KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

31 DECEMBER 2020

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(A SAUDI JOINT STOCK COMPANY)

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KNOWLEDGE ECONOMIC CITY COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion
We have audited the consolidated financial statements of Knowledge Economic City Company (A Saudi Joint Stock Company) - ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

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

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 8 March 2020.

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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the '*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of investment and development properties The investment and development properties are stated at cost less depreciation and impairment, if any. As at 31 December 2020, the carrying values of investment and development properties amounts to SR 2,566 million and SR 86 million (2019: SR 2,513 million and SR 165 million), respectively. Both accounts combined represent 81% (2019: 80%) of the total assets of the Group. The carrying values of these assets are reviewed annually by management to assess whether there are indicators of impairment. Wherever indicators of impairment exist, an impairment assessment is performed by determining if the recoverable amount, which takes into account the fair value of these assets, exceeds or is equal to its carrying values. The Group engaged an independent certified external valuer ("valuer"), who assesses the fair values using market valuation methodology that are based on significant assumptions and estimates. This approach entails significant judgement and estimates such as sales prices, absorption periods, market trends, discount rates and terminal values, including economic fluctuations and the effects of the Covid-19 pandemic on the Group's business. We considered this as a key audit matter as impairment of investment and development properties requires management to exercise judgment and use significant assumptions and estimates that may be uncertain in nature. The potential impact of the impairment of investment and development properties may be significant to the Group's consolidated financial statements. Please refer to notes (4.8 and 4.9) of consolidated financial statements for more details regarding the material accounting policies, notes (3.1.1 and 3.1.2) regarding significant accounting estimates and judgements, and notes (9 and 10) regarding details about relevant disclosures.	We performed the following audit procedures, among others: • Reviewed the management's procedures in identifying impairment indicators in respect of investment and development properties. • Evaluated objectivity, independency, competence and experience of the valuer. • Involved our valuation specialists to review, on a sample basis, the valuation techniques and methodology used by the management valuer and challenged the assumptions and estimates sales prices, occupancy rate, market rent, future rental income, discount rates and terminal values, including economic fluctuations and the effects of the Covid-19 pandemic on the Group's business to ensure the reasonableness of key assumptions and estimates used to determine the fair value of investment and development properties. • Tested the integrity of inputs of the projected cash flows used in the valuation performed by the valuer. • Performed sensitivity analysis on the significant assumptions to evaluate the impact of the fair values and assessed the impact of changes in the key assumptions to the conclusion reached by the management. • Checked the minutes of the meetings of board of directors to ensure that there are no decisions regarding abandonment or disposal of investment and development during the current and future years. • Reviewed the adequacy of the presentation and disclosures in respect of underlying assumptions and estimates, and the sensitivity analysis in the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td> Revenue recognition
The Group assesses revenue recognition under requirements of IFRS 15 "Revenue from contracts with customers" for each of its contracts with customers. Certain judgements are applied, and estimates are made in assessing the timing of revenue recognition and measurement of revenue based on completion of the underlying performance obligations.
A) The Group estimates total development and infrastructure costs required to meet performance obligations related to land sales, and determines appropriate proportion of related revenue and cost to the extent of satisfaction or completion of those performance obligations as at the end of the reporting period.
B) For certain residential projects, the Group sells properties or units on payment plans ranging from three to seven years and as such the contract with the customers include significant financing component (SFC) at the contract inception which involves significant management judgement over the appropriate discount rate and expected credit risk. To calculate the appropriate discount rate to be used in calculating the SFC, management has involved a specialist to determine the appropriate discount rate that reflects the financing component in contracts between the Group and the customers, considering the credit characteristics of the customer receiving financing and any collateral or security provided by the customer.
Revenue recognition was assessed as a key audit matter due to the significance of the assessment and judgements applied and estimates made in assessing the timing of revenue recognition, measurement & allocation of revenue to the performance obligations and the determination of the discount rates.
Refer to note 3.1.3 and 4.18 for details about the judgements applied and estimates made in revenue recognition relating to land sales transactions and determining the significant financing component, and note 14 and 24 regarding detail about relevant disclosures. </td>
<td> We performed the following audit procedures, among others:

Obtained an understanding of the terms and conditions of contracts with the customers and identified performance obligations on a sample basis.
Reviewed the criteria for allocation of infrastructure cost over the related land plots, and the determination of respective revenue
Reviewed, on a sample basis, development and infrastructure costs to be incurred on the lands and the relevant contracts with the suppliers for the infrastructure costs and recalculated the allocation of revenue between land and infrastructure cost.
Tested accuracy and completeness of underlying calculations of revenue and respective cost.
For contracts containing SFC, we:

Involved our internal specialist to evaluate the appropriateness of discount rates used by the management with reference to credit characteristics of and collateral or security provided by the customer.
Reviewed, on a sample basis, contracts with customers for residential units and ensured that there is a signed contract between the Group and the customer, the handoff of the units took place during the year, and the SFC amount was calculated in accordance with IFRS 15.
Tested accuracy and completeness of the SFC calculation over revenue.

Assessed the appropriateness of disclosures in the consolidated financial statements.
</td></tr>
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

Other information included in The Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2020 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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.

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

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 skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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, related safeguards.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

for Ernst & Young

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

18 Sha'ban 1442H
31 March 2021

Jeddah

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

Knowledge Economic City Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in Saudi Riyals)

	Note	2020	2019
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	7	**49,798,155**	50,299,270
Investment properties	9	**2,565,716,142**	2,512,980,719
Investment held at amortised cost	12	**124,772,392**	-
Intangible asset	8	**907,981**	913,110
Right-of-use asset	27	**3,511,674**	4,715,675
Contract assets	14	**116,704,883**	81,842,765
TOTAL NON-CURRENT ASSETS		**2,861,411,227**	2,650,751,539
CURRENT ASSETS			
Development properties	10	**85,808,790**	164,625,086
Trade receivables	13	**18,077,782**	16,684,469
Contract assets	14	**49,971,078**	41,045,766
Prepayments and other current assets	15	**21,657,990**	4,338,136
Short-term investments	16	**46,088,167**	265,989,889
Cash and cash equivalents	17	**180,043,033**	196,864,217
TOTAL CURRENT ASSETS		**401,646,840**	689,547,563
TOTAL ASSETS		**3,263,058,067**	3,340,299,102
EQUITY AND LIABILITIES			
Share capital	23	**3,393,000,000**	3,393,000,000
Accumulated losses		**(294,654,961)**	(269,722,506)
Equity attributable to equity holders of the parent		**3,098,345,039**	3,123,277,494
Non-controlling interests	11	**93,333,504**	93,448,191
TOTAL EQUITY		**3,191,678,543**	3,216,725,685
NON-CURRENT LIABILITIES			
Employee benefits	21	**7,406,722**	7,024,313
Lease liabilities	27	**1,925,521**	3,128,568
Accruals and other non-current liabilities	18	**-**	8,315,463
TOTAL NON-CURRENT LIABILITIES		**9,332,243**	18,468,344
CURRENT LIABILITIES			
Trade payables		**2,095,636**	4,312,375
Lease liabilities	27	**1,861,179**	1,141,463
Contract liabilities	14	**-**	504,300
Deferred gain		**-**	233,633
Accruals and other current liabilities	19	**46,162,974**	88,126,761
Zakat	22	**11,927,492**	10,786,541
TOTAL CURRENT LIABILITIES		**62,047,281**	105,105,073
TOTAL LIABILITIES		**71,379,524**	123,573,417
TOTAL LIABILITIES AND EQUITY		**3,263,058,067**	3,340,299,102

