

SHAREHOLDERS CIRCULAR

A Saudi listed joint stock company established pursuant to Royal Decree No. M/63 issued on 25/09/1427H (corresponding to 18/10/2006G) as a joint-stock company registered under Commercial Registry No. 4031051838 dated 15/11/1428H (corresponding to 24/11/2007G) in Mecca, in accordance with the provisions of the Companies Law and its implementing regulations. The share capital of Jabal Omar Development Company (JODC) is eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620), divided into one billion, one hundred and fifty-four million, five hundred and thirty-four thousand and one hundred and sixty-two (1,154,534,162) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, fully paid and listed on the Saudi Stock Exchange (Tadawul).

This Circular has been prepared by Jabal Omar Development Company ("JODC"), in accordance with the requirements of Article 74 of the Rules on the Offer of Securities and Continuing Obligations, with regard to increasing the share capital of JODC by converting the outstanding debt owed by JODC to Central District Cooling Company ("CDCC") and Makkah Construction and Development Company ("MCDC") (collectively referred to as the "Creditors"), amounting in total to five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), in exchange for issuing New Shares in JODC to the Creditors (the "Transaction" or "Debt Conversion"). It should be noted that the completion of the Transaction is conditional on obtaining the approval of the Extraordinary General Assembly of JODC for the Transaction. For more details on the necessary approvals to complete the Transaction, please refer to Section (11.3) ("Necessary approvals to complete the Transaction") of this Circular. To clarify, if the required percentage - which is at least three-quarters of the shares represented at the meeting - of JODC shareholders do not approve the Transaction Resolutions in the Extraordinary General Assembly Meeting (EGM) of Jabal Omar Development Company regarding the Transaction, the New Shares will not be issued.

This Circular includes information submitted in the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") and the application for listing securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Board Members, whose names appear on page (13) of this Circular, collectively and individually, bear full responsibility for the accuracy of the information contained in this Circular and confirm, to the best of their knowledge and belief, after conducting all possible studies and to a reasonable extent, that there are no other facts, the omission of which would render any statement contained in this Circular misleading. The CMA and Saudi Stock Exchange hold no responsibility for the contents of this Circular, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this Circular or from reliance on any part thereof. If the contents of this Circular prove difficult to understand, a licensed financial adviser should be consulted. The members of the Company's Board of Directors (other than the Conflicted Director) agreed to enter into the Settlement Agreement with the First Creditor and the Settlement Agreement with the Second Creditor, after carefully examining the terms and conditions of both agreements. The Settlement Agreement with the First Creditor was signed on 07/06/1445H (corresponding to 20/12/2023G), and the Settlement Agreement with the Second Creditor was signed on 07/06/1445H (corresponding to 20/12/2023G).

Financial Advisor

 **anb capital**

This Circular was issued on 28/2/1446H (corresponding to 1/9/2024G). It was prepared in both Arabic and English, and Arabic is the approved language. Therefore, in the event of any differences between the Arabic and English text, the Arabic text will prevail.





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Shareholders Circular

Jabal Omar Development Company (JODC)

A Saudi listed joint stock company established pursuant to Royal Decree No. M/63 issued on 25/09/1427H (corresponding to 18/10/2006G) as a joint-stock company registered under Commercial Registry No. 4031051838 dated 15/11/1428H (corresponding to 24/11/2007G) in Mecca, in accordance with the provisions of the Companies Law and its implementing regulations. The share capital of Jabal Omar Development Company (JODC) is eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620), divided into one billion, one hundred and fifty-four million, five hundred and thirty-four thousand and one hundred and sixty-two (1,154,534,162) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share, fully paid and listed on the Saudi Stock Exchange (Tadawul).

This Circular has been prepared by Jabal Omar Development Company (“**JODC**”), in accordance with the requirements of Article 74 of the Rules on the Offer of Securities and Continuing Obligations, with regard to increasing the share capital of JODC by converting the outstanding debt owed by JODC to Central District Cooling Company (“**CDCC**”) and Makkah Construction and Development Company (“**MCDC**”) (collectively referred to as the “**Creditors**”), amounting in total to five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), in exchange for issuing New Shares in JODC to the Creditors (the “**Transaction**” or “**Debt Conversion**”). It should be noted that the completion of the Transaction is conditional on obtaining the approval of the Extraordinary General Assembly of JODC for the Transaction. For more details on the necessary approvals to complete the Transaction, please refer to Section (11.3) (“**Necessary approvals to complete the Transaction**”) of this Circular. To clarify, if the required percentage - which is at least three-quarters of the shares represented at the meeting - of JODC shareholders do not approve the Transaction Resolutions in the Extraordinary General Assembly Meeting (EGM) of Jabal Omar Development Company regarding the Transaction, the New Shares will not be issued.

The Transaction consists of the settlement by Jabal Omar Development Company (JODC) (“**the Company**”) of the debts owed to both Central District Cooling Company (CDCC) (as the First Creditor) and Makkah Construction and Development Company (MCDC) (as the Second Creditor), totaling five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), through the issuance of a total of twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) new ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share. As a result of the Transaction, eleven million seventy-six thousand nine hundred sixty-seven (11,076,967) ordinary shares will be issued and allocated to CDCC (as the First Creditor) in exchange for conversion and settlement of the outstanding debt owed to it by the Company, amounting to two hundred and thirty-seven million, nine hundred and thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259) (which are dues arising from the District Cooling Concession Agreement for the Jabal Omar Development Project concluded between the Company and the First Creditor on 17/06/2023G). Furthermore, fourteen million four hundred eleven thousand seven hundred seventy-six (14,411,776) new ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per ordinary share will be issued and allocated to MCDC (as the Second Creditor) in exchange for converting and settling the outstanding debt owed to it by the Company, amounting to three hundred and nine million, five hundred and sixty-four thousand, nine hundred and fifty Saudi riyals (SAR 309,564,950) (representing the remaining debt owed by the Company to the Second Creditor as a result of the Company's purchase of the Second Creditor's cash share in the Company that it held on behalf of the real estate owners (located within the Jabal Omar project) who did not complete their legal and regulatory documents when the Company was established, as stated in subparagraph (b) of Article 7(1) of the Company's Bylaws) (for more information on the Debt Conversion, please refer to Section (8) (“**The Debt Conversion**”) of this Circular).

All outstanding debts owed by the Company to the Creditors are referred to as the (“**Debt**”) and all new shares that will be issued as a result of the Transaction to the Creditors are referred to as the (“**New Shares**”).

The Company was established as a Saudi closed joint-stock company with a capital of six billion, seven hundred and fourteen million Saudi riyals (SAR 6,714,000,000) divided into six hundred and seventy-one million, four hundred thousand (671,400,000) ordinary cash shares with a nominal value of ten Saudi riyals (SAR 10) per share, of which four hundred and seventy million (470,000,000) shares are fully paid, and two hundred and one million, four hundred thousand (201,400,000) shares were offered for subscription and were paid in full upon subscription. On 25/06/1432H (corresponding to 28/05/2011G), the Company's capital was increased from six billion, seven hundred and fourteen million Saudi riyals (SAR 6,714,000,000) to nine billion, two hundred and ninety-four million Saudi riyals (SAR 9,294,000,000) through the issuance of priority shares with a total value of two billion, five hundred and eighty million Saudi riyals (SAR 2,580,000,000), i.e. an increase of 38.43% of the Company's capital at an offering price of ten Saudi riyals (SAR 10) per share. In 2022G, the Company's capital was increased by converting the outstanding debt owed by the Company at that time to Alinma Makkah Real Estate Fund, increasing the capital from nine billion, two hundred and ninety-four million (9,294,000,000) to eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620) by issuing two hundred and twenty-five million, one hundred and thirty-four thousand, one hundred and sixty-two (225,134,162) New Shares.

The Company's current capital is eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620), divided into one billion, one hundred and fifty-four million, five hundred and thirty-four thousand, one hundred and sixty-two (1,154,534,162) ordinary shares with a fully paid nominal value of ten Saudi



riyals (SAR 10) per share (referred to as the “Current Shares”), all of which are listed shares on the Saudi Stock Exchange (Tadawul). As a result of the Transaction, the Company’s capital will be increased from eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050), and the number of its shares will be increased from one billion, one hundred and fifty-four million, five hundred and thirty four thousand, one hundred and sixty-two (1,154,534,162) shares to one billion one hundred eighty million twenty-two thousand nine hundred five (1,180,022,905) ordinary shares, which represents an increase of 2.21% in the current capital of the Company. The New Shares have all the rights of the Current Shares, including voting rights, rights to dividends, repurchase rights, rights to surplus assets upon liquidation or dissolution, etc., and other rights. The debts will be settled and the New Shares allocated to both the First Creditor and the Second Creditor will be issued (each according to what they are entitled to) according to the agreed Conversion Ratio, which is based on the issue price that will be determined based on the closing price of the trading day preceding the date of the EGM relating to the Transaction, as stated in the terms and conditions of the Settlement Agreements, (for more details on the debt and its evaluation, please refer to Section (9) (“**Evaluation of the Debt and the New Shares**”) of this Circular). It should be noted that no restrictions have been imposed on the Current Shares issued for the Issuer, except for restrictions related to foreign ownership of the Issuer’s shares, as ownership of the Issuer’s shares is limited to citizens of the Kingdom of Saudi Arabia. This includes the New Shares in the Issuer that will be issued to the Creditors. The New Shares will have the same rights as the Issuer’s existing shares, with no restrictions imposed on these shares (except for the New Shares that will be allocated to the Second Creditor as a result of the Transaction, which will be subject to a lockup period of six calendar months from the date of their allocation to the Second Creditor, and the Second Creditor has committed under the terms and conditions of the Settlement Agreement with the Second Creditor not to dispose of the New Shares allocated to them during the aforementioned period), in accordance with the Companies Law and the Bylaws of the Issuer. No other additional restrictions will be imposed on the Issuer’s shares after the capital increase. It should also be noted that there is no lockup period restricting the First Creditor from disposing of the New Shares that will be allocated to it as a result of the Transaction.

At its meeting on 07/06/1445H (corresponding to 20/12/2023G), the Company’s Board of Directors recommended increasing the Company’s capital through the issuance of the New Shares. The New Shares will be granted to the Creditors, each according to what they are entitled to, in exchange for settling the outstanding debt owed to each of them (for further details, please refer to Section (8) (“**The Debt Conversion**”) of this Circular).

The Company will invite shareholders to attend the EGM relating to the Transaction to vote on increasing the Company’s capital from eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050) through issuing twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share for the purpose of converting debts owed by the Company to the Creditors amounting to five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), in accordance with the provisions of Article 74 of the Rules on the Offer of Securities and Continuing Obligations and in accordance with the terms and conditions of the Settlement Agreements, including voting on the following issues related to the Transaction: (a) voting on the terms and conditions of the Settlement Agreement with the First Creditor, (b) voting on the terms and conditions of the Settlement Agreement with the Second Creditor, (c) voting on the proposed amendments to the Company’s Bylaws related to the Settlement Transaction with the Creditors and (d) authorizing the Board of Directors of the Company, or any person authorized by the Board of Directors, to issue any decision or take any action that may be necessary to implement any of the above decisions (the “**Transaction Resolutions**”).

This increase in the Company’s capital is intended to settle debts owed by the Company to the Creditors. It also aims to reduce financing burdens, improve the Company’s liquidity ratios and credit status, and increase its ability to achieve its growth goals. This is achieved by converting debts owed by the Company to the Creditors in exchange for the Company issuing New Shares to the Creditors (each according to what they are entitled to) by increasing the Company’s paid-up capital from eleven billion, five hundred forty-five million, three hundred forty-one thousand, six hundred twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050). (For more details, please refer to Section (8) (“**The Debt Conversion**”) and Section (8.2) (“**Overview of the Creditors**”) of this Circular).

The Company entered into a binding agreement with CDCC (as the First Creditor) on 07/06/1445H (corresponding to 20/12/2023G) (referred to as the “**Settlement Agreement with the First Creditor**”) under which they agreed to settle the First Debt owed by the Company to the First Creditor, amounting to two hundred and thirty-seven million, nine hundred and thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259), in exchange for issuing New Shares in the Company to the First Creditor, according to the agreed Conversion Ratio based on the issue price that will be determined based on the closing price on the trading day preceding the date of the EGM relating to the Transaction, according to the terms and conditions of the Settlement Agreement with the First Creditor. Save for some obligations stipulated in the Settlement Agreement with the First Creditor, which will remain valid and binding on both parties during the period extending six calendar months from the date of allocating the New Shares due to the First Creditor as a result of the Transaction, the completion of the conversion of the First Debt and the allocation of the New Shares due to it will constitute a final discharge and settlement between the Company and the First Creditor with respect to the First Debt, in accordance with the terms and conditions of the Settlement Agreement with the First Creditor (for more details on the provisions of the Settlement Agreement with the First Creditor, please refer to Section (11.4.1) (“**Settlement Agreement with the First Creditor**”) of this Circular.)

The Company entered into a binding agreement with MCDC (in its capacity as the Second Creditor) on 07/06/1445H (corresponding to 20/06/2023G) (referred to as the “**Settlement Agreement with the Second Creditor**”) under which they agreed to settle the Second Debt owed by the Company to the Second Creditor, amounting to three hundred and nine million, five hundred and sixty-four thousand, nine hundred and fifty Saudi riyals (SAR 309,564,950), in exchange for issuing New Shares in the Company to the



Second Creditor, according to the agreed exchange ratio, which is based on the issue price that will be determined based on the closing price on the trading day preceding the date of the EGM relating to the Transaction, according to the terms and conditions of the Settlement Agreement with the Second Creditor. The completion of the Second Debt Conversion and the allocation of the New Shares to the Second Creditor will constitute a final discharge and settlement between the Company and the Second Creditor in respect of the Second Debt in accordance with the terms and conditions of the Settlement Agreement with the Second Creditor (for further details on the terms of the Settlement Agreement with the Second Creditor, please refer to Section (11.4.2) ("**Settlement Agreement with the First Creditor**") of this Circular.)

It should be noted that the Transaction involves Related Parties and Conflicted Directors, as MCDC is a related party (as a Substantial Shareholder in the Company and an indirect shareholder in CDCC), and CDCC is a related party (as an Affiliate of the Company).

One of the members of the Board of Directors has an interest in the Transaction, where Mr. Abdulaziz Saud Altubayyeb (in his capacity as a senior executive in Awqaf Investment Company, which is the agent of the General Authority for Awqaf, which has indirect ownership in MCDC), disclosed his interest in the Transaction to the Company's Board of Directors (and is referred to as the "**Conflicted Director**"). He subsequently abstained from participating in voting on the Transaction Resolutions (for more details in this regard, please refer to Section (8.8) ("**Related Parties and Conflicted Directors in the Transaction**") of this Circular.

