 'unbilled revenue' and 'trade and other payables' to be presented on a gross basis in current assets and non-current assets and current liabilities, respectively.

Restatement - 9

In prior years, management did not assess expected credit losses ('ECL') on unbilled lease receivable balances. In accordance with IFRS 9 - Financial Instruments, management is required to assess ECL on unbilled lease receivable balances in the scope of IFRS 16.

During the year ended 31 December 2022, management assessed the impact of ("ECL") on unbilled lease receivable balances and consequently adjusted the balances of 'unbilled revenue' in the consolidated statement of financial position and "impairment loss on financial and contract assets" in the consolidated statement of profit or loss and other comprehensive income.

Restatement - 10

In addition to the above restatement, management identified that there was no ECL on trade receivable balances 'not yet due'. In accordance with IFRS 9 - Financial Instruments, management is required to assess ECL on financial assets including trade receivable balances 'not yet due'.

As a result, during the year ended 31 December 2022, management assessed the impact of ECL on trade receivable balances 'not yet due' and consequently adjusted the balances of 'trade receivables and other current assets' in the consolidated statement of financial position and "impairment loss on financial and contract assets" in the consolidated statement of profit or loss and other comprehensive income.

38. Restatement of comparative information (continued)

Restatement - 11

In prior years management presented provisions relating to open zakat assessments as part of ‘trade and other payables’, which is inconsistent with the nature of trade and other payables. Trade and other payables are generally liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Provision for open zakat assessments do not meet the nature of trade and other payables.

During the year ended 31 December 2022, management of the Group has reclassified these balances from ‘trade and other payables’ to ‘zakat provision’ in order to reflect the nature of these balances.

Restatement - 12

During the year ended 31 December 2022, the Group performed an exercise to determine if the presentation of the consolidated statement of profit and loss and other comprehensive income is in accordance with IAS 1 “Presentation of Financial Statements”. This exercise resulted in reclassification of certain line items in the consolidated statement of profit or loss and other comprehensive income to conform with IFRS.

Below is the summary of the reclassifications made for the line items affected:

12 (a) - Reclassification of other income

In prior years, other income which includes income from operating activities was excluded from operating activities and presented below “Operating Loss” in the consolidated statement of profit and loss and other comprehensive income.

In accordance with the requirements of IAS 1 ‘Presentation of financial statements’, when “Operating Loss” is disclosed in the consolidated financial statements the amount should include all items that are clearly related to operation, i.e. it should be representative of activities that would normally be regarded as “Operating”.

During the year, management has reassessed the above requirements and as a result ‘other income’ amounting to Saudi Riyals 90.7 million has been categorised as operating activities and presented within ‘Operating Loss’ in the consolidated statement of profit and loss and other comprehensive income.

12 (b) - Presentation of impairment loss from financial assets as a separate financial statement line item on the face of the statement of profit or loss and other comprehensive income

In prior years, impairment loss from financial assets and non-financial assets were combined and presented as one financial statement line item on the face of the consolidated statement of profit and loss and other comprehensive income under “Impairment Loss”.

In accordance with the requirements of IAS 1 ‘Presentation of financial statements’, impairment loss on financial assets should be shown as a separate financial statements line item on the face of the statement of profit and loss and other comprehensive income.

During the year ended 31 December 2022, management has reassessed the above requirements and as a result impairment of financial assets and non-financial assets have been presented as separate line items in the consolidated statement of profit or loss and other comprehensive income.

12 (c) - Reclassification of depreciation relating to infrastructure assets to cost of sales.

In prior years, management had classified the depreciation of infrastructure assets, classified within property and equipment, as operating expenses.

During the year ended 31 December 2022, management assessed the nature of infrastructure assets and consequently reclassified the depreciation of infrastructure assets to ‘cost of revenue’ as this is used primarily to generate revenue.

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement -1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement - 10	Restatement - 11	Restated
<u>**As at 31 December 2021**</u>												
Assets												
Non-current assets												
Development properties	1,118,702	-	-	-	(540,251)	-	-	-	-	-	-	578,451
Unbilled revenue	182,344	-	(59,377)	-	-	-	-	499,687	-	-	-	622,654
Employees' receivable - home ownership scheme	101,900	-	-	(26,219)	-	-	-	-	-	-	-	75,681
Restricted cash	-	-	-	-	-	101,199	-	-	-	-	-	101,199
Total non-current assets	14,204,854	-	(59,377)	(26,219)	(540,251)	101,199	-	499,687	-	-	-	14,179,893
Current assets												
Development properties	298,024	-	-	-	540,251	-	-	-	-	-	-	838,275
Unbilled revenue	118,612	-	-	-	-	-	-	497,113	(94,812)	-	-	520,913
Current portion of employees' receivable - home ownership scheme	7,280	-	-	(3,164)	-	-	-	-	-		-	4,116
Trade receivables and other current assets	594,450	-	-	-	-	-	-	-	-	(7,652)	-	586,798
Restricted cash - current portion	-	-	-	-	-	-	6,522	-	-	-	-	6,522
Cash and cash equivalents	348,154	-	-	-	-	(101,199)	(6,522)	-	-	-	-	240,433
Total current assets	1,366,520	-	-	(3,164)	540,251	(101,199)	-	497,113	(94,812)	(7,652)	-	2,197,057
Total assets	15,571,374	-	(59,377)	(29,383)	-	-	-	996,800	(94,812)	(7,652)	-	16,376,950