These consolidated financial statements including the attached notes and other explanatory information were approved and authorized for issue by the Board of Directors.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

Knowledge Economic City Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Saudi Riyals)

	Note	2020	2019
CONTINUING OPERATIONS			
Revenue	24.1	**112,936,069**	151,760,334
Cost of revenue	24.2	**(88,399,271)**	(105,398,098)
GROSS PROFIT		**24,536,798**	46,362,236
Selling and marketing expenses	25	**(9,607,725)**	(8,332,289)
General and administrative expenses	26	**(31,185,347)**	(33,542,227)
Other income, net		**4,486,085**	634,572
OPERATING (LOSS) PROFIT		**(11,770,189)**	5,122,292
Finance income		**5,391,096**	13,269,035
Loss on disposal of a subsidiary	34	**-**	(449,517)
Re-measurement to fair value of pre-existing interest in a joint venture		**-**	19,757,117
Gain on acquisition of a subsidiary	1	**-**	812,890
Finance cost	27	**(190,202)**	(248,643)
(LOSS) PROFIT BEFORE ZAKAT FROM CONTINUING OPERATIONS		**(6,569,295)**	38,263,174
Zakat expense	22	**(17,267,018)**	(19,940,022)
NET (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(23,836,313)**	18,323,152
DISCONTINUED OPERATIONS			
Loss after zakat for the year from discontinued operations	34	**(2,001,272)**	(178,563)
NET (LOSS) PROFIT FOR THE YEAR		**(25,837,585)**	18,144,589
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Actuarial loss derecognised on disposal of a subsidiary		**-**	65,541
Re-measurement (loss)/gain on defined benefit plans	21.1	**(389,672)**	387,436
		(389,672)	452,977
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(26,227,257)**	18,597,566
Net (loss) profit attributable to:			
Equity holders of the parent		**(25,722,898)**	18,162,517
Non-controlling interests		**(114,687)**	(17,928)
		(25,837,585)	18,144,589
Total comprehensive (loss) income attributable to:			
Equity holders of the parent		**(26,112,570)**	18,615,494
Non-controlling interests		**(114,687)**	(17,928)
		(26,227,257)	18,597,566
(Losses) Earnings per share attributable to equity holders of the Company:			
Basic and diluted (losses) earnings in Saudi Riyals per share	28	**(0.076)**	0.054
(Losses) Earnings per share from continuing operations attributable to equity holders of the Company:			
Basic and diluted (losses) earnings in Saudi Riyals per share	28	**(0.070)**	0.054

These consolidated financial statements including the attached notes and other explanatory information were approved and authorized for issue by the Board of Directors.

Chief Financial Officer	Chief Executive Officer	Chairman of Board of Directors

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Saudi Riyals)

	Attributable to the equity holders of the parent				
	Share capital	*Accumulated losses*	*Total*	*Non-controlling interest*	*Total equity*
Balance as at 1 January 2019	3,393,000,000	(288,338,000)	3,104,662,000	94,449,169	3,199,111,169
Net profit (loss) for the year	-	18,162,517	18,162,517	(17,928)	18,144,589
Other comprehensive income for the year	-	452,977	452,977	-	452,977
Total comprehensive income (loss) for the year		18,615,494	18,615,494	(17,928)	18,597,566
Disposal of a subsidiary (note 34)	-	-	-	(983,050)	(983,050)
Balance as at 31 December 2019	3,393,000,000	(269,722,506)	3,123,277,494	93,448,191	3,216,725,685
Net loss for the year	-	**(25,722,898)**	**(25,722,898)**	**(114,687)**	**(25,837,585)**
Other comprehensive income for the year	-	**(389,672)**	**(389,672)**	-	**(389,672)**
Total comprehensive loss for the year	-	**(26,112,570)**	**(26,112,570)**	**(114,687)**	**(26,227,257)**
Discontinued operation (note 34)	-	**1,180,115**	**1,180,115**	-	**1,180,115**
Balance as at 31 December 2020	**3,393,000,000**	**(294,654,961)**	**3,098,345,039**	**93,333,504**	**3,191,678,543**

These consolidated financial statements including the attached notes and other explanatory information were approved and authorized for issue by the Board of Directors:

Chief Financial Officer	Chief Executive Officer	Chairman of Board of Directors

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(Expressed in Saudi Riyals)

	Note	2020	2019
OPERATING ACTIVITIES			
(Loss) Profit before zakat from continuing operations		(6,569,295)	38,263,174
Loss before zakat from discontinued operations		(2,001,272)	(178,563)
		(8,570,567)	38,084,611
Adjustments to reconcile profit before zakat to net cash flows:			
Loss on disposal of a subsidiary	34	-	449,517
Re-measurement to fair value of pre-existing interest in a joint venture		-	(19,757,117)
Bargain gain on acquisition of a subsidiary	1	-	(812,890)
Finance income		(5,391,096)	(13,269,035)
Provision for employee benefits	21	1,557,815	1,447,199
Discontinued operation – employee benefits		(1,262,984)	-
Finance cost for lease liabilities	27	190,202	248,643
Depreciation of property and equipment	7	1,505,048	1,607,617
Loss on disposal of property, plant and equipment		-	2,908
Depreciation of right-of-use assets	27	1,204,001	1,204,001
Amortization of intangible assets	8	382,567	411,257
		(10,385,014)	9,616,711
Working capital adjustments:			
Development properties		78,816,296	11,436,284
Trade receivables		(213,198)	(5,073,948)
Contract assets		(43,787,430)	(79,352,389)
Prepayments and other current assets		(17,319,854)	445,239
Trade payable		(2,216,739)	213,909
Deferred gain		(233,633)	48,766
Contract liabilities		(504,300)	(1,267,415)
Accruals and other current and non-current liabilities		(50,279,250)	30,073,050
Cash used in operations		(46,123,122)	(33,859,793)
Employees' benefits paid	21	(302,094)	(1,179,551)
Zakat paid	22	(16,126,067)	(21,761,265)
Net cash used in operating activities		(62,551,283)	(56,800,609)
INVESTING ACTIVITIES			
Short-term investments made	16	(227,000,000)	(700,000,000)
Proceeds from short-term investments		446,000,000	820,000,000
Finance income received		6,292,818	14,953,563
Investment in financial instrument		(124,772,392)	-
Net cash paid on acquisition of a subsidiary		-	(26,558,528)
Additions to investment properties	9	(52,735,423)	(20,565,061)
Additions to property and equipment	7	(1,003,933)	(1,591,057)
Additions to intangible asset	8	(377,438)	(132,292)
Proceeds from disposal of a subsidiary	34	-	1,090,610
Net cash flows from investing activities		46,403,632	87,197,235
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	27	(673,533)	(673,061)
Net cash flows used in financing activities		(673,533)	(673,061)
INCREASE IN CASH AND CASH EQUIVALENTS		(16,821,184)	29,723,565
Cash and cash equivalents at the beginning of the year		196,864,217	167,140,602
Add: cash and cash equivalents on acquisition of a subsidiary		-	50
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR FROM CONTINUING OPERATIONS	17	180,043,033	196,864,217
SUPPLEMENTARY NON-CASH INFORMATION			
Consideration from disposal of a subsidiary (note 34)		-	1,090,610
Accumulated losses derecognised upon disposal of discontinued operation		1,180,115	-
Adjustment of accruals to investment properties		-	11,322,616

These consolidated financial statements including the attached notes and other explanatory information were approved and authorized for issue by the Board of Directors.