The following table shows the names and details of the Related Parties and Conflicted Director as of 05/01/1446H (corresponding to 11/07/2024G):

Related Parties and Conflicted Directors of the Company													
Name	Nature of the Conflict of Interest	Ownership in the Company				Ownership in the First Creditor				Ownership in the Second Creditor			
		Direct Ownership (Shares)	Indirect Interest (Shares)	Total (Shares)	Ownership Percentage (%)	Direct Ownership (Shares)	Indirect Interest (Shares)	Total (Shares)	Ownership Percentage (%)	Direct Ownership (Shares)	Indirect Interest (Shares)	Total (Shares)	Ownership Percentage (%)
Related Parties													
MCDC	A Substantial Shareholder in the Company	86,684,801	N/A	86,684,801	7.5082058074%	N/A	744,233 [~]	744,233	3.003282322%	N/A	N/A	-	-
CDCC	An Affiliate of the Company	N/A	N/A	-	-	N/A	N/A	-	-	N/A	N/A	-	-
Conflicted Director													
Abdulaziz Saud Altubayyeb	As a senior executive in Awqaf Investment Company which is the agent of the General Authority for Awqaf, which has indirect ownership in MCDC	N/A	N/A			N/A	N/A	-	-	N/A	N/A	-	-

Source: The Company

* Indirect interest includes shares (in the context of Conflicted Directors) of the following parties:

- Relatives of a member of the Board of Directors (for the purposes of the above table, "relatives" means spouse and minor children).
- Companies controlled by a Director.
- Entities where a Director serves as a director or senior executive.

Indirect interest includes shares (in the context of Related Parties) of the following parties:

- Companies controlled by the Related Party.

** Through the Company's ownership of 40% of the First Creditor's capital.

The ownership of the Second Creditor in the Company's capital before the debt conversion amounts to a percentage of 7.5082058074% and the First Creditor does not own any shares in the Company. Therefore, the ownership of each will reach, after the debt conversion, a percentage of (8.5673402246%) and (0.9387077957%) of the Company's capital, respectively. The New Shares will be issued to both the First Creditor and the Second Creditor in exchange for debt conversion. The value of the New Shares issued to them (each according to what they are entitled to) will be calculated based on the agreed Conversion Ratio based on the issue price that will be determined based on the closing price of the trading day preceding the date of the EGM relating to the Transaction, according to the terms and conditions of the Settlement Agreements (for more details on the debt conversion, please refer to Section (11.4) ("**Summary of Material Agreements**") of this Circular.

An application has been submitted to the Capital Market Authority to register and offer the New Shares and an application has been submitted to the Saudi Stock Exchange to list the New Shares on the Saudi Stock Exchange. Members of the Company's Board of Directors acknowledge that all necessary regulatory requirements have been met for the purpose of the debt conversion. Other than the EGM's approval of the Transaction Resolutions, all regulatory approvals related to the debt conversion and the Company's capital increase have been obtained from the Capital Market Authority and the Saudi Stock Exchange (Tadawul) (for more details on the regulatory approvals related to the Transaction, please refer to Section (11.3) ("**Necessary approvals to**"))



complete the Transaction") of this Circular.)

Shareholders should read this Circular fully and carefully review all its sections, in particular Section (2) ("**Important Notice**") and Section (7) ("**Risk Factors**"), before voting on the Transaction Resolutions.

This Circular includes information submitted in the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") and the application for listing securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Board Members, whose names appear on page (13) of this Circular, collectively and individually, bear full responsibility for the accuracy of the information contained in this Circular and confirm, to the best of their knowledge and belief, after conducting all possible studies and to a reasonable extent, that there are no other facts, the omission of which would render any statement contained in this Circular misleading. The CMA and Saudi Stock Exchange hold no responsibility for the contents of this Circular, make no representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss resulting from the contents of this Circular or from reliance on any part thereof. If the contents of this Circular prove difficult to understand, a licensed financial adviser should be consulted. The members of the Company's Board of Directors (other than the Conflicted Director) agreed to enter into the Settlement Agreement with the First Creditor and the Settlement Agreement with the Second Creditor, after carefully examining the terms and conditions of both agreements. The Settlement Agreement with the First Creditor was signed on 07/06/1445H (corresponding to 20/12/2023G), and the Settlement Agreement with the Second Creditor was signed on 07/06/1445H (corresponding to 20/12/2023G).

The members of the Company's Board of Directors (other than the Conflicted Director) acknowledge, after taking into account the market situation on the date of publication of this Circular, and after exercising due diligence as they deem appropriate under the circumstances, that the debt conversion serves the interest of the Company and its Shareholders.

This Circular was issued on 28/2/1446H (corresponding to 1/9/2024G). It was prepared in both Arabic and English, and Arabic is the approved language. Therefore, in the event of any differences between the Arabic and English text, the Arabic text will prevail.

The Company appointed anb capital as a financial advisor for the Transaction.

Financial Advisor

anb capital



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Important Notice

The Company has prepared this Circular to provide information to its shareholders to enable them to make an informed decision when voting on the recommendation of the Company's Board of Directors to increase the Company's capital through the conversion of debts owed to both Central District Cooling Company (CDCC) and Makkah Construction and Development Company (MCDC), amounting in total to five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), through the issuance and allocation of twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) new ordinary shares with a nominal value of ten Saudi riyals (SAR 10) per share for debt settlement based on the Agreed Conversion Ratio, which is based on the issue price that will be determined based on the closing price of the trading day preceding the date of the EGM relating to the Transaction, as stated in the terms and conditions of the Settlement Agreements.

The Company has submitted an application to the CMA to register and offer the New Shares, in addition to submitting an application to the Saudi Stock Exchange to list the New Shares.

This Circular provides comprehensive details about the information related to the debt conversion. The vote of the Company's shareholders on the Transaction Resolutions in the Company's EGM relating to the Transaction will be deemed to be based solely on the information contained in this Circular. Copies of this Circular can be obtained from the Company's headquarters or by visiting the Company's website (www.jabalomar.com.sa), the Financial Advisor's website (www.anbcapital.com.sa), the website of the Capital Market Authority (CMA) (www.cma.org.sa) or the website of the Saudi Stock Exchange (www.saudiexchange.sa). Neither the provision of this Circular nor any oral or written information relating to the Transaction should be construed, interpreted, or relied upon in any way as a promise, assurance or representation regarding the realization of any future revenues, results or events.

anb capital was appointed as a Financial Advisor to the Company for the Transaction, and AS&H Clifford Chance was appointed as a Legal Advisor to the Company in connection with the Transaction. The information included in this Circular on the date of its issuance is subject to change. In particular, the Company's financial condition and the value of its shares could be adversely affected as a result of future developments such as inflation or economic, political or other factors beyond the Company's control (for more details, please refer to Section (7) ("**Risk Factors**") of this Circular). Neither the provision of this Circular nor any oral or written information relating to the Debt Conversion should be considered, interpreted, or relied upon in any way as a promise, assurance, or representation as to the realization of any future revenues, results, or events.

This Circular does not constitute a recommendation on the part of the Financial Advisor or other advisors to vote in favor of the debt conversion.



FORECASTS AND FORWARD-LOOKING STATEMENTS

This Circular includes some forecasts and forward-looking statements related to the Company. Forecasts and forward-looking statements are not based on historical or current facts. These forward-looking statements can be inferred through the use of forward-looking terms and expressions, including “expects,” “aims,” “estimates,” “intends,” “plans,” “will,” “aims,” “believes,” “seeks,” “may,” “will be,” “could,” “should” or negative forms of these terms or others similar in meaning. Forward-looking statements in this Circular include, but are not limited to: (1) preliminary estimates of the benefits expected from the Transaction, future forecasts of share capital expenditures, expenses, revenues, financial performance, financial conditions, dividend policy, losses and other future events; (2) business strategies, management, expansion, and growth of the Company's business after completion of the Transaction; and (3) the Transaction and the dates on which such events are expected to take place. No assurance can be given that any of the objectives or expectations referred to in this Circular will be achieved, and neither the advisors mentioned in Section (3) (“**Company Directory**”) of this Circular nor any of their respective directors or employees shall be liable for any direct or indirect loss or damage suffered by any person as a result of reliance on any statements or omission of any information not included in this Circular.

It should be noted that these forward-looking statements include risks that may or may not be evident, and other factors that may cause actual results, performance, strategies, or events to substantially differ from those explicitly or implicitly included in these statements. Risks related to forward-looking statements are beyond the control of the Company and may not accurately be estimated, such as future market conditions and the behavior of other market participants and should not be relied upon. These forward-looking statements are not a guarantee of the actual future performance of the Company and have not been reviewed by the Company accountants except in the mentioned cases. These forward-looking statements are based on numerous assumptions, including assumptions regarding the Company's current and future business strategies and the regulatory environment in which the Company will conduct business in the future. To clarify, all forward-looking oral and written statements made by the Company or any persons acting on its behalf are all expressly limited by the important notice included in this section.

The Company does not intend and does not assume any obligation to amend or update forward-looking statements included in this Circular, except as required under the applicable laws and regulations.

This Circular is not and cannot be considered legal, financial or tax advice, and in the event of any doubt regarding the vote to be made by any shareholder in the Company's EGM relating to the Transaction, the Board of Directors recommend obtaining independent financial advice from any independent Financial Advisor licensed by the Capital Market Authority.



Restrictions on publishing and distributing the Circular

This Circular is addressed to the shareholders of the Company, subject to any restrictions in the regulations and laws of any Restricted Country.

Presentation of financial and other information

The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA), while the interim unaudited condensed consolidated financial statements for the three and nine-month periods ended 30 September 2023G have been prepared in accordance with International Accounting Standard (IAS) 34 "Initial Financial Report" adopted in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. The Company's consolidated financial statements for the financial year ended 31 December 2021G have been audited by Ernst & Young Professional Services (a professional limited liability company). The Company's consolidated financial statements for the financial years ended 31 December 2022G and 31 December 2023G have been audited by KPMG Professionals. These aforementioned financial statements are included in Appendix No. 1 ("**The Company's Consolidated Financial Statements**") of this Circular. It should also be noted that all information presented is rounded to the nearest thousand Saudi riyals, except as otherwise disclosed.

This Circular has been prepared in accordance with the applicable laws and regulations in the Kingdom of Saudi Arabia. Accordingly, the information and data disclosed in this Circular may differ from those disclosed under any other Circular prepared in accordance with the laws and regulations of any other country. The New Shares are securities issued by a Saudi company. Accordingly, this Circular and any other documents related to the Transaction and the New Shares have been prepared or shall be prepared, with respect to the content or form of these disclosures, in accordance with the disclosure requirements in the Kingdom, which may differ from those applicable in another country.



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Company Directory

Company Address and Authorized Representatives

Company Address

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جبل عمر
Jabal Omar

Issuer's Representatives

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Saad Mushib Aiban

Interim Chief Executive Officer (CEO)

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Advisors and Auditors of the Issuer

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Auditors

Auditor for the financial year ended 31 December 2021G

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Note: The advisors and auditors named above have given their written approval for publication of their names, addresses, logos, statements and reports (as applicable) in accordance with the context set out in this Circular, and none have withdrawn this approval as of the date of this Circular. They have also no shares or interest whatsoever in the Company or its Affiliates.



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Circular Summary

This summary is intended to provide the Company's shareholders with an overview of the Transaction. This section does not include all information that may be important for shareholders to be able to vote on the Transaction Resolutions which will be voted on at the Company's EGM relating to the Transaction. The proposed increase of the Company capital is subject to the approval of the Company's EGM relating to the Transaction. Accordingly, Company shareholders should read and review this summary as an introduction to the Transaction only. In addition, they should carefully read and fully review this Circular, and the data included therein (not just the summary of the Transaction) and base any decision to vote on the Transaction Resolutions on this Circular in its entirety and the information contained herein. Section (2) ("**Important Notice**") and Section (7) ("**Risk Factors**") of this Circular should be carefully reviewed before deciding to vote in the Company's EGM relating to the Transaction.

The Company	Name, description and incorporation information	JODC , a Saudi joint stock company listed on the Saudi Stock Exchange, established by Royal Decree No. M/63 issued on 25/09/1427H (corresponding to 18/10/2006G) in Mecca. It is registered in the Commercial Register under No. 4031051838 dated 15/11/1428H (corresponding to 24/11/2007), in accordance with the provisions of the Companies Law and its implementing regulations.
	Company activities	The Company engages in multiple purposes and activities according to the Commercial Register and the Company's Bylaws, including but not limited to: 1. Development and construction of the Jabal Omar area, on the western side of Grand Mosque Square, and any other areas within the Kingdom of Saudi Arabia. 2. Performance of all necessary works for the construction, maintenance, demolition, and survey works related thereto. 3. Importation and exportation of equipment, machinery, and furniture for the Company's business. 4. Operation of specialized training institutes in the hotel and hospitality industry. 5. Procurement and provision of private civilian security guard services. 6. Management, operation and furnishing of hotels. 7. Management, operation, and maintenance of commercial facilities. 8. Management, operation, and maintenance of Company staff accommodation and hotels. 9. Purchase and sale of land and properties, division thereof and implementation of off-plan sales activities. 10. Management and leasing of owned or leased real estate (residential). 11. Management and leasing of owned or leased properties (non-residential). 12. Real estate development of residential buildings using modern construction methods. 13. Real estate development of commercial buildings using modern construction methods. 14. General construction of residential buildings. 15. General construction of non-residential buildings such as schools, hospitals, hotels, etc. 16. Construction of prefabricated buildings on site. 17. Restoration of residential and non-residential buildings. 18. Building maintenance service activities. 19. Management of maintenance and operations in buildings and facilities pertaining thereto. 20. Hotels. 21. Restaurants with service. 22. Commercial malls. 23. Beverage shops (coffee shops). 24. Catering activities. 25. Retail sale of food and beverages at kiosks and markets. 26. Washing, ironing and dry cleaning of various types of clothing, including fur and textiles. 27. Hotel apartments. 28. Management of tourist accommodation facilities. 29. Buffets (cafeterias). 30. Banquet kitchens for parties. 31. Provision of services for Umrah pilgrims coming from outside the Kingdom. 32. Provision of services for Hajj pilgrims coming from outside the Kingdom. 33. Provision of services for Hajj pilgrims from inside the Kingdom. 34. Logistics. 35. Marketing tourist real estate units on a timeshare system. 36. Real estate marketing and advertising.





The Company	Company activities
	37. Travel agency activities. 38. Hajj and Umrah caterers. 39. Men's gyms and sports centers. 40. Women's gyms and sports centers. 41. Organization and management of trade shows, meetings, conferences, and events. 42. Ice cream shops. 43. Real estate auctions. 44. Ownership of properties and movables necessary for holding companies. 45. Real estate financing. 46. Real estate refinancing. 47. Real estate brokerage. 48. Commission-based real estate management activities. 49. Real estate registration services. 50. Real estate advisory services. 51. Jointly owned property owners association. 52. Relaxation and personal care centers. 53. Roadside hotels (motels). 54. Heritage hotels. 55. Wellness hotels. 56. Boutique hotels. 57. Furnished residential units. 58. Hotel villas. 59. Heritage hotel villas. 60. Serviced apartments. 61. Resorts. 62. Popular markets. 63. Construction of roads, streets, sidewalks, and road accessories. 64. Repair and maintenance of roads, streets, sidewalks, and road accessories. 65. General sports facilities, including stadiums. 66. Care and maintenance of parks and gardens for public housing. 67. Care and maintenance of landscaping, home gardens, roof gardens, private building facades, etc. 68. Import activities. 69. Export activities. 70. General construction of government buildings. 71. Construction of airports and their facilities. 72. Construction of water distribution stations and main lines. 73. Repair and maintenance of water distribution stations, networks, and main lines. 74. Repair and maintenance of sewage plants, sewage projects, sewage networks and pumps. 75. Repair and maintenance of telecommunications and radar stations and towers. 76. Construction of power plants and transformers. 77. Construction of telecommunications and radar stations and towers. 78. Museums. 79. Entertainment centers. 80. Organization of entertainment events. 81. Operation of entertainment facilities. 82. Theme parks. 83. Entertainment centers. 84. Health co-working space centers. 85. Municipal waste collection services.