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

	Previously reported	**Restatement -1**	**Restatement - 2**	**Restatement - 3**	**Restatement - 4**	**Restatement - 6**	**Restatement - 7**	**Restatement - 8**	**Restatement - 9**	**Restatement -10**	**Restatement - 11**	**Restated**
<u>**As at 31 December 2021**</u>												
Equity												
Accumulated losses	(3,465,598)	-	-	-	-	-	-	-	(94,812)	(7,652)	-	(3,568,062)
Total equity	7,879,271	-	-	-	-	-	-	-	(94,812)	(7,652)	-	7,776,807
Liabilities												
Non-current liabilities												
Unearned financing component on long-term receivables	59,377	-	(59,377)	-	-	-	-	-	-	-	-	-
Unearned interest income - home ownership scheme	26,219	-	-	(26,219)	-	-	-	-	-	-	-	-
Total non-current liabilities	2,544,056	-	(59,377)	(26,219)	-	-	-	-	-	-	-	2,458,460
Current liabilities												
Long-term borrowings - current portion	3,113,438	466,359	-	-	-	-	-	-	-	-	-	3,579,797
Trade and other payables	1,729,905	(466,359)	-	(3,164)	-	-	-	996,800	-	-	(87,598)	2,169,584
Zakat provision	60,926	-	-	-	-	-	-	-	-	-	87,598	148,524
Total current liabilities	5,148,047	-	-	(3,164)	-	-	-	996,800	-	-	-	6,141,683
Total liabilities	7,692,103	-	(59,377)	(29,383)	-	-	-	996,800	-	-	-	8,600,143
Total equity and liabilities	15,571,374	-	(59,377)	(29,383)	-	-	-	996,800	(94,812)	(7,652)	-	16,376,950

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on the consolidated statement of financial position:

	Previously reported	Restatement -1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement -10	Restatement - 11	Restated
<u>**As at 1 January 2021**</u>												
Assets												
Non-current assets												
Development properties	1,315,494	-	-	-	(451,231)	-	-	-	-	-	-	864,263
Unbilled revenue	300,848	-	(93,906)	-	-	-	-	876,184	-	-	-	1,083,126
Employees' receivable - home ownership scheme	117,848	-	-	(31,977)	-	-	-	-	-	-	-	85,871
Restricted cash	-	-	-	-	-	100,000	-	-	-	-	-	100,000
Total non-current assets	14,788,076	-	(93,906)	(31,977)	(451,231)	100,000	-	876,184	-	-	-	15,187,146
Current assets												
Development properties	145,153	-	-	-	451,231	-	-	-	-	-	-	596,384
Unbilled revenue	444,610	-	-	-	-	-	-	229,288	(82,833)	-	-	591,065
Current portion of employees' receivable - home ownership scheme	7,785	-	-	(3,571)	-	-	-	-	-	-	-	4,214
Trade receivables and other current assets	654,776	-	-	-	-		-	-	-	(10,540)	-	644,236
Restricted cash - current portion	-	-	-	-	-	-	11,798	-	-	-	-	11,798
Cash and cash equivalents	174,904	-		-	-	(100,000)	(11,798)	-	-	-	-	63,106
Total current assets	1,528,586	-	-	(3,571)	451,231	(100,000)	-	229,288	(82,833)	(10,540)	-	2,012,161
Total assets	16,316,662	-	(93,906)	(35,548)	-	-	-	1,105,472	(82,833)	(10,540)	-	17,199,307