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

The attached notes from 1 to 38 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

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

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

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

The Company had a branch under the name of Madinah Institute for Leadership and Entrepreneurship ("MILE") which conducts programs for executive education and training and is based in Madinah Al Munawarah under the license number 4650053318 dated 21 Shawwal 1432H (corresponding to 19 September 2011) issued by Technical and Vocational Training Corporation Saudi Arabia. The operations of the Branch are classified as a discontinued operation (refer note 34).

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

Subsidiaries	*Country of incorporation*	*Paid up capital*	*Effective ownership 2020*	*Effective ownership 2019*
Mounshaat Al Maarifa Al Akaria Company Limited ("Mounshaat")	Saudi Arabia	1,000,000	**100%**	100%
Mashariaa Al Maarifa Al Akaria Company Limited ("Mashariaa")	Saudi Arabia	633,000,000	**100%**	100%
Al Garra International Company for Real Estate ("Al Garra")	Saudi Arabia	467,765,000	**80%**	80%
Midrar Development Management Company Limited ("Midrar") (note 34)	Saudi Arabia	1,333,300	**-**	-
Al Maarifa Al Akaria Company Limited ("Amaak")	Saudi Arabia	50,000,000	**100%**	100%
Makarem Al Maarifa for Hospitality Company Limited ("Makarem for Hospitality") (refer note below)	Saudi Arabia	56,400,000	**100%**	100%
Bawabat Al-Madinah Real Estate Company ("Madinah Gate") (refer note below)	Saudi Arabia	20,000	**80%**	-

On 24 June 2020, the Company has started a new project by setting up a subsidiary, named; Madinah Gate (the subsidiary company). The subsidiary company is 80% owned by the Group. The land and related infrastructure cost was transferred from Al Garra Company.

During 2019, the Board of Directors of the Company approved the proposed acquisition of the remaining fifty percent shareholding in Makarem Al Maarifa for Hospitality Company for consideration of SR 26,558,528. Subsequent to the board approval, the Company made a formal offer to the other shareholder in Makarem Al Maarifa for Hospitality Company (owning fifty percent share capital) to acquire its entire share capital at the above-mentioned consideration, which was accepted by the other shareholders during 2019. As at 31 December 2019, both parties completed all the required formalities and the Company established control over Makarem Al Maarifa for Hospitality Company as at 1 April 2019. As a result, the Company derecognised the investment in joint venture at fair value which resulted in a gain of SR 19,757,117.

Mounshaat, Mashariaa and Madinah Gate have not commenced operations as at 31 December 2020.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The Capital Market Authority ("CMA") announced on 30 December 2019 that obligates the listed entities to continue to use the cost model to measure property (IAS 16) and investment properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which starts before the year of 2022. CMA also obligates listed entities to continue to use the cost model to measure equipment and intangible assets for five years starting from 1 January 2020. The Group has complied with the requirements in the accompanying consolidated financial statements.

2.2 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept. For employees benefit liabilities, actuarial present value calculations are used.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is also the functional currency of the Group.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 36).

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

- Sensitivity analyses disclosures (notes 9, 21 and 31)
- Financial instruments risk management (note 31)
- Capital management (note 32)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements

The Group has exercised judgement in evaluating the impact of COVID-19 on the financial statements. In addition to the key sources of estimation uncertainty, the areas where COVID-19 has been considered are:

- Valuation of investment properties
- Estimation of net realizable value for development property
- Provision for expected credit losses (ECLs) of trade receivables
- Going concern

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

3.1.1 Valuation of investment properties

Investment properties are stated at cost and an assessment of fair value of investment properties and the land held for sale classified as development properties is carried out at each reporting date by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the investment property bring valued. In determining the valuation, the valuer used the market valuation methodology and residual value that are based on significant assumptions and estimates. The Group also carries out internal assessment of value in use using discounted future cash flow model. Both approaches entail significant judgement and estimates like sales prices, occupancy rate, market rent, future rental income, discount rates and terminal values, including economic fluctuations and the effects of the Covid-19 pandemic on the Group's business. Management is in continuous valuation of the methods and assumptions used in valuating the Group's investment properties due to COVID-19.

3.1.2 Estimation of net realizable value for development property

Development property is stated at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling prices in ordinary course of business less estimated cost of completion and estimated cost to make the sale.

NRV for Villas is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the property 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 by an independent professionally qualified valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the land parcel being valued. Estimated costs to complete the development are deducted from estimated selling price to arrive at NRV. Management is in continuous valuation of the methods and assumptions used in valuating the Group's development properties due to COVID-19.

3.1.3 Revenue recognition

Revenue for the sale of residential villas is recognized over time. In order to determine the appropriate method of recognizing revenue, the Group assesses its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time. The Group has assessed that based on the sale agreements entered into with customers, relevant laws and regulations (in particular Economic City Authority) and by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract termination. The matter would be decided by Economic City Authority (ECA) as per applicable laws and therefore management's judgement is based on their interpretation of law (as per legal advice obtained by management), that they would be compensated for the payments due from the customer. Also the contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group. Based on this, the Group recognizes revenue over time. The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognized.

The Group uses judgement in respect of recognizing revenue from sales of residential villas as per the contract with customers by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract termination. The matter would be decided by Economic City Authority (ECA) as per applicable laws and therefore management's judgement is based on their interpretation of law (as per legal advice obtained by management), that they would be compensated for the payments due from the customer and therefore are recognizing revenue over time.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements (continued)

3.1.3 Revenue recognition (continued)

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

3.1.4 Recognition of cost of revenue
The Group owns large portions of land which contains a number of individual plots. In order to determine cost of revenues related to plots sold during the period, management estimates the infrastructure costs of the entire development. These costs are then allocated to each plot. These estimates are reviewed regularly and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognized in a prior period.

3.1.5 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. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in note 36.

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

3.2.1 Useful lives of property, plant and equipment/intangible asset
The Group's management determines the estimated useful lives of its property, plant and equipment/intangible asset for calculating depreciation/amortization. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted prospectively where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

3.2.2 Classification of investments

The Group is managing investments through different holdings in investees. The Group applies significant judgement with respect to the classification of investments with respect to control (including de-facto control), joint control and significant influence exercised on those investments or an investment is simply a financial investment.

For assessing control, the Group has considered power over 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. In case, where the Group has less than majority of the voting or similar rights in an investee, the Group has considered all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee and de-facto control on listed securities. Management's assessment considered the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group has considered potential voting rights.

For assessing joint control, the Group has considered the contractual agreement of sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. For the purpose of assessing whether a joint arrangement is a joint venture or joint operation, the Group has considered whether it has joint control on rights to the net assets of the arrangements, in which case these are treated as joint ventures or rights to the assets, and obligations for the liabilities, relating to the arrangement, in which case these are treated as joint operations.

3.2.3 Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

At reporting date, the expected impact of COVID-19 regarding recoverability of receivables has been captured via provision matrix. Notwithstanding that credit model inputs and assumptions, including forward-looking macroeconomic assumptions, were revised in response to the COVID-19 pandemic, the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECLs have remained consistent with prior periods. The information about the ECLs on the Group's trade receivables is disclosed in note 31.

3.2.4 Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 21.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

3.2.5 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.

3.2.6 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 4.5.