The Company	Company activities	86. Collection of materials for re-manufacturing. 87. Transport of non-hazardous industrial waste. 88. Operation and maintenance of railway facilities. 89. Operation and maintenance of pumping stations and pipelines. 90. Provision of fixed telecommunications services. 91. Fixed broadband. 92. Provision of wired Internet services. 93. Provision of wired data services. 94. Provision of mobile telecommunications services. 95. Mobile broadband. 96. Provision of wireless Internet service. 97. Provision of wireless data services. 98. Provision of IoT Virtual Network Operator (IoT-VNO) services. 99. Transport of municipal waste. 100.Road cleaning activities. 101.Booking and ticketing activities for sporting and entertainment events, exhibitions, and conferences. 102.Operation of exhibition and conference centers and facilities. 103.Crowd management and organization. 104.Operation of bus stations and cargo handling stations. 105.Vehicle parking service. 106.Building maintenance service activities. 107.Operation of storage facilities for all kinds of goods except foodstuffs. 108.General cargo loading and unloading services. 109.Loading and unloading of cargo and passenger luggage regardless of the mode of transportation. 110. Operation of bus stations and cargo handling stations. 111. Photography activities. 112. Commercial and tourist photography activities using all photographic media and methods. 113. Provision of marketing services on behalf of others. 114. Wholesale of spare parts for construction equipment and machinery.																																												
	Substantial Shareholders of the Company and their current ownership ratios in the Company	As of 23/10/1445H (corresponding to 02/05/2024G), the Company's Substantial Shareholders are the founders of Jabal Omar Development Company (JODC) (with an ownership percentage of 9.5973549027%) and MCDC (with an ownership percentage of 7.5082058074%).																																												
	Percentage of ownership and number of shares of held by the Public and the Substantial Shareholders before and after the debt conversion	The following table shows the percentage of ownership and number of shares in the Company held by the public, the Substantial Shareholders, Board Members and Senior Executives of the Company before and after the completion of the Transaction, as of 05/01/1446H (corresponding to 11/07/2024G): <table><tr><th rowspan="2">Shareholder</th><th colspan="2">Before Completion of the Transaction</th><th colspan="2">After Completion of the Transaction</th></tr><tr><th>Number of Shares</th><th>Ownership Percentage</th><th>Number of Shares</th><th>Ownership Percentage⁽¹⁾</th></tr><tr><td>JODC founders</td><td>110,804,741</td><td>9.5973549027%</td><td>110,804,741</td><td>9.3900500177%</td></tr><tr><td>MCDC (Second Creditor)</td><td>86,684,801</td><td>7.5082058074%</td><td>101,096,577</td><td>8.5673402246%</td></tr><tr><td>Company Board Members*</td><td>358,748</td><td>0.0310729653%</td><td>358,748</td><td>0.0304017828%</td></tr><tr><td>Senior Executives of the Company **</td><td>6,030</td><td>0.0005222886%</td><td>6,030</td><td>0.0005110070%</td></tr><tr><td>CDCC (First Creditor)</td><td>-</td><td>-</td><td>11,076,967</td><td>0.9387077957%</td></tr><tr><td>The Public</td><td>956,679,842</td><td>82.862843983%</td><td>956,679,842</td><td>81.0729891722%</td></tr><tr><td>Total</td><td>1,154,534,162</td><td>100%</td><td>1,180,022,905</td><td>100%</td></tr></table> Source: The Company * Based on shares directly owned by Board Members and shares in which they have an indirect interest in the Company only. ** Based on the shares directly owned by Senior Executives in the Company only, as the Senior Executives do not indirectly own any shares in the Company.	Shareholder	Before Completion of the Transaction		After Completion of the Transaction		Number of Shares	Ownership Percentage	Number of Shares	Ownership Percentage ⁽¹⁾	JODC founders	110,804,741	9.5973549027%	110,804,741	9.3900500177%	MCDC (Second Creditor)	86,684,801	7.5082058074%	101,096,577	8.5673402246%	Company Board Members*	358,748	0.0310729653%	358,748	0.0304017828%	Senior Executives of the Company **	6,030	0.0005222886%	6,030	0.0005110070%	CDCC (First Creditor)	-	-	11,076,967	0.9387077957%	The Public	956,679,842	82.862843983%	956,679,842	81.0729891722%	Total	1,154,534,162	100%	1,180,022,905	100%
	Shareholder	Before Completion of the Transaction		After Completion of the Transaction																																										
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	Total	1,154,534,162	100%	1,180,022,905	100%																																									

¹ The number of shares and ownership will be determined after the issue price is determined, which will be based on the closing price on the trading day preceding the date of the EGM relating to the Transaction in accordance with the terms of the agreement.



The Company	Company Capital	Eleven billion, five hundred forty-five million, three hundred forty-one thousand, and six hundred twenty Saudi riyals (SAR 11,545,341,620).
	Total number of company shares	One billion, one hundred fifty-four million, five hundred thirty-four thousand, and one hundred sixty-two (1,154,534,162) fully paid shares.
	Nominal value of each of the Company shares	Ten Saudi riyals (SAR 10) per share, fully paid.
	Total number of New Shares	The total number of New Shares shall be determined based on the issue price, which will be determined based on the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of approval of the Transaction by the EGM.
	Percentage of New Shares out of the Company capital	The ratio of New Shares of Company capital shall be determined based on the issue price.
	Conversion Ratio for First Debt	This is the basis on which the number of New Shares issued to the First Creditor to convert the First Debt was determined. It was calculated based on the value of the First Debt divided by the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of the EGM's approval of the Transaction.
	Conversion Ratio for Second Debt	This is the basis on which the number of New Shares issued to the Second Creditor to convert the Second Debt was determined. It was calculated based on the value of the Second Debt divided by the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of the EGM's approval of the Transaction.
	Issue price	The nominal value of the New Shares is ten Saudi riyals (SAR 10) per share. The issue price of the New Shares (as will be shown in the Company's financial statements) will be subsequently determined based on the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of approval of the Transaction by the EGM.
	Total issue value of New Shares	The total issue value of the New Shares (as will be shown in the Company's financial statements) will be subsequently determined based on the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of the EGM relating to the Transaction. The difference in value between the nominal value of the shares and the share issue price will be recorded as a share issue premium under equity in the Company's statement of financial position.
Description of the Transaction and Debt Conversion Process		The Company entered into a Settlement Agreement with the First Creditor on 07/06/1445H (corresponding to 20/12/2023G), under which they agreed to settle the First Debt, amounting to two hundred thirty-seven million, nine hundred thirty-three thousand, two hundred fifty-nine Saudi riyals (SAR 237,933,259) in exchange for issuing the New Shares in the Company to the First Creditor in accordance with the Conversion Ratio for the First Debt. The Company also entered into a Settlement Agreement with the Second Creditor, dated 07/06/1445H (corresponding to 20/12/2023G), under which they agreed to settle the Second Debt, amounting to three hundred nine million, five hundred sixty-four thousand, nine hundred fifty Saudi riyals (SAR 309,564,950) in exchange for issuing the New Shares in the Company to the Second Creditor according to the Conversion Ratio for Second Debt. Upon completion of the Settlement Agreements, New Shares in the Company will be issued by increasing the Company capital, so that the Creditors become shareholders in the Company, on the date of issuance and listing of the New Shares on the Saudi Stock Exchange (Tadawul) and allocation of the due portion of the New Shares to both the First Creditor and the Second Creditor, in accordance with the terms and conditions of the Settlement Agreements. (For more details on the debt conversion and their origins, please refer to Section (8) ("The Debt Conversion") of this Circular).
Debt conversion structure		The Transaction will be performed by increasing the Company's capital through the conversion of debts that are owed to both the First Creditor and the Second Creditor, with a total amount of five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209). This will be carried out by the Company's issuance of the New Shares to the Creditors, in accordance with the Conversion Ratio and the provisions of paragraph (b) of Article 126 of the Companies Laws, the conditions and requirements set out in Article 74 of the Rules on the Offer of Securities and Continuing Obligations and under the terms and conditions of the Transaction Agreements. The debts shall include the First Debt owed by the Company to the First Creditor and the Second Debt owed by the Company to the Second Creditor. Accordingly, the Company shall issue New Shares to the Creditors in accordance with the Conversion Ratio, with such New Shares having a nominal value of ten Saudi riyals (SAR 10) per share, to settle the outstanding debt owed to them by the Company.
Purpose of debt conversion		The Transaction aims to convert the outstanding debt owed by the Company to the Creditors, in exchange for issuing new ordinary shares in the Company and granting them to the Creditors. This will reduce financing burdens, improve the Company's liquidity ratios and improve the Company's ability to achieve its growth objectives. (For more information on the purpose of the debt conversion, please refer to Section (8) ("The Debt Conversion") of this Circular.)



Related Parties	The Transaction involves Related Parties and a Conflicted Director. MCDC is a Related Party (as a Substantial Shareholder in the Company with direct ownership of 7.5082058074% and indirect ownership of %3.00328232 in CDCC). CDCC is also a Related Party (as an Affiliate of the Company). One of the Board Members has an interest in the Transaction, where Mr. Abdulaziz Saud Altubayyeb (in his capacity as a senior executive in Awqaf Investment Company which is the agent of the General Authority for Awqaf, which has indirect ownership in MCDC), has disclosed his interest in the Transaction to the Company's Board of Directors. He has accordingly refrained from participating in voting on decisions related to the Transaction (for more details in this respect, please refer to Section (8.8) (" Related Parties and Conflicted Directors in the Transaction ") of this Circular).
Summary of main procedures required for the capital increase and issuance of the New Shares	The key steps to complete the Transaction are as follows: Obtain Tadawul's conditional approval to include the New Shares in the Creditors' investment portfolios. Obtain the Capital Market Authority's approval of the Company's capital increase request, after obtaining Tadawul's approval. Obtain the approval of the EGM relating to the Transaction and the Transaction Resolutions and publish the resolutions in accordance with the relevant laws and regulations. Obtain the Ministry of Commerce's approval of the proposed amendments to the Company's Bylaws to amend the Company's Bylaws and commercial registry. Meeting all conditions specified in the Transaction Agreements, summarized in Section (11.4.1.1) ("Material Terms and Conditions of the Settlement Agreement with the First Creditor"). After completing the main steps above, the outstanding debt owed by the Company to the Creditors shall be converted, against the Company's increasing of its capital and issuing New Shares to the Creditors, which shall be listed in the Saudi Stock Exchange (Tadawul). For more information, please refer to Section (8) ("The Debt Conversion") and Section (11) ("Legal Information").
Dividend eligibility of New Shares	Holders of the New Shares shall be entitled to receive any dividends declared by the Company after the completion date of the Transaction.
Approvals required for the capital increase	The Transaction and the capital increase require a number of approvals, as follows: • The Capital Market Authority's approval of the request to register and offer capital increase shares by way of debt conversion. • Tadawul's conditional approval to list the New Shares. • The Ministry of Commerce's approval of the proposed amendments to the Company's Bylaws. • The Company Shareholders' approval, at the EGM relating to the Transaction, of the Transaction Resolutions. For more information on the other terms of the Transaction and the terms that have been met, please refer to Section (11) ("Legal Information") of this Circular.
Voting rights of Current Shares	All Current Shares carry the same voting rights and there are no preferential rights granted to specific shares over other shares issued by the Company. All of the Company's shares are of one class.
Restrictions on Current Shares	There are no restrictions imposed on the Current Shares, except for those related to the ownership of the Issuer's shares by foreigners, since the ownership of the Issuer's shares is limited to Saudi nationals.
Voting rights of New Shares	The New Shares shall have the same voting rights as the Current Shares of the Company, with no restrictions on such shares (except for the restrictions on the trading of shares issued to the Second Creditor, as set out in the paragraph below), in accordance with the Companies Law and Bylaws.
Restrictions on New Shares	There are no restrictions on the New Shares, except for those related to the ownership of the Issuer's shares by foreigners, since the ownership of the Issuer's shares is limited to Saudi nationals, which includes the New Shares in the Issuer that will be issued to the Creditors. The New Shares shall have the same rights as the Issuer's Current Shares, with no restrictions on these shares (except for the New Shares that will be allocated to the Second Creditor in the Transaction, which will be subject to a lockup period of six calendar months from the date of their allocation to the Second Creditor due to the Second Creditor's obligation under the terms and provisions of the Settlement Agreement with the Second Creditor not to dispose of the New Shares allocated to it during the aforementioned period), in accordance with the Companies Law and the Issuer's Bylaws. No other additional restrictions will be imposed on the Issuer's shares after the capital increase. It should also be noted that there is no lockup period restricting the First Creditor from disposing of the New Shares that will be allocated to it as a result of the Transaction.
Restrictions on trading of shares	Except for the restrictions on the trading of shares issued for the Second Creditor and the restrictions related to the ownership of the Issuer's shares by foreigners, whereby ownership of the Issuer's shares is limited to Saudi nationals as stipulated in the above two paragraphs, there are no additional restrictions imposed on the Current Shares and/or New Shares.



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Key Dates and Stages of the Debt Conversion

Below is the expected schedule of the main events related to the Transaction. The Company shall announce, on the website of the Saudi Stock Exchange, any changes to the schedule and expected dates set out in the table below.

Event	Schedule/Anticipated Date
1. Procedures required in relation to the EGM to vote on the capital increase by way of debt conversion	
The Capital Market Authority's approval of the request to register and offer capital increase shares by way of debt conversion	28/2/1446H (corresponding to 1/9/2024G)
Announcement of the invitation to the Company's EGM relating to the Transaction on Tadawul's website (noting that a second meeting can be held one hour after the end of the period set for the first meeting if the quorum required to hold the meeting is not met)	11/4/1446H (corresponding to 14/10/2024G)
Publication of the Shareholders Circular	12/4/1446H (corresponding to 15/10/2024G)
Providing documents available for review	From nine (9) a.m. to six (6) p.m. from 12/4/1446H (corresponding to 15/10/2024G) until the date of holding the Company's EGM relating to the Transaction
Start of the shareholders' electronic voting period on the items of the meeting at the Company's EGM	28/4/1446H (corresponding to 31/10/2024G)
Holding of the Company's EGM relating to the Transaction (first meeting) – the quorum of the assembly is met with the attendance of shareholders representing at least half of the Company's shares with voting rights	2/5/1446H (corresponding to 4/11/2024G)
Holding of the Company's EGM relating to the Transaction (second meeting) if the quorum is not met in the first meeting - the quorum of the assembly is met with the attendance of shareholders representing at least one-quarter of the Company's shares with voting rights	One hour after the end of the period set for the first EGM in which the quorum was not reached.
Publication on Tadawul's website of the Transaction Resolutions adopted in the Company's first or second EGM relating to the transaction (or announcement that the EGM was not convened if it did not meet its quorum)	8/5/1446H (corresponding to 10/11/2024G)
2. Procedures that will be followed if the quorum for the first and second EGM is not met	
Announcement on Tadawul's website of the invitation to the Company's EGM relating to the Transaction (third meeting)	11/5/1446H (corresponding to 13/11/2024G)
Start of the electronic voting period for shareholders at the Company's EGM relating to the Transaction (third meeting)	29/5/1446H (corresponding to 1/12/2024G)
Holding of the Company's EGM relating to the Transaction (third meeting) – quorum shall be met at the third meeting of the EGM, regardless of the number of shares represented therein.	4/6/1446H (corresponding to 5/12/2024G)
Publication on Tadawul's website of the Transaction Resolutions adopted in the Company's third EGM.	7/6/1446H (corresponding to 8/12/2024G)
3. Procedures required after holding the EGM and completing the Transaction	
Provide the Capital Market Authority with a copy of the minutes of the EGM	Within ten (10) days from the date of approval of the Transaction by the EGM. 12/5/1446H (corresponding to 14/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 14/6/1446H (corresponding to 15/12/2024G) if the approval of the Company's EGM is issued in the third meeting.