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

	Previously reported	Restatement -1	Restatement - 2	Restatement - 3	Restatement - 4	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement -10	Restatement - 11	Restated
As at 1 January 2021												
Equity												
Accumulated losses	(2,668,263)	-	-	-	-	-	-	-	(82,833)	(10,540)	-	(2,761,636)
Total equity	5,843,273	-	-	-	-	-	-	-	(82,833)	(10,540)	-	5,749,900
Liabilities												
Non-current liabilities												
Unearned financing component on long-term receivables	93,906	-	(93,906)	-	-	-	-	-	-	-	-	-
Unearned interest income - home ownership scheme	31,977	-	-	(31,977)	-	-	-	-	-	-	-	-
Total non-current liabilities	5,714,300	-	(93,906)	(31,977)	-	-	-	-	-	-	-	5,588,417
Current liabilities												
Long-term borrowings - current portion	2,626,250	338,459	-	-	-	-	-	-	-	-	-	2,964,709
Trade and other payables	1,510,420	(338,459)	-	(3,571)	-	-	-	1,105,472	-	-	(87,598)	2,186,264
Zakat provision	108,687	-	-	-	-	-	-	-	-	-	87,598	196,285
Total current liabilities	4,759,089	-	-	(3,571)	-	-	-	1,105,472	-	-	-	5,860,990
Total liabilities	10,473,389	-	(93,906)	(35,548)	-	-	-	1,105,472	-	-	-	11,449,407
Total equity and liabilities	16,316,662	-	(93,906)	(35,548)	-	-	-	1,105,472	(82,833)	(10,540)	-	17,199,307

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of profit or loss and other comprehensive income:

	Previously reported	Restatement - 5	Restatement - 9	Restatement - 10	Restatement - 12 (a)	Restatement - 12 (b)	Restatement - 12 (c)	Restated
For the year ended 31 December 2021								
Cost of revenue	(482,347)	-	-	-	-	-	(126,787)	(609,134)
Gross loss	(110,268)	-	-	-	-	-	(126,787)	(237,055)
Impairment loss on financial and contract assets	(61,959)	-	(11,979)	2,888	-	15,560	-	(55,490)
Impairment loss on non-financial assets	-	-	-	-	-	(15,560)	-	(15,560)
Depreciation	(180,628)	-	-	-	-	-	126,787	(53,841)
Other operating income	-	-	-	-	90,701	-	-	90,701
Operating loss	(690,373)	-	(11,979)	2,888	90,701	-	-	(608,763)
Other operating income	90,701	-	-	-	(90,701)	-	-	-
Loss before zakat	(796,438)	-	(11,979)	2,888	-	-	-	(805,529)
Loss for the year	(827,438)	-	(11,979)	2,888	-	-	-	(836,529)
Total comprehensive loss for the year	(778,557)	-	(11,979)	2,888	-	-	-	(787,648)
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	(0.73)	(0.16)	(0.01)	-	-	-	-	(0.90)

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of changes in equity:

	Previously reported	Restatement - 9	Restatement - 10	Restated
<u>For the year ended 31 December 2021</u>				
Accumulated losses - as at 1 January 2021	(2,668,263)	(82,833)	(10,540)	(2,761,636)
Loss for the year	(827,438)	(11,979)	2,888	(836,529)
Total comprehensive loss for the year	(778,557)	(11,979)	2,888	(787,648)
Accumulated losses - as at 31 December 2021	(3,465,598)	(94,812)	(7,652)	(3,568,062)
Total equity - as at 1 January 2021	5,843,273	(82,833)	(10,540)	5,749,900
Total equity - as at 31 December 2021	7,879,271	(94,812)	(7,652)	7,776,807

(All amounts in Saudi Riyals thousands unless otherwise stated)

38. Restatement of comparative information (continued)

Effect on consolidated statement of cash flows:

	Previously reported	Restatement - 3	Restatement - 6	Restatement - 7	Restatement - 8	Restatement - 9	Restatement - 10	Restatement - 12 (b)	Restated
For the year ended 31 December 2021									
Operating activities									
Loss before zakat	(796,438)	-	-	-	-	(11,979)	2,888	-	(805,529)
Impairment loss / (gain) on financial and contract assets	61,959	-	-	-	-	11,979	(2,888)	(15,560)	55,490
Impairment loss on non-financial assets	-	-	-	-	-	-	-	15,560	15,560
Employees' receivable – home ownership scheme	7,743	(407)	-	-	-	-	-	-	7,336
Trade and other payables	95,690	407	-	-	(108,672)	-	-	-	(12,575)
Unbilled revenue – net	444,502	-	-	-	108,672	-	-	-	553,174
Restricted Cash	-	-	-	5,276	-	-	-	-	5,276
Net cash generated from operations	356,807	-	-	5,276	-	-	-	-	362,083
Investing activities									
Increase in restricted cash	-	-	(1,199)	-	-	-	-	-	(1,199)
Net cash generated from investing activities	119,324	-	(1,199)	-	-	-	-	-	118,125
Changes in cash and cash equivalents	173,250	-	(1,199)	5,276	-	-	-	-	177,327
Cash and Cash equivalents at the beginning of the year	174,904	-	(100,000)	(11,798)	-	-	-	-	63,106
Cash and Cash equivalents at the end of the year	348,154	-	(101,199)	(6,522)	-	-	-	-	240,433

39. Subsequent event

Subsequent to the year ended 31 December 2022, the Group signed a Term Loan Facility with PIF. See Note 1 for details.

40. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorized to issue by the Board of Directors on 30 March 2023.