3.2.7 Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.2.8 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. 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. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except as mentioned in note 5, in the preparation of these consolidated financial statements:

4.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. 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
- The ability to use its power over the investee to affect its returns

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the 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 Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

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

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of consolidation (continued)

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. 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.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. 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 Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

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 at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Current versus non-current classification

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

Assets
An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group's does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

Currently, the Group's does not have any equity investments designated at fair value through OCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment
The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL 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 specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

Financial liabilities at amortised cost category is relevant to the Company as mentioned below:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost
After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

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

Derecognition
A financial liability is derecognised 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 recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of non-financial assets (continued)

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

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

Intangible assets, excluding goodwill, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4.6 Property and equipment

Recognition and measurement
Items of property and equipment are initially recorded at cost and measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the consolidated statement of profit or loss.

Subsequent costs
The cost of replacing a part of an item of property and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

Capital work in progress
Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 3.2.6.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property and equipment (continued)

The estimated useful lives are as follows:

• Buildings	40 years
• Furniture, fixtures and office equipment	5 years
• Computers and office equipment	3 to 25 years
• Leasehold improvements	10 years (or the period of lease whichever is shorter)
• Motor Vehicles	4 years

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets for the Group comprises software. The estimated useful lives for the current and comparative periods are 5 years.

4.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entity is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing cost. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment loss, if any.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repaid and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) 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 recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to development property at its carrying cost for subsequent accounting as development property.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Development properties

Cost of development principally includes the cost of the land, infrastructure costs, construction cost and all other costs which are necessary to get such properties ready for sale. The cost of the land and infrastructure is transferred whenever there is a change in use of investment properties as evidenced by the commencement of development with a view to sale and accordingly, such investment properties are reclassified as development properties at their carrying cost at the date of their reclassification. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

4.10 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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 right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office 5 years

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. The right-of-use assets are also subject to impairment, refer note 3.2.6.

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. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) 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 because 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.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short-term investments having original maturities of more than three months and less than twelve months are classified as short-term investments.

4.12 Discontinued operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

• Represents a separate major line of business or geographical area of operations
• Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
Or
• Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 34. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

4.13 Employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans 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.

Post-employment benefits
The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (refer to note 21).

4.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the 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 discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss (refer note 22).

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

4.16 Segment reporting

A business segment is a group of assets, operations or entities:

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

(ii) The results of its operations are continuously analyzed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and

(iii) For which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Since the Group operates in the Kingdom of Saudi Arabia only, hence, no geographical segments are being presented in these consolidated financial statements.

4.17 Contract balances

Contract assets
A contract asset is initially recognised for revenue earned from sales transaction because the receipt of consideration is conditional on successful completion of the sales. Upon completion of the sales and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment.

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue from contracts with customers

Sale of properties
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.

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.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

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

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

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

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

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 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.

Significant financing component
The Group receives payments from customers in arrears for the sale of residential villas with a timeline of three years to seven years after signing the contract and receipt of payment. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the villas, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the interest rate implicit in the contract. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Cost of revenue

The Group owns large portions of land which contains a number of individual plots. In order to determine cost of revenues related to plots sold during the period, management estimates the infrastructure costs of the entire development. These costs are then allocated to each plot. These estimates are reviewed regularly and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognized in a prior period.

Cost of revenue for residential villas project includes the cost of land, development and other service related costs. The cost of revenue is based on the proportion of the cost incurred to date related to sold units to the estimated total costs for each unit. The costs of revenues from the conduct of facilities management, executive educational program and training courses and real estate management services is based on actual cost of providing the services.

4.20 Expenses

Selling and marketing expenses are those arising from the Group’s efforts underlying the marketing and selling functions. All other expenses, excluding direct costs of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

4.21 Finance income, dividend income and finance cost

Finance income comprises interest income on funds invested, dividend income that are recognized in consolidated statement of profit and loss and other comprehensive income. Interest income is recognized as it accrues in consolidated statement of profit and loss and other comprehensive income, using the effective interest method. Dividend income is recognized in consolidated statement of profit and loss and other comprehensive income on the date that the Group’s right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit and loss and other comprehensive income using the effective interest method.

4.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net income or loss attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net income or loss attributable to equity holders of the Group and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.1 Amendments to IFRS 3: *Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

5.2 Amendments to IFRS 7, IFRS 9 and IAS 39 *Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Group as it does not have any interest rate hedge relationships.

5.3 Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

5.4 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

5.5 Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.* The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Group.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

6.1 IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

6.2 Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

6.3 Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

6.4 Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

6.5 Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

6.6 IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6.7 IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

6.8 IAS 41 *Agriculture* – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture.* The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

7 PROPERTY AND EQUIPMENT

	Land	*Buildings*	*Furniture and fixtures*	*Computer and office equipment*	*Leasehold improvements*	*Motor Vehicles*	*Capital work in progress*	*Total*
Cost:								
At 1 January 2019	8,883,511	39,174,514	5,390,318	3,190,660	743,176	554,732	7,944,890	**65,881,801**
Additions during the year	-	-	-	-	-	-	1,591,057	**1,591,057**
Transfers	-	-	187,827	545,407	-	-	(733,234)	**-**
Disposals	-	-	-	(2,908)	-	-	-	**(2,908)**
At 31 December 2019	8,883,511	39,174,514	5,578,145	3,733,159	743,176	554,732	8,802,713	**67,469,950**
Additions during the year	-	-	-	-	-	-	1,003,933	**1,003,933**
Transfer	-	-	383,445	128,833	-	-	(512,278)	**-**
At 31 December 2020	8,883,511	39,174,514	5,961,590	3,861,992	743,176	554,732	9,294,368	**68,473,883**
Depreciation:								
At 1 January 2019	-	7,114,613	5,105,707	2,361,777	426,840	554,126	-	**15,563,063**
Charge for the year	-	1,018,509	70,306	444,484	74,318	-	-	**1,607,617**
At 31 December 2019	-	8,133,122	5,176,013	2,806,261	501,158	554,126	-	**17,170,680**
Charge for the year	-	1,018,509	98,024	314,777	73,738	-	-	**1,505,048**
At 31 December 2020	-	9,151,631	5,274,037	3,121,038	574,896	554,126	-	**18,675,728**
Net book amounts:								
At 31 December 2020	**8,883,511**	**30,022,883**	**687,553**	**740,954**	**168,280**	**606**	**9,294,368**	**49,798,155**
At 31 December 2019	**8,883,511**	**31,041,392**	**402,132**	**926,898**	**242,018**	**606**	**8,802,713**	**50,299,270**

7 PROPERTY AND EQUIPMENT (continued)

a) Capital work in progress at 31 December 2020 represent cost incurred by the Group for constructing a wall of sign boards around its owned land.

During the year, depreciation of SR 58,960 (2019: SR 28,869) was allocated to the investment properties, which represents depreciation of property and equipment used by investment property project management team of the Group.

There were no impairment charges in 2020 and 2019. Further, no borrowing costs were capitalized for property and equipment during 2020 and 2019. The property and equipment are not under lien or pledged.

b) The depreciation charge for the year has been allocated as follows:

	2020	*2019*
General and administrative expenses	**1,446,088**	1,480,396
Investment properties	**58,960**	28,869
Cost of revenue	**-**	62,732
Selling and distribution expenses	**-**	35,620
	1,505,048	1,607,617

8 INTANGIBLE ASSET

	2020	*2019*
Cost		
Balance at the start of the year	**3,931,257**	3,798,965
Additions	**377,438**	132,292
Balance at the end of the year	**4,308,695**	3,931,257
Amortization		
Balance at start of the year	**3,018,147**	2,606,890
Charge for the year	**382,567**	411,257
Balance at the end of the year	**3,400,714**	3,018,147
Net book value at the end of the year	**907,981**	913,110

9 INVESTMENT PROPERTIES

The Group investment properties are measured at cost.