Event	Schedule/Anticipated Date
Publication of the amendments to the Bylaws on the Ministry of Commerce's online portal before officially amending them with the Ministry of Commerce	Within a week of the date of the EGM's approval of the Transaction. 9/5/1446H (corresponding to 11/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 11/6/1446H (corresponding to 12/12/2024G) if the approval of the Company's EGM is issued in the third meeting.
Issuance and listing of the New Shares on Tadawul and their allocation to the Creditors	Within a week of the date of the EGM's approval of the Transaction. 9/5/1446H (corresponding to 11/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 11/6/1446H (corresponding to 12/12/2024G) if the approval of the Company's EGM is issued in the third meeting. If the issuance of the New Shares and their allocation to the Creditors is delayed, the new allocation date will be announced on Tadawul's website.
Amendment of the Company's Bylaws and Commercial Registry.	Within three (3) weeks of the EGM's approval of the Transaction. 23/5/1446H (corresponding to 25/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 25/6/1446H (corresponding to 26/12/2024G) if the approval of the Company's EGM is issued in the third meeting.



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Terms and Definitions

The following phrases and terms, wherever used in this Circular, shall have the meanings ascribed to them, unless the context requires otherwise:

"Issuer" or "Company"	JODC, a listed Saudi joint stock company, incorporated by Royal Decree No. M/63 issued on 25/09/1427H (corresponding to 18/10/2006G) in Mecca, registered in the Commercial Register under No. 4031051838 dated 15/11/1428H (corresponding to 24/11/2007G), in accordance with the provisions of the Companies Law and its implementing regulations. The Company performs the activities mentioned in the Company's Bylaws.
"Settlement Agreements" or "Transaction Agreements"	The settlement agreements entered into with both the First Creditor and the Second Creditor jointly.
Advisors	The Financial Advisor and the Legal Advisor mentioned in Section (3) (" Company Directory ") of this Circular.
Affiliate	A person who controls another person, is controlled by that other person, or is jointly controlled by a third person. In any of the foregoing, control is direct or indirect.
Audited Consolidated Financial Statements	The financial statements of JODC, which include income, financial position, cash flow and other information for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G.
Auditors	The auditors mentioned in Section (3) (" Company Directory ") of this Circular.
Authority or Capital Market Authority (CMA)	The Capital Market Authority, including, where applicable in the text, any committee, subcommittee, employee, or agent that may be authorized to perform any of the functions of the Capital Market Authority.
Board or Board of Directors	The Board of Directors of the Company.
Business Day	A business day in the Kingdom, in accordance with the official business days of the Authority.
Bylaws	The Bylaws of the Company.
Capital Increase	The proposed increase in the Company capital through the issuance of New Shares to the Creditors of the Company.
Companies Law	The Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G).
Company's EGM relating to the Transaction	The Company's Extraordinary General Assembly Meeting that will be held to vote on the Transaction Resolutions.
Completion of the First Debt Conversion	Settlement of the First Debt in accordance with the First Debt Conversion Transaction and the issuance of New Shares in the Company to the First Creditor, which shall be considered a clearance and final settlement between the Company and the First Creditor.
Completion of the Second Debt Conversion	Settlement of the Second Debt in accordance with the Second Debt Conversion Transaction and the issuance of New Shares in the Company to the Second Creditor, which shall be considered a clearance and final settlement between the Company and the Second Creditor.
Conflicted Director	Mr. Abdulaziz Saud Altubayyeb, in his capacity as a senior executive in Awqaf Investment Company, which in turn is the agent of the General Authority for Awqaf, which has indirect ownership in MCDC.
Creditors	The First Creditor and the Second Creditor jointly.
Debt or outstanding debt	The First Debt and the Second Debt.
Conversion Ratio	The agreed conversion ratio based on the issue price, which shall be determined based on the closing price of the trading day preceding the date of the EGM relating to the Transaction, as included in the terms and conditions of the Settlement Agreements.
Conversion Ratio for First Debt	This is the basis on which the number of New Shares issued to the First Creditor to convert the First Debt was determined. It was calculated based on the value of the First Debt divided by the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of the EGM's approval of the Transaction.
Conversion Ratio for Second Debt	This is the basis on which the number of New Shares issued to the Second Creditor to convert the Second Debt was determined. It was calculated based on the value of the Second Debt divided by the closing price of the Company's share on the Saudi Stock Exchange on the last trading day preceding the date of the EGM's approval of the Transaction.
Extraordinary General Assembly Meeting (EGM)	The Extraordinary General Assembly meeting of the Company's Shareholders, held in accordance with the Company's Bylaws.
Financial Advisor	anb capital.



Financial Year	The year ending on 31 December of each calendar year.
First Creditor	CDCC, a company incorporated in the Kingdom of Saudi Arabia under Commercial Registry No. 4031046126, which is headquartered in Mecca, Kingdom of Saudi Arabia.
First Debt	The debt owed by the Company to the First Creditor, amounting to two hundred thirty-seven million, nine hundred thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259) (representing the dues arising from the District Cooling Concession Agreement for the Jabal Omar development project, concluded between the Company and the First Creditor on 17/06/2023G).
G (Gregorian)	The Gregorian date.
H (Hijri)	The Hijri date.
Interim Unaudited Condensed Consolidated Financial Statements	The financial statements of JODC, which include income, financial position, cash flow and other information for the three- and nine-month periods ended 30 September 2023G.
Legal Advisor	AS&H Clifford Chance
Listing Rules	The Listing Rules issued by the Saudi Stock Exchange (Tadawul) and approved by Capital Market Authority Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) and amended by Resolution No. 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G).
Ministry of Commerce	The Ministry of Commerce of the Kingdom of Saudi Arabia.
New Shares	New shares in the Company to be issued to both the First Creditor and the Second Creditor, according to the Conversion Ratio, amounting to twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) with a nominal value of ten Saudi riyals (SAR 10) per share.
Person	Any natural or legal person whose capacity is recognized by the laws of the Kingdom.
Related Party	For the purposes of the Rules on the Offer of Securities and Continuing Obligations, this means the following: 1. Affiliates of the Issuer, except for companies wholly owned by the Issuer. 2. Substantial Shareholders of the Issuer 3. Board Members and Senior Executives of the Issuer 4. Board Members of Affiliates of the Issuer 5. Board Members and Senior Executives of Substantial Shareholders of the Issuer 6. Any relatives of the persons referred to in (1, 2, 3, 4 or 5) above 7. Any other company or establishment controlled by a person referred to in (1, 2, 3, 4, 5, or 6) above. For the purposes of paragraph 6 of this definition, relatives shall mean the father, mother, husband, wife, and children.
Relative	For the purposes of the Rules on the Offer of Securities and Continuing Obligations, this means the husband, wife, and minor children. For the purposes of the Corporate Governance Regulations, this term includes as follows: • Fathers, mothers, grandfathers, and grandmothers (and their ascendants). • Children and their children (and their descendants thereafter). • Full or half siblings. • Husbands and wives.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by Capital Market Authority Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended by Capital Market Authority Board Resolution No. 3-6-2024 dated 05/07/1445H (corresponding to 17/01/2024G).
SAR	The Saudi Arabian Riyal, the official currency of the Kingdom of Saudi Arabia.
Second Creditor	MCDC, a closed joint stock company incorporated in the Kingdom of Saudi Arabia under Commercial Registry No. 4031020101, which is headquartered in Mecca, Kingdom of Saudi Arabia.
Second Debt	The debt owed by the Company to the Second Creditor, amounting to three hundred and nine million, five hundred sixty-four thousand, nine hundred fifty Saudi riyals (SAR 309,564,950) (representing the remaining debt owed by the Company to the Second Creditor, arising from the purchase by the Company of the cash share of the Second Creditor in the Company, which was held on behalf of the owners of real estate (located within Jabal Omar project) who failed to complete their legal and statutory documents upon the incorporation of the Company.
Senior Executives	Any natural person who is entrusted, alone or with others, by the administrative body of the enterprise or by a member of the administrative body of the enterprise with supervision and management tasks, and who reports to any of the following: 1) the administrative staff directly, 2) a member of the administrative staff 3) the CEO.
Settlement Agreement with the First Creditor	The binding agreement concluded between JODC and CDCC, dated 07/06/1445H (corresponding to 20/12/2023G) regarding the settlement of the First Debt, which included the detailed terms and conditions for the settlement of the First Debt, according to which the Company's capital will be increased against the settlement of the First Debt through the issuance of New Shares in the Company to the First Creditor.



Settlement Agreement with the Second Creditor	The binding agreement concluded between JODC and MCDC, dated 07/06/1445H (corresponding to 20/12/2023G) regarding the settlement of the Second Debt, which included the detailed terms and conditions for the settlement of the Second Debt, according to which the Company's capital will be increased against the settlement of the Second Debt through the issuance of New Shares in the Company to the Second Creditor.
Shareholders	The shareholders of JODC.
Shareholders Circular	This Shareholders Circular issued by the Company under the provisions of Article 74 of the Rules on the Offer of Securities and Continuing Obligations.
Substantial Shareholder	A person who owns 5% or more of the Issuer's shares.
Tadawul	Saudi Exchange Company (Tadawul)
The Kingdom	The Kingdom of Saudi Arabia.
The Public	Shareholders who are not Substantial Shareholders, Board Members or Senior Executives of JODC.
Transaction	The Debt Conversion transaction regarding the outstanding debt owed by the Company to the Creditors in the amount of five hundred forty-seven million, four hundred ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), in exchange for the Company issuing New Shares to the Creditors by increasing the paid-up capital of the Company from eleven billion, five hundred forty-five million, three hundred forty-one thousand, six hundred twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050).
Transaction Resolutions	Resolutions regarding the Settlement Agreements to be presented to the Company's shareholders , to vote on increasing the Company's capital from eleven billion, five hundred forty-five million, three hundred forty-one thousand, six hundred twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050) through the issuance of twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) new ordinary shares, with a nominal value of ten Saudi riyals (SAR 10) per share, to convert the outstanding debt owed by the Company, under the provisions of Article 74 of the Rules on the Offer of Securities and Continuing Obligations, including voting on the following issues: - Voting on the terms and conditions of the Settlement Agreement with the First Creditor - Voting on the terms and conditions of the Settlement Agreement with the Second Creditor - Voting on the proposed amendments to the Company's Bylaws in connection with the Transaction, provided that these amendments take effect upon the completion of the Transaction. - Authorizing the Board of Directors of the Company, or any person authorized by the Board of Directors, to issue any resolution or take any action as may be necessary to enforce any of the above resolutions.



7

Risk Factors

Company shareholders must carefully read and consider the risks set out in this section relating to the Company's capital increase to settle debt through the issuance of New Shares, as well as all other sections and information contained in this Circular, in order to reach their own conclusions before voting on the Debt Conversion Transaction at the Company's EGM.

The Board of Directors is currently of the view that the risks and uncertainties mentioned below are all the risks known to them related to the issuance of the New Shares to settle the debts. However, the risks and uncertainties described in this Circular may not include all risks related to the Transaction, as there may be additional factors other than the risks described in this section that could adversely affect the Company but which are not currently known to the Company's Board of Directors or which the Company's Board of Directors does not currently consider to be material risk factors.

The Company's Board of Directors also acknowledge that, to the best of their knowledge and belief, there are no other material risks at the date of this Circular, other than those described in this section, whose non-disclosure may affect the decisions of Shareholders in voting on the Transaction Resolutions.

The realization of the risks described in this section could adversely affect the Company's business, financial position, results of operations, cash flows, future prospects and earnings per share. In addition, the realization of any risks other than the risks described below (either because the Company's Board of Directors is not aware of them or because the Company's Board of Directors has not classified them as material but which, upon their occurrence, are found to be material) may also adversely affect the Company's business, financial position, results of operations, cash flows, future prospects and earnings per share.

If any shareholder has any doubt as to the content of this Circular, what action to take or how to vote on the Transaction Resolutions, they should consult an independent financial advisor licensed by the Capital Market Authority.

It should be noted that the ranking of the risks below does not reflect the importance of the risks or the likelihood of their occurrence.

7.1 Risks related to the Transaction and the Company's business after completion of the Transaction

7.1.1 Tax risks

The Company does not anticipate any tax liabilities for the purposes of completing the conversion of debt into shares in the Company as a result of the conclusion of the Transaction Agreements, but the Zakat, Tax and Customs Authority or any other entity may impose tax, Zakat or other related charges. Accordingly, if tax or Zakat liabilities higher than expected are imposed, this would adversely affect the financial position of the Company, which would in turn adversely impact the Company's share price.

7.2 Risks related to the issuance of New Shares

7.2.1 Risks related to not achieving the main objective of the debt conversion process

The Company's goal in the debt conversion is to improve the Company's liquidity ratios and increase its ability to achieve its growth goals. The Transaction also aims to convert the outstanding debt owed by the Company to the Creditors (for more details on the objectives of the Transaction, please refer to Section (8.4) ("**Reasons for the Debt Conversion**") and Section (8.5) ("**Implications for the Company and its shareholders as a result of the Debt Conversion**") of this Circular). In the event that the Company fails to achieve the targeted objectives of the Transition which relate to improving its credit position and liquidity ratios after completing the Transaction and debt conversion, this will adversely impact the Company's financial performance and results of operations.

7.2.2 Risks related to the Conversion Ratio

The Conversion Ratio (which is based on the issue price to be determined based on the closing price of the trading day preceding the date of the EGM relating to the Transaction) may not be an accurate indicator of the market price of the Company's shares at the time of issue. Moreover, the Company's share price may be unstable and may be significantly affected by fluctuations resulting from changes in market trends with respect to New Shares or Current Shares of the Company. These fluctuations may also result from many other factors, including, but not limited to, share-related market conditions and the occurrence of any regulatory changes to both the Company's business or the conditions and trends of the Company's business. The sale of large quantities of shares by certain shareholders (or the perception by the public that shareholders are doing so) may adversely affect the market price of the shares, resulting in the Company's inability to achieve its desired objectives from the Transaction, thereby negatively impacting the Company's financial performance and results of operations.





7.2.3 Risks related to low earnings per share

It is possible that future events may occur that were not foreseeable at the time the debt conversion was executed that may result in the desired results of the debt conversion not being realized, which could adversely affect earnings per share. Since the debt conversion will take place through the issuance of New Shares in the Company, if the increase in the Company's profits after the debt conversion is not greater than the increase in the number of shares, earnings per share will decrease. Therefore, the increase in the number of shares issued in the Company will affect the earnings per share, which may negatively affect the share price as the Company's profits will be divided among a larger number of shares.

7.2.4 Risks related to the sale of a large number of shares

The debt conversion may adversely affect the price of the Company's shares on the Capital Market if the Creditors sell a large number of their shares on the Saudi Stock Exchange after completion of the Transaction, especially since there are no restrictions on the New Shares issued pursuant to the Transaction (except for the shares that will be allocated to the Second Creditor which shall be subject to a lockup period of six calendar months from the date of their allocation to the Second Creditor in compliance with the Second Creditor's obligations pursuant to the terms and conditions of the Settlement Agreement with the Second Creditor which restrict disposing of the New Shares allocated to it during the aforesaid period). There is also no guarantee that a large number of shares will not be sold by the public at any time. It should be noted that the sale of a large number of shares would negatively impact the price of the Company's shares on the stock market.

7.2.5 Risks related to the shares issued to the First Creditor

The Settlement Agreement with the First Creditor included the obligation of the parties that in the event that the First Creditor sells all or a portion of the New Shares allocated to it in the Transaction (the "**Consideration Shares**") within a period not exceeding six months from the date of the allocation of the Consideration Shares to the First Creditor (taking into account any extension periods granted under the provisions of the Agreement) and the value of the average Consideration Shares sold (after deducting any costs associated with the sale) by the First Creditor is less than the agreed share price, the Company shall pay the difference (for more details, please refer to Section (11.4.1) ("**Settlement Agreement with the First Creditor**") of this Circular). Accordingly, if this were to occur, the Company would incur additional amounts to settle the First Creditor's dues, which would affect the Company's liquidity and financial position, which would adversely affect the Company and its business.

"As an illustration, between 02 June 2024 and 02 September 2024 (3-month period), the Company's share price has ranged between 22.84 Saudi Riyals and 27.25 Saudi Riyals. If the (i) Company's share price remains within a similar range during the six month period from the date of the allocation of the Consideration Shares to the First Creditor, and the (ii) First Creditor sells all of the Consideration Shares at an average consideration that is the minimum of this range (22.84 Saudi Riyal), the potential additional liability the Company may incur under the Settlement Agreement could amount to 5,694,129 Saudi Riyal, based on the hypothetical agreed share price of 23.40 Saudi Riyal.

The potential settlement mechanism described in Clause 11.4.1.2 of the Shareholder Circular will be accounted for by comparing the value of the average Consideration Shares sold with the agreed share price. Any resulting gain or loss will be recorded in the consolidated statement of profit or loss, with a corresponding adjustment made in the consolidated statement of financial position."

Accordingly, the Company will create provisions, which will be reflected in the financial statements for the period ending after the completion of the debt conversion process. These provisions will be based on the agreed-upon share value and its market value, during a period not exceeding six months from the date of allocating the consideration shares to the first creditor (or any extension periods granted in accordance with the terms and conditions of the settlement agreement with the first creditor).

7.2.6 Change in the ownership percentage of current shareholders and the associated decrease in voting rights

After completion of the Transaction, the ownership percentage of the current shareholders (except for the Second Creditor) shall decrease by 1.998%. Accordingly, the current shareholders (except for the Second Creditor) will have less voting power and therefore less ability to influence the Company's decisions that require the approval of the Company's shareholders in general assemblies, such as the appointment of directors, capital adjustment or merger and other important Company decisions. It should be noted that the number of shares that will be allocated to the Creditors will be determined according to the Conversion Ratio after the EGM approves the Transaction. Accordingly, determining the extent of the impact of a decrease in the ownership percentage of current shareholders (with the exception of the Second Creditor) will not become clear until after the EGM approves the Transaction.



7.3 Commercial risks

7.3.1 Risks related to insufficient cash flow, inability to obtain necessary loans and financing, or inability to distribute future dividends

The total value of payables to the Creditors of the Company is five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209) as of 30 September 2023G. The Company will require significant capital expenditures to continuously invest in real estate and land development (specifically in Mecca), expand its operations, and conduct ongoing maintenance and improvement of its properties to comply with relevant regulatory requirements or new standards adopted by management, or to meet unforeseen liabilities and obligations. Although the Company has conducted a set of studies to determine the capital costs of future projects, it is possible that these costs may exceed the expected value, which may affect the financial viability of these projects, and this increase may require additional financing to cover the additional costs, which may negatively affect the Company's debt ratio. There can be no assurance that the Transaction will contribute to the sufficiency of the cash flow arising out from the Company's current operations, the Company's ability to distribute any future dividends, or the Company's ability to obtain bank loans and other external financing necessary to finance the Company's current operations and capital investments in a timely manner and at appropriate costs and conditions. In the event that the Company fails to obtain the necessary loans and financing or the Company's cash flow is insufficient, this shall have an adverse impact on the Company's business, financial position, results of operations and future prospects.

7.3.2 Risks related to the Company's financing obligations

The Company entered into a facilities agreement on 13/07/1445H (corresponding to 25/01/2024G) with Al Rajhi Bank in the amount of (1,900,000,000) Saudi riyals, against a Ministry of Finance guarantee by providing a number of declarations and undertakings, including mortgaging the plots of the sixth phase of Jabal Omar project to the Ministry and hedging against the interest rate of the loan within thirty (30) days from the date of signing the agreement. The purpose of the loan is to cover the cash deficit in the short term, and the loan is to be used to accelerate the completion of project construction phases and pay financing obligations. The term of the loan is two years, extendable for a third year subject to the approval of Al Rajhi Bank. It should be noted that the loan is to be repaid from the proceeds of the sale of plots in the sixth phase.

The Company also entered into a facilities agreement with the Ministry of Finance on 17/01/1443H (corresponding to 13/12/2011G) in the amount of (3,000,000,000) Saudi riyals, which was restructured pursuant to the Ministry of Finance's letter submitted to the Company on 25/12/1432H (corresponding to 21/11/2021G), which included approval of (1) restructuring the amount of (1,500,000,000) Saudi riyals of the total loan amount into a secondary financial instrument compatible with Islamic Sharia (Murabaha facilities) with an indefinite term under the agreed terms without a due date; (2) rescheduling the remaining amount of the loan, amounting to (1,500,000,000) Saudi riyals with a due date of 08/12/1452H (corresponding to 31 March 2031G), to be settled in one payment; (3) exemption from paying all bank commissions accumulated until 09/04/1443H (corresponding to 14/11/2021G), which exceed (440,000,000) Saudi riyals; (4) reducing the bank commission rate on the rescheduled loan amount of (1,500,000,000) Saudi riyals; (5) capitalizing the banking commissions that will be calculated from 10/04/1443H (corresponding to 15/11/2021G) until 11/07/1447H (corresponding to 31/12/2025G); and (6) releasing the mortgage on the plot on which DoubleTree Hotel is located and replacing it with a mortgage on plots within the project of equal in value in accordance with the agreed terms.

The Company obtained facilities from Banque Saudi Fransi on 24/07/1442H (corresponding to 08/03/2021G) in the amount of (1,600,000,000) Saudi riyals, in exchange for a guarantee from the Ministry of Finance, for the purpose of completing the third phase. It should be noted that all the facilities granted in March 2024G have been used, and the payment starts from 01/05/1446H (corresponding to 03/11/2024G) with semi-annual payments of (57,971,014.50) Saudi riyals, in addition to a final payment of (266,666,666.50) Saudi riyals.

The Company also entered into a facilities agreement on 28/07/1436H (corresponding to 17/05/2015G) with Saudi Awwal Bank (SAB) and Saudi National Bank (SNB) in the amount of (2,000,000,000) Saudi riyals. On 03/12/1436H (corresponding to 16/09/2015G), the Company concluded an Islamic syndicated loan agreement under the Islamic Ijarah system with Saudi Awwal Bank (SAB) and Saudi National Bank (SNB) in the amount of (8,000,000,000) Saudi riyals, part of which was used to pay the amount provided to the Company under the facilities agreement concluded on 28/07/1436H (corresponding to 17/05/2015G). On 27/02/1443H (corresponding to 04/10/2021G), the Company concluded an agreement to restructure the terms of the Islamic financing provided by Saudi Awwal Bank (SAB) and Saudi National Bank (SNB) under the agreement concluded on 28/07/1436H (corresponding to 17/05/2015G), so that the total value of the financing after the restructuring amounted to (5,898,890,000) Saudi riyals. The most prominent terms of the restructuring include the following: (1) releasing SAR (1,200,000,000) from the permitted financing limit, and (2) extending the maturity period for an additional three (3) years from the original financing maturity period with the option to extend it for another three (3) years, subject to specific conditions. Under this agreement, the full amount of the facilities provided is to be paid in quarterly installments, with a total of twenty-four (24) installments, and the full amount of the facilities shall be paid on 25/06/1452H (corresponding to 23 October 2030G). The first withdrawal from these facilities took place on 02/09/1439H (corresponding to 18 May 2018G), and the current outstanding amount as of the date of this Circular is equivalent to (5,898,890,000) Saudi riyals.

Furthermore, the loan from Bank Albilad was restructured on 05/05/1443H (corresponding to 09/12/2021G), bringing the total limit to one billion Saudi riyals (SAR 1,000,000,000). The amount is to be repaid in equal installments over eight (8) years, with a final balloon payment representing 7.18% of the total amount due, commencing after a grace period of twelve (12) months. It should be noted that two payments have been made, leaving an outstanding balance of eight hundred and fifty-seven million, two hundred thousand Saudi Riyals (SAR 857,200,000) as of the date of this Circular.



Moreover, the Company restructured its loan with Saudi Awwal Bank (SAB) on 09/07/1444H (corresponding to 31/01/2023G), bringing the total value of the facilities to one billion, six hundred million Saudi riyals (SAR 1,600,000,000). Repayment shall be made in semi-annual installments over four (4) years, starting on 18/08/1445H (corresponding to 28/02/2024G). Additionally, two further payments have been scheduled: one in 2026G, amounting to three hundred and twenty million Saudi riyals (SAR 320,000,000), to be made through the sale of assets to be identified after the end of the second year (2024G); and a final balloon payment on 26/03/1449H (corresponding to 28/08/2027G) of eight hundred million, five hundred thousand Saudi riyals (SAR 800,500,000). It should be noted that only one payment has been made, leaving an outstanding balance of one billion, five hundred and thirty-one million, five hundred thousand Saudi Riyals (SAR 1,531,500,000) as of the date of this Circular.

If any of the above facilities are not rescheduled or restructured as required or result in unforeseen or onerous new requirements, it is possible that the Company may not be able to obtain the necessary facilities or that the Company's cash flow will not be sufficient to continue its activities in an optimal manner, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

7.3.3 Interest rate risks

Interest rate risk represents the risk that the fair value or the value of future cash flows of financial instruments will change as a result of a change in prevailing market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to long-term debt obligations at variable interest rates (for more details regarding the Company's debt, please refer to Section (10) ("**Consolidated Financial Information**" of this Circular). As a result, the Company is vulnerable to interest rates, particularly in an increasing interest rate environment, which can significantly impact the Company's profitability.

7.3.4 Risks of not achieving strategic growth objectives

The Company periodically evaluates expansion opportunities, which requires effective executive management, large capital expenditures, purchase of necessary equipment and establishment of necessary infrastructure, in addition to attracting employees and workers who have the required levels of experience and technical skill. It is expected that the debt conversion will contribute to improving the Company's liquidity and enhancing its ability to complete the implementation of its existing projects. If the Company is unable to improve its liquidity and enhance its ability to complete the implementation of its existing projects after the debt conversion, this will have an adverse impact on the Company's liquidity, which will limit the Company's ability to implement its expansion plans and achieve its strategic growth objectives, and will adversely affect its business, financial condition, results of operations and future prospects.

7.3.5 Liquidity risks

Liquidity risk represents the inability of the Company to meet its obligations related to financial liabilities when they fall due. The current liabilities of the Company and its Affiliates exceeded its current assets by 22.3 million Saudi riyals as of 31 December 2021G, 1.1 million Saudi riyals as of 31 December 2022G and 0.5 million Saudi riyals as of 31 December 2023G. Accordingly, the Company may not be able to fulfill its obligations in the normal course of its business, and this will have a negative impact on the Company's liquidity and credit standing.

7.3.6 Price risks

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, whether caused by factors specific to the individual financial instrument or its issuer, or factors that affect all similar financial instruments traded in the market. If the price of investment units held by the Company and classified in the statement of financial position at fair value through profit or loss fluctuates, this could significantly affect the Company's profitability.

7.3.7 Credit risk

Credit risk represents a financial loss to the Company if a customer, lessee or counterparty fails to fulfill its contractual obligations, resulting in a financial loss. The Company's net trade and other receivables amounted to 548.0 million Saudi riyals as of 31 December 2021G, 389.6 million Saudi riyals as of 31 December 2022G, and 342.6 million Saudi Riyal as of 31 December 2023G. In the event that the Creditors fail to make payments to the Company, it will materially and adversely affect the Company's financial position and results of operations.



7.4 Legal risks

7.4.1 Litigation

The Company is exposed – whether as a claimant or defendant – to the risk of litigation and legal proceedings in connection with the debt conversion process. The Company cannot determine the final outcome of such claims or the extent of damages that may accompany them. Any outcome unfavorable to the Company from these actions or proceedings could materially and adversely affect the Company's business, financial condition, results of operations and future prospects. In addition, regardless of the results of those actions or proceedings, these actions or procedures may result in the Company incurring significant costs to provide resources for its defense, which could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects (for more details on lawsuits and claims against the Company, please refer to Section (11.5) ("**Lawsuits and claims against the Company**") of this Circular).

7.4.2 Risks related to the approval of the Transaction by parties contracting with the Company

The Company is party to a number of financing contracts and credit facilities that contain terms that require the approval of the financing party before the Company completes the Transaction. For more details regarding financing contracts and credit facilities, please refer to Section (7.3.2) ("**Risks related to the Company's financing obligations**") of this Circular. If the Company is unable to obtain the required contractual approvals, the Company may be in breach of its obligations under the relevant contracts. The consequences of such a breach may vary depending on the terms and conditions of the relevant contracts, which may include, in particular, demanding full and immediate repayment of the amounts due, termination of the contract, compensation or otherwise, in addition to the fact that any breach of a specific financing agreement may automatically breach other financing agreements according to their terms, which may result in other financiers being able to demand early repayment as well. The occurrence of any of these risks would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects, and could have a material adverse effect on the Company after completion of the Transaction.

7.4.3 Risks related to fulfilling the conditions for completing the Transaction

To complete the Transaction Agreements, a number of conditions stipulated in said Transaction Agreements must be satisfied. Failure or delay in the fulfillment of these conditions will result in the Transaction not being completed or being delayed. For more details regarding the conditions for completing the Transaction, please refer to Section (11.4) ("**Summary of Material Agreements**"). The most important conditions that have not been met as of the date of this Circular are, for example, the essential conditions of the Transaction Agreements that the parties shall adhere to until the effective date, which include the non-breach of the guarantees provided or the requirements for doing business and other conditions stipulated in the Transaction Agreements. Failure to fulfill the terms of the Transaction will also result in the Transaction not being finalized. These terms include, but are not limited to, the following: 1) Obtaining the necessary regulatory approvals (specifically the approval of the Capital Market Authority and the Saudi Stock Exchange (Tadawul) to issue and list the New Shares), 2) obtaining any required approvals from third parties whose approval is required to implement the Transaction and 3) obtaining the approval of the EGM relating to the Transaction. For more details regarding the necessary approvals for completion of the Transaction, please refer to Section (11.3) ("**Necessary approvals to complete the Transaction**").