	2020	*2019*
At the beginning of the year	**2,512,980,719**	2,425,423,482
Additions, principally infrastructure cost	**52,735,423**	35,829,087
Acquisition through business combination	-	55,669,560
Transfer to development properties	-	(3,941,410)
At the end of the year	**2,565,716,142**	2,512,980,719

The Group's investment properties consist of properties in Madinah, Kingdom of Saudi Arabia. Management determined that the investment properties consist of two classes of assets, land amounting to SR 1.3 billion (31 December 2019: SR 1.3 billion) and infrastructure cost amounting to SR 1.2 billion (31 December 2019: SR 1.2 billion) based on the nature, characteristics and risks of each property. The details are as follows:

Description	***Location***	***Carrying value***	***Fair value***
KEC	Madinah, Saudi Arabia	**1,694,752,679**	**4,389,391,951**
Al Gharra	Madinah, Saudi Arabia	**705,540,955**	**771,538,840**
Makarem	Madinah, Saudi Arabia	**145,209,587**	**337,766,583**
Madinah Gate	Madinah, Saudi Arabia	**20,212,921**	**56,243,672**
		2,565,716,142	**5,554,941,046**

The fair value of the Group's investment properties as at 31 December 2020 was valued at SR 5.5 billion (31 December 2019: SR 5.1 billion) by independent professionally qualified valuers named Amam Company For Real Estate Appraisal ("AMAM") using both the market comparable approach and the residual value approach and have recent experience in the locations and segments of the investment properties valued. A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers has been applied. The Group has assessed the impact caused by COVID-19 and concluded that there is no material impact on the Group's strategic projects. Further, considering the significant difference between the book value and fair value of investment properties determined by independent valuer as 31 December 2020 as mentioned above, there is no indication of impairment.

In 2020 and 2019, no borrowing costs were capitalized in investment properties.

Valuation processes

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the management.

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.

Valuation techniques underlying management's estimation of fair value

The valuation has been undertaken using both the market comparable approach and the residual value approach based on significant unobservable inputs and the fair value measurement was classified as Level 3.

9 INVESTMENT PROPERTIES (continued)

These significant unobservable inputs include:

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.
Price of comparable plots	reflecting the price of comparable residential and commercial land plots.
Disposal period	reflecting the assumed period of time it would take in order to dispose of an asset.
Infrastructure costs	reflecting costs associated with road infrastructure, sewage, water, electricity networks and drainage systems.

The following is the impact of sensitivity analysis of the unobservable inputs:

Valuation technique	*Significant unobservable input*	*Rate*	*Sensitivity of the input to fair value*
Market approach and residual value approach	• Discount rate	8%	0.5% increase or decrease would result in decrease and increase in fair value by SR 124 million and SR 135 million, respectively.
	• Price of comparable plots	-	10% increase or decrease would result in increase and decrease in fair value by SR 576 million and SR 575 million, respectively.
	• Disposal period	10 years	1-year increase or decrease would result in decrease and increase in fair value by SR 85 million and SR 89 million, respectively.
	• Infrastructure costs	-	10% increase or decrease would result in decrease and increase in fair value by SR 20 million and SR 20 million, respectively.

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

10 DEVELOPMENT PROPERTIES

	2020	*2019*
At the beginning of the year	**164,625,086**	176,061,370
Additions	**3,475,745**	86,352,450
Transfer from investment properties	**-**	3,941,410
Transfer to cost of revenue relating to properties sold	**(82,292,041)**	(101,730,144)
At the end of the year	**85,808,790**	164,625,086

The additions during 2019 and 2020 mainly relate to advances and progress payments to a contractor for construction work on the project. The fair value of the Group’s development properties as per Amam Company for Real Estate Appraisal (“AMAM”) valuation report at 31 December 2020 is approximately SR 224 million. The Group has considered any impairment indicators to show that the estimated net realizable value (NRV) for development properties are less than the carrying values and concluded that there is no material impact.

10 DEVELOPMENT PROPERTIES (continued)

The balances above are split into these categories as follows:

	2020	*2019*
Parcels of land	**46,585,932**	46,585,932
Properties under development	**39,222,858**	118,039,154
	85,808,790	164,625,086

11 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests and which are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised Statement of Financial Position	***Al Garra International Company for Real Estate***	
	2020	*2019*
Current assets	**2,775,267**	200,000
Current liabilities	**(36,101,263)**	(524,047)
Current net assets	**(33,325,996)**	(324,047)
Non-current assets	**499,993,514**	467,565,000
Non-current liabilities	**-**	-
Non-current net assets	**499,993,514**	467,565,000
Net assets	**466,667,518**	467,240,953
Accumulated Non-Controlling Interest	**93,333,504**	93,448,191

Summarized statement of profit or loss and other comprehensive income (loss)

	Al Garra International Company for Real Estate	
	2020	*2019*
Revenue	**-**	-
Loss for the year	**(573,434)**	(89,642)
Other comprehensive income	**-**	-
Total comprehensive loss	**(573,434)**	(89,642)
Loss allocated to non-controlling interest	**(114,687)**	(17,928)
Total comprehensive loss allocated to non-controlling interest	**(114,687)**	(17,928)

12 INVESTMENT HELD AT AMORTISED COST

During November 2020, the Group invested in Sukuk amounting to SR 124.77 million with original maturity of 7 years. This placement yields finance income at coupon rate of 1.73% per annum.

13 TRADE RECEIVABLES

	2020	*2019*
Trade customers for sale of residential villas	**15,289,352**	9,825,379
Trade customers for services	**2,788,430**	6,859,090
	18,077,782	16,684,469

14 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2020	*2019*
Costs incurred on completed contracts	**221,783,099**	142,761,565
Estimated earnings	**98,593,002**	61,469,327
	320,376,101	204,230,892
Less: billings to-date	**(153,700,140)**	(81,846,661)
	166,675,961	122,384,231

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

	2020	*2019*
Contract assets – non-current portion	**116,704,883**	81,842,765
Contract assets – current portion	**49,971,078**	41,045,766
Contract liabilities	**-**	(504,300)
	166,675,961	122,384,231

During the year ended 31 December 2020, Dar Aljewar II project was completed, and management has reduced the required advance payment preceding the handoff date of the sold units to its customers and the payment terms were extended for longer periods. Therefore, management accounted for significant financing component for all residential contracts starting from 1 January 2020, discounted at a rate of 5% that reflects the financing component in contracts between the Group and the customers, considering the credit characteristics of the customer receiving financing and any collateral or security provided by the customer.

The following is the contractual undiscounted maturity analysis of the contract assets of the Group:

2020	*Within 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Contract assets	53,229,150	115,663,246	9,928,646	**178,821,042**

2019	*Within 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Contract assets	41,045,766	81,842,765	-	**122,888,531**

15 PREPAYMENTS AND OTHER CURRENT ASSETS

	2020	*2019*
VAT refundable	**17,745,596**	1,534,689
Advances to suppliers	**2,462,822**	1,328,750
Advances to employees	**831,100**	873,498
Prepayments	**91,194**	193,910
Margin deposit against bank guarantee	**-**	81,761
Others	**527,278**	325,528
	21,657,990	4,338,136

16 SHORT-TERM INVESTMENTS

	2020	*2019*
Murabaha deposits	**46,088,167**	265,989,889

The movement in short-term investments during the year is as follows:

	2020	*2019*
At the beginning of the year	**265,989,889**	387,674,417
Additions	**227,000,000**	700,000,000
Unrealised profit	**901,722**	989,889
Withdrawals	**(447,803,444)**	(822,674,417)
At the end of the year	**46,088,167**	265,989,889

Short-term investment as at 31 December 2020 and 31 December 2019 represent investments in Murabaha deposits having original maturities three to six months. Murabaha deposits with original maturities of three months or less are presented within cash and cash equivalents. Murabaha deposits are placed with local commercial banks and are denominated in Saudi Riyals (“SR”). Murabaha deposits yield financial income at prevailing market rate.