In the event that the Company is unable to settle debts through the completion of the Transaction Agreements as a result of not meeting the conditions stipulated in the Transaction Agreements, this will have a negative impact on the Company's liquidity and credit standing. For more details on the essential terms and conditions of the Transaction Agreements, please refer to Section (11.4) ("**Summary of Material Agreements**") of this Circular.

7.4.4 Risks related to relying on information not contained in this Circular

Some media sources may cover financial and economic information and analysis regarding the Company, the Transaction and the Transaction Agreements, which may not include much of the relevant information and risks contained in this Circular. Shareholders should not rely on these sources. These or other sources may also provide statements that are not directly attributable or may be incorrectly attributable to members of the Company's Board of Directors or its officers or employees, may include incorrect reports about statements made or that may be made by members of the Company's Board of Directors or its officers or employees, or may include misleading statements due to the omission of information provided by the Company, members of its Board of Directors, or its officers or employees. The Board of Directors of the Company has not authorized any person to provide information or statements on behalf of the Company except as disclosed in this Circular, and the Board Members, officers, employees, or advisors of the Company assume no responsibility for the accuracy and completeness of any information or statements made by third parties.

Therefore, shareholders should rely only on the information contained in this Circular when making any decision regarding voting on the Transaction Resolutions. If there is any doubt about the Transaction, shareholders should obtain special advice from an independent financial advisor licensed by the Authority.



7.4.5 Risks related to future prospects

This Circular includes some forecasts and forward-looking statements. These forecasts and forward-looking statements can be inferred through the use of forward-looking terms and expressions, including but not limited to “expects”, “aims”, “estimates”, “intends”, “plans”, “will”, “believes”, “seeks”, “may”, “will be”, “could”, “should” or negative forms of these words or others close or similar in meaning. These forecasts and statements include, but are not limited to, known and unknown risks and certain uncertainties that may affect the Company’s results or the Transaction Agreements, and data related to the Company’s financial position, business strategy, future plans and goals that may result from concluding the Transaction Agreements, other future events and other information and statements.

Future events are not materially foreseeable and may differ from what is contained in this Circular, as the Company’s performance (including after entering into the Transaction Agreements and the impact of the Transaction Agreements on the financial and operating position of the Company as a result of the commitments that may arise from entering into the Transaction Agreements) and its ability to develop, operate and achieve its objectives and strategies will determine its actual results, which cannot be known by the Company and may relate to matters beyond the Company’s control. The inaccuracy of these future forecasts represents one of the risks that shareholders and investors must take into account. Shareholders must also read these forecasts and statements accordingly and not rely on them. If the Company’s actual results and future events differ from these forecasts and statements, it could adversely affect the Company’s business, financial position, results of operations, future prospects and earnings per share after the completion of the Transaction.



8

The Debt Conversion

8.1 Overview of the Transaction

The Company entered into a binding agreement with CDCC (as the First Creditor) on 07/06/1445H (corresponding to 20/12/2023G), under which they agreed to settle the First Debt in the amount of two hundred and thirty-seven million, nine hundred and thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259), in exchange for issuing New Shares in the Company to the First Creditor, according to the Conversion Ratio for the First Debt. The New Shares will be issued by increasing the Company's capital so that the First Creditor becomes a shareholder in the Company on the date the New Shares are issued and listed on the Saudi Stock Exchange (Tadawul) and the New Shares due thereto are allocated to it, in accordance with the terms and conditions of the Settlement Agreement with the First Creditor. The completion of the conversion of the First Debt and allocation of the New Shares due to it will constitute a final discharge and settlement between the Company and the First Creditor with respect to the First Debt, in accordance with the terms and conditions of the Settlement Agreement with the First Creditor, with the exception of some obligations stipulated in the Settlement Agreement with the First Creditor, which will remain valid and binding on both parties during the period extending six calendar months from the date of the allocation of the New Shares due to the First Creditor for the Transaction (for more details on the provisions of the Settlement Agreement with the First Creditor, please refer to Section (11.4.1) ("**Settlement Agreement with the First Creditor**") of this Circular).

The Company also entered into a binding agreement with MDCD (in its capacity as the Second Creditor) on 07/06/1445H (corresponding to 20/12/2023G), under which they agreed to settle the Second Debt in the amount of three hundred and nine million, five hundred and sixty-four thousand, nine hundred and fifty Saudi riyals (SAR 309,564,950), in exchange for issuing New Shares in the Company to the Second Creditor, according to the Conversion Ratio for Second Debt. The New Shares will be issued by increasing the Company's capital and allocating the New Shares due to it, in accordance with the terms and conditions of the Settlement Agreement with the Second Creditor. The completion of the conversion of the Second Debt and allocation of the New Shares due to it will constitute a final discharge and settlement between the Company and the Second Creditor with respect to the Second Debt, in accordance with the terms and conditions of the Settlement Agreement with the Second Creditor (for more details on the Transaction Agreements, please refer to Section (11.4.2) ("**Settlement Agreement with the Second Creditor**") of this Circular).

It was agreed between: (a) the Company and the First Creditor under the First Debt settlement agreement based on the Conversion Ratio for First Debt, which indicates that the First Creditor obtains eleven million seventy-six thousand nine hundred sixty-seven (11,076,967) new ordinary shares in the Company in exchange for settling the First Debt, and (b) the Company and the Second Creditor under the Second Debt settlement agreement based on the Conversion Ratio for Second Debt, which indicates that the Second Creditor obtains fourteen million four hundred eleven thousand seven hundred seventy-six (14,411,776) new ordinary shares in the Company in exchange for settling the Second Debt. The total number of New Shares that will be issued as a result of the Transaction will be twenty-five million four hundred eighty-eight thousand seven hundred forty-three (25,488,743) fully paid-up shares with a nominal value of SAR 10 per share, for a total nominal value of two hundred fifty-four million eight hundred eighty-seven thousand four hundred thirty Saudi riyals (SAR 254,887,430). The total market value of the New Shares will be based on the Conversion Ratio and the closing price of the Company's share of twenty-five billion three hundred forty-six million eight hundred ninety-one thousand nine hundred ninety-nine Saudi riyals (SAR 25,346,891,999) as of 01/05/1446H (corresponding to 11/03/2024), which is the last trading day preceding the date of the EGM relating to the potential Transaction. These New Shares will be issued by increasing the Company's fully paid-up capital by 2.21%, from eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050) and increasing the number of the Company's issued shares from one billion, one hundred and fifty-four million, five hundred and thirty-four thousand, one hundred and sixty-two (1,154,534,162) ordinary shares to one billion one hundred eighty million twenty-two thousand nine hundred five (1,180,022,905) fully paid ordinary shares.

Upon completion of the Transaction, the ownership of the Company's current shareholders and the Public (except for the Second Creditor) will decrease to be 90.49% of the Company's capital, and the ownership of the First Creditor and the Second Creditor together will be 9.51% of the Company's capital (including shares owned by the Second Creditor before completing the Transaction).

The total value of the Transaction will be determined based on the value of the New Shares. The total nominal value of the New Shares is two hundred fifty-four million eight hundred eighty-seven thousand four hundred thirty Saudi riyals (SAR 254,887,430), and the total market value of the New Shares shall be in accordance with the Conversion Ratio and the closing price of the Company's share of twenty-five billion three hundred forty-six million eight hundred ninety-one thousand nine hundred ninety-nine Saudi riyals (SAR 25,346,891,999). The total value of the New Shares to be included in the Company's financial statements will be determined at a later date based on the closing price of the Company's shares on the last trading day preceding the date of the assembly.

If calculating the number of shares owed to any of the Creditors based on the debt Conversion Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number. For example, if the issue price is 23.4 Saudi riyals, the





First Creditor will be allocated, based on the Conversion Ratios, a total of 10,168,087 shares of New Shares, not 10,168,087.99 shares, and the Second Creditor will be allocated a total of 13,229,271 shares of the New Shares and not 13,229,271.37 shares. The fractional shares will be pooled and sold on Tadawul at the market price at the time on behalf of the Creditor to whom they are owed and the proceeds from the sale of the fractional shares will be distributed to the Creditors according to their respective entitlements, within a maximum period of thirty (30) days from the closing date of the Transaction. The costs related to the sale of fractional shares will be deducted from the gross proceeds of the sale of fractional shares.

8.2 Overview of the Creditors

8.2.1 Central District Cooling Company (CDCC) (First Creditor)

CDCC was established as a Saudi company owned by Saudi Tabreed and JODC and specializes in producing and distributing chilled water for the cooling and air conditioning systems of the Jabal Omar project. It is an existing limited liability company registered under the laws of the Kingdom of Saudi Arabia with Commercial Registry No. 4031046126, dated 26/07/1432H, and with a capital of two hundred and forty-seven million, eight hundred and six thousand, six hundred and thirty Saudi riyals (SAR 247,806,630). The company carries out its activities under MISA license No. 111044206101199 dated 05/06/1442H.

8.2.2 Makkah Construction and Development Company (MCDC) (Second Creditor)

MCDC (a Saudi joint stock company) was established in accordance with the Companies Law under Royal Decree No. M/5 dated 13/11/1408H (corresponding to 27/06/1988G) with a capital of 1,355,000,000 Saudi riyals, which was then increased to 1,648,162,400 Saudi riyals. The purposes of the MCDC include the following: (a) Owning, developing and reconstructing properties and places adjacent to the Grand Mosque in Mecca and any other areas within the Kingdom, (b) establishing development projects and urban development in the areas owned by the Company or other areas and implementing its urban and economic plans, (c) carrying out all necessary works for construction, reconstruction, maintenance, demolition and surveying. The main headquarters of the MCDC is located in Mecca. MCDC has completed its first project, which is located in the vicinity of the Holy Mosque in Mecca and consists of a shopping mall and hotel residential towers. MCDC manages and operates the commercial center, while one of the most prestigious international hotel companies operates the hotel, towers and parking lots. MCDC is a Substantial Shareholder of the Company's capital, and is currently implementing the Jabal Omar development project located on Ibrahim Al Khalil Street in Mecca.

8.3 Overview of the Origin of the Debt

8.3.1 Debt due to CDCC (First Debt)

The Company entered into a concession agreement with CDCC on 17 July 2012G ("**Concession Agreement**"), under which they agreed that CDCC would provide cooling services for the Company in its project areas, which include establishing a central cooling station on a BOT system to provide the Jabal Omar project areas with cooling services at a total cost of five hundred and fifty million Saudi riyals (SAR 550,000,000). Under such agreement, the Company owes CDCC for services rendered to the Company amounting to two hundred and thirty-seven million, nine hundred and thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259), as recorded in the Company's unaudited condensed consolidated statements for the three- and nine-month periods ended 30 September 2023G. Accordingly, the Company entered into a Settlement Agreement with the First Creditor for the purpose of settling the aforementioned debt by issuing New Shares in the Company to the First Creditor. For more details regarding the agreement with the First Creditor, please refer to Section (11.4.1) ("**Settlement Agreement with the First Creditor**").

8.3.2 Debt Owed to MCDC (Second Debt)

When JODC was established in 25/09/1427H (corresponding to 18/10/2006G), the competent authorities requested that the Company's capital, which at that time amounted to 6,714,000,000 Saudi riyals, be paid in full until the Company was declared incorporated. This amount consisted of:

- An amount equal to two billion and fourteen million Saudi riyals (SAR 2,014,000,000), representing the cash subscription in the Company's capital and listed as IPO, whereby the subscriber shall pay the full value of the share.
- An amount equal to (4,118,435,140) Saudi riyals representing the in-kind subscription in the Company's capital in exchange for plots and properties evaluated by the governmental Real Estate Valuation Committee (located within the Jabal Omar project), signed and approved by the Makkah Region Development Authority, after completion of the legal and regulatory documents for the relevant properties.
- An amount equal to (581,564,860) was paid by MCDC on behalf of property owners (located within the Jabal Omar project and transferred to the Company upon its establishment) as an in-kind contribution from them in exchange for the properties transferred to the Company. This payment was made due to the inability to identify these owners at the time, pending the completion of their legal and regulatory documents and the submission of necessary paperwork to obtain their respective legal deeds. It should be noted that the in-kind shares issued



in exchange for these properties have been preserved in the portfolio of Jabal Omar's founders, which does not constitute part of MCDC's ownership in the Company.

Accordingly, during the past period, the Company has paid a portion of the amount referred to in paragraph (c) above to MCDC. This payment was made in exchange for some property owners submitting their legal and regulatory documents to the Company, resulting in their registration as Company shareholders. Consequently, the cash share of MCDC has decreased to 359,564,950 Saudi Riyals. The Company's General Assembly, on 24/06/1438H (corresponding to 23/03/2017G), approved the Company's purchase of the remaining cash share from MCDC that MCDC held on behalf of property owners who had not completed their legal and regulatory documents. As a result, the Company purchased the entire share (equivalent to 359,564,950 Saudi riyals) from MCDC. The Company paid an amount of 50,000,000 Saudi Riyals in cash to MCDC, resulting in a remaining balance of 309,564,950 Saudi Riyals as a debt owed by the Company to MCDC. As a result, an obligation has arisen for the Company to pay this amount as a debt owed to MCDC.

It should be noted that the Company is solely responsible for transferring the relevant in-kind shares to their actual owners once they have completed their legal and regulatory documentation. These shares are currently deposited in the portfolio of Jabal Omar's founders. It is important to mention that if the concerned property owner completes all required procedures to prove ownership of the property, they become entitled to the allocated in-kind shares. In this case, the shares will be transferred from the Jabal Omar founders' portfolio to the owner's personal investment portfolio without resulting in any increase in the Company's capital.

8.4 Reasons for the Debt Conversion

By converting debt, the Company aims to improve the Company's liquidity ratios, providing a greater margin for its financial obligations and improving the Company's ability to achieve its growth objectives. Increasing capital through debt conversion will positively impact the Company's current performance indicators, and these impacts will be directly reflected in the achievement of the Company's future goals related to strategic growth and its ability to implement its strategy.

The final outcome of the capital increase through debt conversion is that the Company pays the amounts owed to the First Creditor and the Second Creditor, amounting to approximately five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209) by way of issuance of New Shares to the Creditors in accordance with the Conversion Ratio, which has a positive impact on the Company's financial flows.

It is also worth noting that a similar transaction was previously performed by converting receivables and debts into shares, namely a transaction to convert the debts of owners of units of Alinma Makkah Real Estate Fund into shares in the Company in exchange for settling the Company's dues to the Fund by way of increasing the paid-up capital of the Company from nine billion, two hundred and ninety-four million Saudi riyals (SAR 9,294,000,000) to eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620), representing a 24.22% increase, following the approval of the EGM dated 27/01/1444H (corresponding to 25/08/2022G).

8.5 Implications for the Company and its shareholders as a result of the Debt Conversion

The Transaction will be implemented through the Company's conversion of debts owed by the Company to the Creditors, amounting to five hundred and forty-seven million, four hundred and ninety-eight thousand, two hundred and nine Saudi riyals (SAR 547,498,209), in exchange for the Company issuing New Shares to the Creditors by increasing the Company's paid-up capital from eleven billion, five hundred and forty-five million, three hundred and forty-one thousand, six hundred and twenty Saudi riyals (SAR 11,545,341,620) to eleven billion eight hundred million two hundred twenty-nine thousand fifty Saudi riyals (SAR 11,800,229,050). This increase in the Company's capital is intended to settle the debts by granting the Creditors shares in the Company (subject to the approval of the Company's EGM).

Although once the Transaction is completed, the current shareholders (except for the Second Creditor) will have a reduced ability to vote due to the decrease in their ownership from 92.49% to 90.49% of the Company's capital, the Transaction will positively contribute to improving the Company's current performance indicators, resulting in a reduction in material liabilities and improving the Company's liquidity position, providing a greater margin of safety with respect to its financial commitments and improving its ability to achieve its growth objectives. These impacts will be directly reflected in the realization of the Company's future strategic growth objectives. (For further details, please refer to Section (10) ("**Consolidated Financial Information**") of this Circular).



8.6 Board Members

8.6.1 As of 05/01/1446H (corresponding to 11/07/2024G), the Company's Board of Directors consists of nine members, as follows:

Name	Nationality	Age	Position	Membership Status	Entity Represented	Date of Appointment	Ownership in the Company				Ownership in the First Creditor				Ownership in the Second Creditor			
							Direct (No. of Shares)	Indirect Interest (No. of Shares)	Total (No. of Shares)	Percentage (%)	Direct (No. of Shares)	Indirect Interest (No. of Shares)	Total (No. of Shares)	Percentage (%)	Direct (No. of Shares)	Indirect Interest (No. of Shares)	Total (No. of Shares)	Percentage (%)
Saeed Bin Mohammed Al Ghamdi	Saudi	61	Chairman	Non-executive/ Non-independent	-	30/06/2024G	1,000	N/A	1,000	0.000086615%	N/A	N/A	-	-	N/A	N/A	-	-
Thalib Ali Al-Shamrani	Saudi	66	Vice Chairman	Non-executive/ Non-independent	-	30/06/2024G	626	N/A	626	0.000054221	N/A	N/A	-	-	N/A	N/A	-	-
Ahmed Othman Al Qasabi	Saudi	64	Director	Non-executive/ Non-independent	-	30/06/2024G	1,000	N/A	1,000	0.0000866150%	N/A	N/A	-	-	N/A	N/A	-	-
Yasser Abdulaziz Alkadi	Saudi	45	Director	Non-executive/ Independent	-	30/06/2024G	10,320	N/A	10,320	0.0008938670%	N/A	N/A	-	-	N/A	N/A	-	-
Bader Abdulrahman Alsayari	Saudi	58	Director	Non-executive/ Independent	-	30/06/2024G	N/A	N/A	-	-	N/A	N/A	-	-	837	N/A	-	-
Khaled Saleh Alkhattaf	Saudi	57	Director	Non-executive/ Independent	-	30/06/2024G	100	N/A	100	0.0000087%	N/A	N/A	-	-	N/A	N/A	-	-
Abdulaziz Saud Altubayyeb	Saudi	38	Director	Non-executive/ Non-independent	-	30/06/2024G	N/A	N/A	-	-	N/A	N/A	-	-	N/A	N/A	-	-
Saleh Habbdan Alhabdan	Saudi	57	Director	Non-executive/ Non-independent	-	30/06/2024G	345,702	N/A	345,702	0.0299430%	N/A	N/A	-	-	N/A	N/A	-	-
Wahdan Suliman AlKadi	Saudi	46	Director	Non-executive/ Independent	-	30/06/2024G	N/A	N/A	-	-	N/A	N/A	-	-	N/A	N/A	-	-

Source: The Company

* Indirect interest includes shares of the following parties:

- Relatives of a member of the Board of Directors (for the purposes of the above table, "relatives" means spouse and minor children).
- Companies controlled or represented by a Director.
- Entities where a Director serves as a director or senior executive.





8.6.2 Any Planned or Contemplated Changes to the Issuer's Board of Directors or Executive Management as a result of the Debt Conversion

The transaction will not result in any change, whether planned or contemplated, in the Issuer's Board of Directors or Executive Management as a result of the debt conversion.

8.7 The Issuer's ownership structure before and after the Capital Increase

After the completion of the Transaction, the ownership of the current shareholders of the Company (except for the Second Creditor) will decrease to 90.49% of the Company's capital and the Creditors will own 9.51% of the Company's capital. The following table shows the details of ownership in the Company before and after the Capital Increase, as of 05/01/1446H (corresponding to 11/07/2024G):

Shareholder	Before Completion of the Transaction		After Completion of the Transaction	
	Number of Shares	Ownership Percentage	Number of Shares	Ownership Percentage ⁽²⁾
JODC founders	110,804,741	9.5973549027%	110,804,741	9.3900500177%
MCDC (Second Creditor)	86,684,801	7.5082058074%	101,096,577	8.5673402246%
Company Board Members [*]	358,748	0.0310729653%	358,748	0.0304017828%
Senior Executives of the Company ^{**}	6,030	0.0005222886%	6,030	0.0005110070%
CDCC (First Creditor)	-	-	11,076,967	0.9387077957%
The Public	956,679,842	82.862843983%	956,679,842	81.0729891722%
Total	1,154,534,162	100%	1,180,022,905	100%

Source: The Company

^{*} Based on shares directly owned by Board Members and shares in which they have an indirect interest in the Company only.

^{**} Based on shares directly owned by Senior Executives in the Company only, as Senior Executives do not indirectly own any shares in the Company.

² The number of shares and ownership will be determined after the issue price is determined, which will be based on the closing price on the trading day preceding the date of the EGM relating to the Transaction in accordance with the terms of the agreement.



8.8 Related Parties and Conflicted Directors in the Transaction

The Transaction involves Related Parties and a number of Board Members who have an interest in the Transaction as representatives of entities holding shares in the Company, and they subsequently abstained from participating in voting on the Transaction Resolutions. The following table shows the names and details of the Related Parties and the Conflicted Director in the Transaction as of 05/01/1446H (corresponding to 11/07/2024G):

Related Parties and Conflicted Directors of the Company													
Name	Nature of the Conflict of Interest	Ownership in the Company				Ownership in the First Creditor				Ownership in the Second Creditor			
		Direct Ownership (Shares)	Indirect Interest* (Shares)	Total (Shares)	Ownership Percentage (%)	Direct Ownership (Shares)	Indirect Interest* (Shares)	Total (Shares)	Ownership Percentage (%)	Direct Ownership (Shares)	Indirect Interest* (Shares)	Total (Shares)	Ownership Percentage (%)
Related Parties													
MCDC	A Substantial Shareholder in the Company	86,684,801	N/A	86,684,801	7.5082058074%	N/A	744,233**	744,233	3.00328232%	N/A	N/A	-	-
CDCC	An Affiliate of the Company	N/A	N/A	-	-	N/A	N/A	-	-	N/A	N/A	-	-
Conflicted Director													
Abdulaziz Saud Altubayyeb	As a senior executive in Awqaf Investment Company which is the agent of the General Authority for Awqaf, which has indirect ownership in MCDC	N/A	N/A			N/A	N/A	-	-	N/A	N/A	-	-

Source: The Company

* Indirect interest includes shares (in the context of Conflicted Directors) of the following parties:

- Relatives of a member of the Board of Directors (for the purposes of the above table, "relatives" means spouse and minor children).
- Companies controlled by a Director.
- Entities where a Director serves as a director or senior executive.

Indirect interest includes shares (in the context of Related Parties) of the following parties:

- Companies controlled by the Related Party

** Through the Company's ownership of 40% of the First Creditor's capital.



8.9 Proposed time frame and important steps of the debt conversion process

The following table shows the proposed time frame and important steps of the debt conversion:

Event	Schedule/Anticipated Date
1. Procedures required in relation to the EGM to vote on the capital increase by way of debt conversion	
The Capital Market Authority's approval of the request to register and offer securities by way of debt conversion	28/2/1446H (corresponding to 1/9/2024G)
Announcement of the invitation to the Company's EGM relating to the Transaction on Tadawul's website (noting that a second meeting can be held one hour after the end of the period set for the first meeting if the quorum required to hold the meeting is not met)	11/4/1446H (corresponding to 14/10/2024G)
Publication of the Shareholders Circular	12/4/1446H (corresponding to 15/10/2024G)
Providing documents available for review	From nine (9) a.m. to six (6) p.m. from 12/4/1446H (corresponding to 15/10/2024G) until the date of holding the Company's EGM relating to the Transaction
Start of the shareholders' electronic voting period on the items of the meeting at the Company's EGM	28/4/1446H (corresponding to 31/10/2024G)
Holding of the Company's EGM relating to the Transaction (first meeting) – the quorum of the assembly is met with the attendance of shareholders representing at least half of the Company's shares with voting rights	2/5/1446H (corresponding to 4/11/2024G)
Holding of the Company's EGM relating to the Transaction (second meeting) if the quorum is not met in the first meeting - the quorum of the assembly is met with the attendance of shareholders representing at least one-quarter of the Company's shares with voting rights	One hour after the end of the period set for the first EGM in which the quorum was not reached.
Publication on Tadawul's website of the Transaction Resolutions adopted in the Company's first or second EGM relating to the transaction (or announcement that the EGM was not convened if it did not meet its quorum)	8/5/1446H (corresponding to 10/11/2024G)
2. Procedures that will be followed if the quorum for the first and second EGM is not met	
Announcement on Tadawul's website of the invitation to the Company's EGM relating to the Transaction (third meeting)	11/5/1446H (corresponding to 13/11/2024G)
Start of the electronic voting period for shareholders at the Company's EGM relating to the Transaction (third meeting)	29/5/1446H (corresponding to 1/12/2024G)
Holding of the Company's EGM relating to the Transaction (third meeting) – quorum shall be met at the third meeting of the EGM, regardless of the number of shares represented therein.	4/6/1446H (corresponding to 5/12/2024G)
Publication on Tadawul's website of the Transaction Resolutions adopted in the Company's third EGM.	7/6/1446H (corresponding to 8/12/2024G)
3. Procedures required after holding the EGM and completing the Transaction	
Provide the Capital Market Authority with a copy of the minutes of the EGM	Within ten (10) days from the date of approval of the Transaction by the EGM. 12/5/1446H (corresponding to 14/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 14/6/1446H (corresponding to 15/12/2024G) if the approval of the Company's EGM is issued in the third meeting.
Publication of the amendments to the Bylaws on the Ministry of Commerce's online portal before officially amending them with the Ministry of Commerce	Within a week of the date of the EGM's approval of the Transaction. 9/5/1446H (corresponding to 11/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 11/6/1446H (corresponding to 12/12/2024G) if the approval of the Company's EGM is issued in the third meeting.
Issuance and listing of the New Shares on Tadawul and their allocation to the Creditors	Within a week of the date of the EGM's approval of the Transaction. 9/5/1446H (corresponding to 11/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 11/6/1446H (corresponding to 12/12/2024G) if the approval of the Company's EGM is issued in the third meeting. If the issuance of the New Shares and their allocation to the Creditors is delayed, the new allocation date will be announced on Tadawul's website.



Event	Schedule/Anticipated Date
Amendment of the Company's Bylaws and Commercial Registry.	Within three (3) weeks of the EGM's approval of the Transaction. 23/5/1446H (corresponding to 25/11/2024G) if the approval of the Company's EGM is issued in the first or second meeting. 25/6/1446H (corresponding to 26/12/2024G) if the approval of the Company's EGM is issued in the third meeting.



9

Evaluation of the Debt and the New Shares

The following table shows the amount by which the Company's capital will be increased as a result of the debt conversion using a hypothetical issue price of 23.4 Saudi riyals, which was used for the purposes of preparing the consolidated pro forma financial information. The hypothetical shares issue price of 23.4 Saudi riyals used in the preparation of the consolidated pro forma financial information was based on the closing price of the Company's traded share as of 27 September 2023G, which was SAR 23.4.

Table 1: Statement of the amount by which the Company's share capital will be increased, using the hypothetical shares issue price used for preparing the consolidated pro forma financial information

Creditor	Nature of the Debt	Outstanding Amount to be Converted into Shares (SAR)	Capital Increase* (SAR)
Central District Cooling Company (CDCC)	Debt arising from services provided by the Company	237,933,259	101,680,870
Makkah Construction and Development Company (MCDC)	Payments on behalf of the founders of Jabal Omar	309,564,950	132,292,710
Total		547,498,209	233,973,580

Source: The Company

* The capital increase was calculated based on a hypothetical issue price of 23.4 Saudi riyals, which was used to prepare the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.

The total number of New Shares will be determined based on the issue price that will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction.

The following table shows the number of New Shares to be issued to the Creditors as a result of the debt conversion, using a hypothetical issue price of 23.4 Saudi riyals, which was used to prepare the consolidated pro forma financial information.

Table 2: Illustration of the number of New Shares to be issued to the Creditor (Central District Cooling Company (CDCC)) as a result of the debt conversion using the hypothetical shares issue price used in preparing the consolidated pro forma financial information.

Debt Owed by Central District Cooling Company (CDCC) (SAR)	Hypothetical Issue Price (Conversion)* (SAR)	Number of New Shares of the Company	Additional Paid-up Capital (SAR)	Additional Paid-up Capital (as Share Issue Premium) (SAR)
(a)	(b)	(a)/(b)=(c)	(c) x Nominal value (10 riyals) per share = d	a-d= e
237,933,259	23.4	10,168,087	101,680,870	136,252,389

Source: The Company

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.

Table 3: Illustration of the number of New Shares to be issued to the Creditor (Makkah Construction and Development Company (MCDC)) as a result of the debt conversion using the hypothetical shares issue price used in preparing the consolidated pro forma financial information

Debt Owed by Makkah Construction and Development Company (MCDC) (SAR)	Hypothetical Issue Price (Conversion)* (SAR)	Number of New Shares of the Company	Additional Paid-up Capital (SAR)	Additional Paid-up Capital (as Share Issue Premium) (SAR)
(a)	(b)	(a)/(b)=(c)	(c) x Nominal value (10 riyals) per share = d	a-d= e
309,564,950	23.4	13,229,271	132,292,710	177,272,240

Source: The Company

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.





The nominal value of the New Shares is ten Saudi riyals (SAR 10) per share. The number of New Shares against the debt owed to Creditors will be determined by dividing the debt amount by the issue price (the "Conversion Ratio"), which will be determined based on the issue price, which will, in turn, be determined based on the closing price of the Company's share on the capital market on the last trading day preceding the date of the EGM's approval of the Transaction. The difference between the nominal value and the issue price of the New Shares as a result of the debt conversion will be recorded as share issue premium under equity in the Company's statement of financial position. Furthermore, no fractional shares will be issued to the Creditors. Any fractional shares will be canceled and the Creditors will be compensated in cash for the canceled fractional share. If calculating the number of shares owed to any of the Creditors based on the debt Conversion Ratio results in fractions of shares, the resulting number will be rounded to the lowest whole number.

The following table shows the impact of the debt conversion on the share price, using a hypothetical issue price of 23.4 Saudi riyals, which was used in preparing the consolidated pro forma financial information.

Table 4: Explanation of the impact of the total debt conversion on share price, using the share issue price used in preparing the consolidated pro forma financial information.