17 CASH AND CASH EQUIVALENTS

	2020	*2019*
Murabaha deposits*	**115,190,952**	160,579,580
Cash at banks	**64,852,081**	36,276,637
Cash in hand	**-**	8,000
	180,043,033	196,864,217

*Murabaha deposits are placed with local commercial banks and denominated in SR. Murabaha deposit yields finance income at prevailing market rates.

17 CASH AND CASH EQUIVALENTS (continued)

*The Group is required to maintain escrow accounts for off plan sales of development properties as authorized by Economic Cities and Special Zones Authority ("ECZA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence it is considered as cash and cash equivalents. The balance as at 31 December 2020 amounted to SR 47.95 million (31 December 2019: SR 19.14 million). These deposits are not under lien.

18 ACCRUALS AND OTHER NON-CURRENT LIABILITIES

Accrued expenses and other non-current liabilities represent accrual of infrastructure cost of SR Nil (2019: SR 2 million) relating to land parcel sold. As at 31 December 2019, SR 6.3 million was also included in non-current portion of retention payable, refer to note 37.

19 ACCRUALS AND OTHER CURRENT LIABILITIES

	2020	*2019*
Accrued expenses	**17,436,968**	58,522,981
Retention payable	**27,091,190**	28,922,110
Others	**1,634,816**	681,670
	46,162,974	88,126,761

20 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

20.1 Related party transactions

There were no material transactions with related parties during the year ended 31 December 2020 and 31 December 2019. Further, all transactions within the Group are eliminated for consolidation purposes. Pricing policies and terms of these transactions are approved by the Board of Directors of the Group.

20.2 Key management compensation

	2020	*2019*
Directors' remuneration and related expenses	**3,078,000**	5,672,046
Remuneration to the key management personnel – current	**6,867,000**	4,499,704
End of service benefits of key management personnel – long term	**579,440**	711,369

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

20.3 Due to balances with key management are summarized below:

	2020	*2019*
Accrued directors' remuneration	**2,200,000**	6,372,092

21 EMPLOYEE BENEFITS

21.1 General description of the plan

The Group operates a defined benefit plan in line with the labor 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 labor laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they fall due upon termination of employment.

The following table represents the movement of the defined benefits plan as at 31 December:

	2020	*2019*
Defined benefits plan at beginning of the year	**7,024,313**	7,144,101
Included in statement of income		
Current service cost	**1,417,077**	1,163,595
Interest cost on defined benefits plan	**140,738**	283,604
	1,557,815	1,447,199
Included in statement of other comprehensive income		
Actuarial loss/(gain) on the plan	**389,672**	(387,436)
Payments during the year	**(302,094)**	(1,179,551)
Discontinued operation (refer note 34)	**(1,262,984)**	-
Defined benefits plan at the end of the year	**7,406,722**	7,024,313

Allocation of defined benefit plans charge between cost of revenue, selling and marketing expenses and general and administrative expenses is as follows:

	2020	*2019*
Cost of revenue	**-**	218,253
General and administrative expenses	**1,169,499**	887,781
Selling and marketing expenses	**388,316**	341,165
	1,557,815	1,447,199

Significant assumptions used in determining defined benefits obligations for the Group are shown below:

	2020	*2019*
Discount rate	**2.2%**	2.5%
Future salary growth	**5.00%**	5.00%
Mortality rate	**0.27%**	0.38%
Employee turnover	**15.12%**	18.33%
Retirement age	**60 years**	60 years

21 EMPLOYEE BENEFITS (continued)

A quantitative sensitivity analysis for significant assumptions on the defined benefits plan as at 31 December:

	Increase/(decrease) in defined benefit obligation at 31 December	
	2020	*2019*
Discount rate:		
1% increase	**(408,510)**	(344,955)
1% decrease	**457,122**	387,020
Future salary growth rate:		
1% increase	**463,146**	394,176
1% decrease	**(422,981)**	(358,975)
Mortality rate:		
1% increase	**71,175**	3,719
1% decrease	**60,715**	(4,107)
Employee turnover rate		
1% increase	**(78,762)**	(114,843)
1% decrease	**228,694**	129,340

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit plan as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit plan as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit plan is 6 years (2019: 6 years).

The following is the breakup of the actuarial (gain)/loss:

	2020	*2019*
Experience adjustment	**262,335**	(135,137)
Financial assumptions	**127,337**	462,638
Demographic assumptions	**-**	(714,937)
	389,672	(387,436)

The following payments are expected to the defined benefit plans in future years:

	2020	*2019*
Within the next 12 months (next annual reporting period)	**1,675,380**	1,376,252
Between 1 and 5 years	**4,837,217**	3,880,302
Above 5 years	**15,270,477**	13,663,754
Total expected payments	**21,783,074**	18,920,308

22 ZAKAT

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

The movement in zakat provision is as follows:

	2020	*2019*
Balance at the beginning of the year	**10,786,541**	12,569,593
Acquisition of a subsidiary	-	38,191
Provision for:		
Current year	**11,980,259**	11,478,908
Prior years	**5,286,759**	8,461,114
Payments for:		
Current year	**(10,839,309)**	(13,300,151)
Prior years	**(5,286,758)**	(8,461,114)
Balance at the end of the year	**11,927,492**	10,786,541

Status of assessments

The Company and its 100% subsidiaries
The Company and its subsidiaries have filed the zakat returns for the years up to 2019, except for Al Garra Company, which is to file its zakat return from the year 2020. For 2017 to 2019, the Company has filed a consolidated zakat return for the Company and its 100% owned subsidiaries and have obtained a zakat certificate valid till 30 April 2021. During 2017, the Company received an assessment from General Authority of Zakat and Tax ("GAZT") for the years from 2011 to 2014 with an additional zakat liability of SR 2.68 million principally related to adjustments for pre-operating expenses, unrealized gain on sale of development property, accumulated losses and investments.

During 2019, the Company received an amended assessment for 2011 to 2014 with an additional zakat lability of SR 8.46 million instead of earlier assessed liability of SR 2.68 million. This additional liability of SR 8.46 million for years 2011 to 2014 was settled by the Company in 2019. During 2020, the GAZT issued an assessment for the years 2015 to 2018 claiming additional zakat liability of SR 27.76 million. The Company has filed an objection against the assessment and waiting for GAZT to issue the revised assessment. The management believes that the appeal outcome will be in the Company's favour, accordingly no provision is made in these consolidated financial statements. The zakat declaration of the Company for the year 2019 are under review by the GAZT.

Al Garra Company
The Company has been recently registered via electronic filing system ("ERAD"). The Company settled the zakat liability of SR 0.02 million as per GAZT assessment for the years 2014 to 2018.

Madinah Gate
The Company has not submitted its returns since date of inception, which has been recently registered via electronic filing system ("ERAD").

Amaak Company
During 2017, the GAZT had issued an assessment for 2015 and 2016 for Amaak Company separately from the consolidated group assessment because it was not part of the approved consolidated zakat arrangement prior to 2017. The GAZT claimed additional zakat of SR 1.56 million for 2015, principally related to deduction of King Abdullah foundation for his parent share and development property. This amount was reduced to SR 0.99 million. Further, the GAZT made an additional claim amounting to SR 0.33 million for 2016. The Group and Amaak Company have recorded the additional provision and filed an appeal against the assessments of 2015 and 2016 with the GAZT and the Company is confident for the favorable decision.

The Group's other subsidiaries have not received any additional assessments for the years for 2016 and 2017.

23 SHARE CAPITAL

Major shareholders

Following are the key shareholders of the Group:

Name	*Place of incorporation*	*Ownership interest%*	
		2020	*2019*
King Abdullah Foundation for his Parents	Saudi Arabia	**29.47**	29.47
Knowledge Economic City Developers Company Limited	Saudi Arabia	**24.46**	24.46

As at 31 December 2020 and 2019, the Company's share capital of SR 3,393,000,000 consists of 339,300,000 fully paid shares of SR10 each.

24 REVENUE AND COST OF REVENUE

24.1 Revenue

	2020	*2019*
Sale of residential villas	**108,559,521**	135,871,880
Revenue from facility maintenance services	**4,376,548**	3,888,454
Sale of a land parcel	**-**	12,000,000
	112,936,069	151,760,334

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is SR Nil (2019: SR 6.4 million).

24.2 Cost of revenue

	2020	*2019*
Cost of residential villas	**83,774,381**	97,788,734
Cost of facility maintenance services	**4,504,811**	2,744,562
Cost of a land parcel	**-**	3,941,410
Others	**120,079**	923,392
	88,399,271	105,398,098

25 SELLING AND MARKETING EXPENSES

	2020	*2019*
Employee costs	**5,519,925**	5,532,738
Advertising and marketing related expenses	**3,232,348**	1,861,554
Professional fee	**475,148**	142,515
Business travel	**290,327**	623,658
Other	**89,977**	171,824
	9,607,725	8,332,289

26 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	*2019*
Employee costs	**16,654,940**	14,397,288
Subscription fees	**3,009,418**	3,025,423
Professional fees	**2,878,022**	3,921,356
Board of directors' remuneration (note 20)	**2,250,000**	3,550,000
Depreciation and amortisation	**1,828,655**	1,920,522
Depreciation expense of right-of-use assets (note 27)	**1,204,001**	1,204,001
Board of Directors' and related committees' attendance fees and expenses	**828,000**	2,122,046
Business travel	**142,472**	589,996
Rent	**-**	1,971
Others	**2,389,839**	2,809,624
	31,185,347	33,542,227

27 LEASES

The Group has lease contract for the office used in its operations with lease term of five years 5 years, with the option to extend the lease.

The Group also has certain leases with lease terms of 12 months or less or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below is the carrying amount of right-of-use asset recognised and the movement during the year:

	Office
As at 1 January 2019	**5,919,676**
Depreciation expense (note 26)	**(1,204,001)**
As at 31 December 2019	**4,715,675**
Depreciation expense	**(1,204,001)**
As at 31 December 2020	**3,511,674**

27 LEASES (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020	*2019*
As at 1 January	**4,270,031**	4,694,449
Accretion of interest	**190,202**	248,643
Payments	**(673,533)**	(673,061)
As at 31 December	**3,786,700**	4,270,031
Less: Current portion	**1,861,179**	1,141,463
Non-current	**1,925,521**	3,128,568

The maturity analysis of lease liabilities are disclosed in note 31.

The following are the amounts recognised in statement of income:

	2020	*2019*
Depreciation expense of right-of-use assets	**1,204,001**	1,204,001
Interest expense on lease liabilities	**190,202**	248,643
Total amount recognised in statement of income	**1,394,203**	1,452,644

During the year, the Group had total cash outflows for leases of SR 0.7 million (2019: SR 0.7 million).

The Group has lease contract that includes termination option. The option is negotiated by management to provide flexibility in managing the leased-asset and align with the Group's business needs. Management exercises significant judgement in determining whether this termination option is reasonably certain to be exercised.

28 (LOSSES) EARNINGS PER SHARE

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

	2020	*2019*
(Losses) Earnings per share:		
Net (loss) profit attributable to equity holders of the Company	**(25,722,898)**	18,162,517
Weighted average number of shares	**339,300,000**	339,300,000
Basic (losses) earnings per share (Saudi Riyals per share)	**(0.076)**	0.054
(Losses) Earnings per share from continuing operations:		
Net (loss) profit from continuing operations attributable to equity holders of the Company	**(23,721,626)**	18,341,080
Weighted average number of shares	**339,300,000**	339,300,000
Basic (losses) earnings per share (Saudi Riyals per share)	**(0.070)**	0.054

There has been no item of dilution affecting the weighted average number of ordinary shares.

29 OPERATING SEGMENT

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

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

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

- Real estate management and consulting services represents activities related to wide range of real estate management and consulting services provided in the Kingdom of Saudi Arabia.

- Executive education and training segments represent activities related to various executive and education and training programs provided in the Kingdom of Saudi Arabia. As at the reporting date, the Branch was classified as a discontinued operation.

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

Information regarding the results of each reportable segment is included in the note. Performance is measured based on segment revenues and net (loss) income, as included in the internal management reports that are reviewed by the top management. Selected financial information as at 31 December 2020 and 31 December 2019 and for the year ended on 31 December 2020 and 31 December 2019, summarized by segment, is as follows:

29 OPERATING SEGMENT (continued)

	Real estate development	*Investment*	*Real estate management and consulting services*	*Discontinued operation*	*Executive education and training*	*Total*
Consolidated Statement of Financial Position						
As at 31 December 2020						
Investment properties	**2,565,716,142**	**-**	**-**	**-**	**-**	**2,565,716,142**
Development properties	**85,808,790**	**-**	**-**	**-**	**-**	**85,808,790**
Short-term investment	**-**	**46,088,167**	**-**	**-**	**-**	**46,088,167**
Total assets	**3,101,778,948**	**161,279,119**	**-**	**-**	**-**	**3,263,058,067**
Total liabilities	**71,379,524**	**-**	**-**	**-**	**-**	**71,379,524**
As at 31 December 2019						
Investment properties	2,512,980,719	-	-	-	-	2,512,980,719
Development properties	164,625,086	-	-	-	-	164,625,086
Short term investment	-	265,989,889	-	-	-	265,989,889
Total assets	2,904,141,091	426,569,469	-	9,588,542	-	3,340,299,102
Total liabilities	114,806,034	-	-	8,767,383	-	123,573,417
Consolidated Statement of Profit or Loss						
Year ended 31 December 2020						
Revenues derived from external customers						
Revenue - At point in time	**4,322,230**	**-**	**-**	**759,870**	**-**	**5,082,100**
Revenue – Overtime	**108,613,839**	**-**	**-**	**-**	**-**	**108,613,839**
Finance income	**-**	**5,391,096**	**-**	**-**	**-**	**5,391,096**
Depreciation and amortization	**(1,887,615)**	**-**	**-**	**-**	**-**	**(1,887,615)**
Zakat expense	**(17,267,018)**	**-**	**-**	**-**	**-**	**(17,267,018)**
Net (loss) profit	**(29,227,409)**	**5,391,096**	**-**	**(2,001,272)**	**-**	**(25,837,585)**

29 OPERATING SEGMENT (continued)

Year ended 31 December 2019	*Real estate development*	*Investment*	*Real estate management and consulting services*	*Discontinued operation*	*Executive education and training*	*Total*
Revenues derived from external customers						
Revenue - At point in time	12,000,000	-	-	9,880,542	-	21,880,542
Revenue – Overtime	139,760,334	-	-	-	-	139,760,334
Finance income	-	13,269,035	-	-	-	13,269,035
Re-measurement to fair value of pre-existing interest in a joint venture		19,757,117				19,757,117
Bargain gain on acquisition of a subsidiary		812,890				812,890
Depreciation and amortization	(1,966,809)	-	-	(52,065)	-	(2,018,874)
Zakat expense	(19,940,022)	-	-	-	-	(19,940,022)
Net (loss) profit	(15,821,794)	33,839,042	-	127,341	-	18,144,589

30 CONTINGENCIES AND COMMITMENTS

- At 31 December 2020, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 80.6 million (31 December 2019: SR 138 million).

- At 31 December 2020, the Group had an outstanding letter of guarantee amounting to Nil (31 December 2019: SR 0.08 million).

- The Group is a defendant in lawsuits in respect of certain cases with its contractors. During November 2019, the Court had granted interim order in favor of the Group having appeal right to both parties. However, the Group has not yet received the final signed and stamped Court order. On the basis of said Court order, the final determination of any resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Group. The opinion of legal advisor confirms that the Court had granted interim order in favor of the Group as at the reporting date.

31 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

• Market risk
• Credit risk
• Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. The most important types of risk are currency risk, fair value and cash flow interest rate risk, price risk, credit risk and liquidity risk.

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.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk
Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

The average effective interest rates of financial instruments at the date of the consolidated statement of financial position, based on reports reviewed by key management personnel, were as follows:

	2020	*2019*
Cash and cash equivalents	0.33%	2.99%
Short term investments	2.70%	2.85%

31 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). Since the Group did not undertake significant transactions in currencies other than Saudi Riyal and US Dollar and as the Saudi Riyal is pegged to the US Dollar, therefore, transactions in foreign currencies are not considered to represent significant foreign currency risk.

Other price risk
The Group is not affected by price risk as there is no investment of the Group in equity shares or commodities.

Credit risk
Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce the exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. Trade receivables are due from customers who have been assessed for credit worthiness prior to the execution of relevant contracts.

There is a significant concentration of credit risk with respect to trade receivables as three customers comprise 23% (2019: three customers comprise 27%) of total trade receivables.

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment. The credit risk exposure of the Group on trade receivables is insignificant due to no historical credit loss exposure of the Group.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

			2020		
	Current	***Upto 180 days***	***181-365 days***	***>1 year***	***Total***
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	
Estimated total gross carrying amount at default – trade receivables	5,817,924	4,910,988	2,503,199	4,845,670	18,077,782
Estimated total gross carrying amount at default – contract assets	166,675,961	-	-	-	166,675,961
Expected credit loss	**-**	**-**	**-**	**-**	**-**

31 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

	2019				
	Current	*Upto 180 days*	*181-365 days*	*>1 year*	*Total*
Expected credit loss rate	0%	0%	0%	0%	
Estimated total gross carrying amount at default – trade receivables	7,379,420	3,523,550	2,187,890	3,593,609	16,684,469
Estimated total gross carrying amount at default – contract assets	122,888,531	-	-	-	122,888,531
Expected credit loss	-	-	-	-	-

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from 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. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

A summary table with maturity of financial assets and liabilities presented below is used by key management personnel to manage liquidity risks.

The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2020	*Within 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Accounts payable	2,095,636	**-**	**-**	**2,095,636**
Other payables	28,726,006	-	-	**28,726,006**
Lease liabilities	1,346,126	2,692,252	-	**4,038,378**
	32,167,768	2,692,252	-	**34,860,020**

2019	*Within 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Accounts payable	4,312,375	-	-	4,312,375
Other payables	26,081,177	3,522,603	-	29,603,780
Lease liabilities	1,346,126	3,365,315	-	4,711,441
	31,739,678	6,887,918	-	38,627,596

32 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group considers share capital, accumulated losses and other reserves as the Group's capital. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 & 31 December 2019.

33 FAIR VALUE MEASUREMENT

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

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

The 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 (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 year.

The management assessed that the fair value of cash and cash equivalents, short-term investments, trade and other receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

34 DISCONTINUED OPERATION

On 8 June 2020, the Board of Directors of the Group resolved to convert Madinah Institute for Leadership and Entrepreneurship ("MILE") (branch of the Company) to a non-profit charitable endowment and independent entity. All the legal formalities of such conversion have been completed on 19 July 2020.

At 31 December 2020, MILE Branch was classified as a discontinued operation. The results of MILE Branch for the year are presented below:

	2020	*2019*
Revenues	**759,870**	9,880,542
Cost of revenues	**(2,761,142)**	(10,074,584)
GROSS LOSS	**(2,001,272)**	(194,042)
Other income	**-**	15,479
NET LOSS FOR THE YEAR BEFORE ZAKAT	**(2,001,272)**	(178,563)
Zakat	**-**	-
NET LOSS FOR THE YEAR	**(2,001,272)**	(178,563)

Following are the assets and liabilities relating to the Branch as at 19 July 2020:

	2020
Assets	
Cash and cash equivalents	**1,318,934**
Trade receivable	**5,071,618**
Prepayments and other current assets	**803,339**
Property and equipment	**7,006**
	7,200,897
Liabilities	
Trade payables	**3,370,609**
Accruals and other current liabilities	**3,640,420**
Employee benefits	**1,369,983**
	8,381,012
Net assets directly associated with discontinued operation	**(1,180,115)**

34 DISCONTINUED OPERATION (continued)

The net cash flows from (used in) discontinued operations of the Branch:

	2020	*2019*
Net cash (used in) from operating activities	**(1,403,083)**	618,160

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

35 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	1 January 2020	***Cash flows***	***Additions***	***Other***	***31 December 2020***
Lease liabilities	4,270,031	(673,533)	-	190,202	3,786,700

	1 January 2019	*Cash flows*	*Additions*	*Other*	*31 December 2019*
Lease liabilities	4,694,449	(673,061)	-	248,643	4,270,031

36 COVID-19 IMPACT

The spread of coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing significant macro-economic uncertainty, disruptions to businesses and economic activities. During March 2020, the Saudi Arabian government took many initiatives and further extended those beyond March 2020 to contain the spread of virus which included restrictions on travel, gathering of people and enactment of curfew timings. Considering these factors, the Company's management carried out an impact assessment on the overall Company's operations and business aspects and concluded that, as at the issuance date of these consolidated financial statements, the Group did not have significant adverse impact on its operations and businesses due to COVID-19 and the Group does not expect any significant impact on the balances as at 31 December 2020 especially around impairment of investment and development properties due to the nature of properties and margins as disclosed in notes 9 and 10 and no significant changes are required to the judgements, assumptions and key estimates.

36 COVID-19 IMPACT (continued)

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Company took measures, in line with the recommendations of the World Health Organisation and Ministry of Health, such as working from home, social distancing at work place, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these consolidated financial statements. The strong financial position, including access to funds and absence of debt, coupled with the actions the Company has taken to date ensures that the Company has the capacity to continue through the challenges caused by the COVID-19 pandemic. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the management and those charged with governance will continue to assess the impact based on prospective developments and accordingly update all stakeholders as soon as more information is available. Further based on the financial position and likely scenarios assessed, the management does not believe any significant issues in relation to the going concern aspect.

37 COMPARATIVE INFORMATION

Certain of the prior year amounts have been reclassified and offset to conform with the presentation in the current year. These changes have been made to improve the quality of information presented, including netting off certain amounts in investment properties against accrued liabilities which already completed and fulfilled by the Group. Such reclassification changes do not affect previously reported profit or equity.

38 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 30 March 2021 (corresponding to 17 Sha'ban 1442H).