Debt to be Converted into Shares (SAR)	Hypothetical Issue Price (Conversion Ratio) (SAR)	Hypothetical Closing Price of the Shares on the Date of the EGM (SAR)	Number of Shares to be Issued	Capital Corresponding to the New Shares (SAR)	Number of Current Issued Shares	Total Number of Shares Issued after the Debt Conversion	Market Value of the Company Before the Debt Conversion (SAR)	Market Value of the New Shares (SAR)	Market Value of the Company After the Debt Conversion (SAR)	Share Price After Debt Conversion (SAR)
a	b	c	a/b=d	Nominal value x d (SAR 10) Per share = e	f	d + f = g	f = h x c	d = i x c	h + i = j	j/g=k
547,498,209	23.4	23.4	23,397,358	233,973,580	1,154,534,162	1,177,931,520	27,016,099,391	547,498,177	27,563,597,568	23.4

Source: The Company

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.

** The closing price of the shares as of 27 September 2023G has been calculated to clarify the method of calculating the impact of the debt conversion on the share price. The actual closing price of the shares will be calculated on the day preceding the EGM and may differ substantially.

Based on the illustrative figures in the previous example, the share price after the debt conversion will be 23.4 Saudi riyals and the ownership of the current shareholders (excluding the Second Creditor) will decrease after completion of the debt conversion by about 1.99%.

The following table shows the impact of the debt conversion on the share ownership of an individual shareholder as a guideline, using a hypothetical issue price of 23.4 Saudi riyals, which was used in preparing the consolidated pro forma financial information:

Table 5: Illustration of the impact of debt conversion on the share ownership of an individual shareholder as a guideline, using the share issue price used for the purposes of preparing the consolidated pro forma financial information.

Description*		
Number of current issued shares	A	1,154,534,162
Number of New Shares issued	B	23,397,358
Total number of shares issued after the Debt Conversion	a+ b= c	1,177,931,520
Number of shares owned by the investor (hypothetically)	D	100,000,000
Illustrative sole ownership before debt conversion (%)	d/a = e	8.66%
Illustrative sole ownership after debt conversion (%)	d/c = f	8.49%
Impact of debt conversion on illustrative individual ownership (%)	((f/e)-1) x 100	(1.99%)
Number of shares owned by current shareholders (excluding the Second Creditor) (hypothetically)	G	1,067,849,361



Description*		
Illustrative current shareholders' ownership (excluding the Second Creditor) before debt conversion (%)	$g/a = h$	92.49%
Illustrative current shareholders' ownership (excluding the Second Creditor) after Debt conversion (%)	$g/c = i$	90.65%
Impact of debt conversion on illustrative current shareholders' ownership (excluding Second Creditor) (%)	$((i/h)-1) \times 100$	(1.99%)

Source: The Company

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.

The Settlement Agreement with Central District Cooling Company (CDCC) includes a number of customary representations and warranties provided by both parties. For more details, please refer to Section 11.4.1 ("**Settlement Agreement with the First Creditor**") of this Circular. These include the following:

- If CDCC sells all or part of the New Shares allocated to it as a result of the potential Transaction (the "**Consideration Shares**") within a period not exceeding six months from the date of allocation of the Consideration Shares to the First Creditor (or any extensions granted pursuant to the terms and conditions of the Agreement) and the average value of the Consideration Shares sold (after deducting any costs associated with the sale) by CDCC is less than the Agreed Share Price (which shall be determined based on the closing price of the Company's shares on the Saudi Stock Exchange on the last trading day preceding the EGM's approval of the Transaction (the "**Agreed Share Price**")), then the Company shall pay CDCC the difference in value as follows:

Difference in value = (average value of the Consideration Shares sold during the indicated period – the agreed issue price) x the number of shares sold during the same period

- If the average value of the Consideration Shares (after deducting any costs associated with the sale) is higher than the Agreed Share Price, then CDCC shall pay the difference to the Company as described above.

For further details, please refer to Section 11.4.1.2 ("**Representations and warranties related to the Settlement Agreement with the First Creditor**") of this Circular.

The following table illustrates the difference that Central District Cooling Company (CDCC) will pay to Jabal Omar Development Company (JODC) as a result of the difference between the hypothetical issue price and the hypothetical sale price.

Table 6: Illustration of the difference to be paid by the Creditor (Central District Cooling Company (CDCC)) to Jabal Omar Development Company (JODC) as a result of the difference between the average value of the Consideration Shares sold during the indicated period and the Agreed Share Price, based on a hypothetical issue price and a hypothetical average selling price

Creditor	Outstanding Amount to be Converted into Shares (SAR)	Hypothetical Issue Price (Conversion)* (SAR)	Number of Hypothetical New Shares Sold	Hypothetical Average Selling Price (SAR)	Difference between the Hypothetical Issue Price and the Hypothetical Average Selling Price (SAR)	Amount to be Paid to Jabal Omar Development Company by the Creditor (SAR)
	(a)	(b)	(a)/(b)=(c)	(d)	(b)-(d)=(e)	(c)x(e)=(f)
Central District Cooling Company (CDCC)	237,933,259	23.4	10,168,087	24.4	(1)	(10,168,087)
				25.4	(2)	(20,336,174)

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.

The following table illustrates the difference that Jabal Omar Development Company (JODC) will pay to Central District Cooling Company (CDCC) as a result of the difference between the hypothetical issue price and the average hypothetical sale price.



Table 7: Illustration of the difference to be paid by Jabal Omar Development Company (JODC) to the Creditor (Central District Cooling Company (CDCC)) as a result of the difference between the average value of the Consideration Shares sold during the indicated period and the Agreed Share Price, based on a hypothetical issue price and a hypothetical average selling price.

Creditor	Outstanding Amount to be Converted into Shares (SAR)	Hypothetical Issue Price (Conversion)* (SAR)	Number of Hypothetical New Shares Sold	Hypothetical Average Selling Price	Difference between the Hypothetical Issue Price and the Hypothetical Average Selling Price (SAR)	Amount to be Paid to the Creditor by Jabal Omar Development Company (SAR)
	(a)	(b)	(a)/(b)=(c)	(d)	(b)-(d)=(e)	(c)x(e)=(f)
Central District Cooling Company (CDCC)	237,933,259	23.4	10,168,087	22.4	1	10,168,087
				21.4	2	20,336,174

* The hypothetical shares issue price (23.4 Saudi riyals) used for preparing the consolidated pro forma financial information. Since the actual issue price will be determined based on the closing price of the Company's share on the Capital Market on the last trading day preceding the date of the EGM's approval of the Transaction, the actual issue price, number of New Shares, capital increase and increase in the share premium may differ substantially.



10 Consolidated Financial Information

The section “**Consolidated Financial Information**” must be read in addition to the unaudited condensed consolidated pro forma financial information prepared for the Company for the nine-month period ended 30 September 2023G, the audited consolidated financial statements of the Company for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G, and the interim unaudited condensed consolidated financial statements for the three- and nine-month periods ended 30 September 2023G, which are included in this Circular.

Neither the auditors, any of their employees (constituting the staff that has provided services to the Company) nor the relatives of any such employees hold any shares or interest whatsoever in the Company or its Affiliates that would affect their independence. Ernst & Young Professional Services (a professional limited liability company) has submitted its written approval to refer herein to its role as auditor of the Company for the financial year ended 31 December 2021G. KPMG Professional Consulting has also submitted its written approval to refer herein to its role as auditor of the Company for the financial years ended 31 December 2022G and 2023G and the three- and nine-month periods ended 30 September 2023G. Neither have withdrawn this approval as of the date of this Circular.

The unaudited condensed consolidated pro forma financial information has been prepared by the Company's management to reflect the financial impact on the unaudited condensed consolidated financial statements for the nine-month period ended 30 September 2023G, as if the conversion had taken place on 28 September 2023G and the consequential adjustments during the remainder of the financial period ended 30 September 2023G. This unaudited condensed consolidated pro forma financial information has been prepared for illustrative purposes only and is based on the assumptions set out in the notes to the hypothetical financial information. In particular, the hypothetical issue price (SAR 23.4) was used for illustrative purposes only. The pro forma adjustments are based on the assumptions set out in the notes attached to the unaudited condensed consolidated pro forma financial information and do not represent the actual financial results of the Company and its Affiliates or its financial position, nor do they give any indication of the results and future financial position of the Company's and its Affiliates' activities upon completion of the above-mentioned Conversion.

10.1 Pro forma financial information reflecting the financial position of the Company after Debt Conversion

Unaudited pro forma condensed consolidated statement of financial position

The following table shows a comparison between the unaudited and pro forma consolidated statement of financial position as of 30 September 2023G.

Table 8: Unaudited and Pro forma Consolidated Statement of Financial Position as of 30 September 2023G.

Thousand Saudi Riyals	30 September 2023G	Pro Forma Adjustments	30 September 2023G
	(Unaudited)		(Pro Forma)
Assets			
Non-current assets			
Property, machinery and equipment	21,425,460	-	21,425,460
Intangible assets	411	-	411
Investment properties	3,491,106	-	3,491,106
Equity-method investee company	122,237	-	122,237
Financial investments at fair value through profit or loss	275,372	-	275,372
Retained cash - non-current portion	165,417	-	165,417
Other non-current assets	15,495	-	15,495
Total non-current assets	25,495,498	-	25,495,498



Thousand Saudi Riyals	30 September 2023G	Pro Forma Adjustments	30 September 2023G
	(Unaudited)		(Pro Forma)
Current assets			
Properties held for development and sale	21,069	-	21,069
Other current assets	37,312	-	37,312
Trade and other receivables	314,397	-	314,397
Retained cash - circulating portion	744,843	-	744,843
Cash and cash equivalents	267,943	-	267,943
Assets held for sale	923,356	-	923,356
Total current assets	2,308,920	-	2,308,920
Total assets	27,804,418	-	27,804,418
Equity and liabilities			
Equity			
Capital	11,545,342	233,974	11,779,316
Issue premium	627,596	313,525	941,121
Statutory reserve	108,506	-	108,506
Retained earnings	237,546	-	237,546
Advance reserve for certain founding shareholders	(285,674)	-	(285,674)
Equity attributable to shareholders in the parent company before the permanent subsidiary	12,233,316	547,499	12,780,815
Permanent subsidiary	689,668	-	689,668
Net equity attributable to shareholders in the parent company before the permanent subsidiary	12,922,984	547,499	13,470,483
Non-controlling interest	1,560	-	1,560
Total equity rights	12,924,544	547,499	13,472,043
Liabilities			
Non-current liabilities			
Loans and advances - non-current portion	11,199,848	-	11,199,848
Provision for employee end-of-service benefits	38,295	-	38,295
Other non-current liabilities	769,177	-	769,177
Total non-current liabilities	12,007,320	-	12,007,320
Current liabilities			
Loans and advances - current portion	702,759	-	702,759
Trade payables and other current liabilities	1,683,493	(547,499)	1,135,994
Outstanding Zakat	486,302	-	486,302
Total current liabilities	2,872,554	(547,499)	2,325,055
Total liabilities	14,879,874	(547,499)	14,332,375
Total equity and liabilities	27,804,418	-	27,804,418

Source: Unaudited pro forma condensed consolidated financial information



Capital

The Company's share capital increased from SAR 11,545,342 as of 30 September 2023G to SAR 11,779,316 in the pro forma statement of financial position, due to the issuance of 23,397,358 shares with a nominal value of SAR 10. The assumptions of the size of the debt conversion Transaction and the Conversion Ratio are based on the debt conversion agreement (for more details, please see Section (8) ("The Debt Conversion") of this Circular).

Share issue premium

The increase in the share premium of SAR 313,525 in the pro forma statement of financial position is the difference between the nominal value of SAR 10 per share and the current closing price of SAR 23.4 per share as of 27 September 2023G.

Trade payables and other liabilities

The decrease in trade payables and other liabilities of SAR 547.5 million represents the repayment of the debt to both Central District Cooling Company (CDCC) and Makkah Construction and Development Company (MCDC) under the debt settlement agreement concluded by the Company with them, including as follows:

- SAR 237.9 million owed to Central District Cooling Company (CDCC)
- SAR 309.6 million owed to Makkah Construction and Development Company (MCDC)

The following table shows a comparison of the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2023G.

Table 9: Unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income for the nine-month period ended 30 September 2023.

Thousand Saudi Riyals	30 September 2023G	Pro Forma Adjustments	30 September 2023G
	(Unaudited)		(Pro Forma)
Revenue	1,006,165	-	1,006,165
Cost of revenue	(599,710)	-	(599,710)
Gross profit	406,455	-	406,455
Sale and marketing expenses	(3,076)	-	(3,076)
General and administrative expenses	(114,972)	-	(114,972)
Provision/(reversal) of financial loss on financial assets	41,963	-	41,963
Other operating income	14,236	-	14,236
Other operating expenses	(8,390)	-	(8,390)
Operating profit/(loss)	336,216	-	336,216
Financing costs	(305,437)	-	(305,437)
Share in the results of an equity method investee	(4,416)	-	(4,416)
Net gain on loan amortization	0	-	0
Other income	22,000	-	22,000
Gain on disposal of assets held for sale	390,427	-	390,427
Profit/(loss) for the period before Zakat	438,790	-	438,790
Zakat	(201,244)	-	(201,244)
Profit/(loss) for the period	237,546	-	237,546
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period	237,546	-	237,546
Pertaining to:			
Shareholders in the parent company	237,546	-	237,546
Non-controlling interest	-	-	-

Source: Unaudited pro forma condensed consolidated financial information



Unaudited pro forma condensed consolidated cash flow statement

The following table shows a comparison of the unaudited pro forma condensed consolidated cash flow statement for the nine-month period ended 30 September 2023G.

Table 10: Comparison of the Unaudited Pro Forma Condensed Consolidated Cash Flow Statement for the Nine-month Period Ended 30 September 2023G.

Thousand Saudi Riyals	30 September 2023G	Pro forma Adjustments	30 September 2023G
	(Unaudited)		(Pro Forma)
Cash flows from operating activities			
Profit/(loss) for the period before Zakat	438,790	-	438,790
Adjustments of:			
Depreciation of property, plant and equipment	160,658	-	160,658
Depreciation of investment properties	17,032	-	17,032
Amortization of intangible assets	471	-	471
Provision for employee end-of-service benefits	6,080	-	6,080
(Reversal)/provision for expected credit losses	(41,963)	-	(41,963)
Share in the results of an equity method investee	4,416	-	4,416
Financing costs	305,437	-	305,437
Change in financial investments at fair value through profit or loss	8,390	-	8,390
Gain on disposal/write-off of property, plant and equipment	(152)	-	(152)
Other income	(22,000)	-	(22,000)
Gain on disposal of assets held for sale	(390,427)	-	(390,427)
	486,732	-	486,732
Working capital adjustments:			
Other non-current assets	1,958	-	1,958
Other current assets	26,625	-	26,625
Trade and other receivables	(283,091)	-	(283,091)
Other non-current liabilities	(164,901)	-	(164,901)
Trade payables and other current liabilities	68,272	-	68,272
Cash generated from (used in) operations	135,595	-	135,595
Paid financing costs	(316,494)	-	(316,494)
Employee end-of-service benefits paid	(460)	-	(460)
Net cash used in operating activities	(181,359)	-	(181,359)
Cash flows from investment activities			
Additions to property, plant and equipment	(640,052)	-	(640,052)
Purchases of intangible assets	(309)	-	(309)
Net change in retained cash balances	(321,382)	-	(321,382)
Proceeds from disposal of property, plant and equipment	161	-	161
Proceeds from disposal of assets held for sale	521,176	-	521,176
Net cash used in investing activities	(440,406)	-	(440,406)



Thousand Saudi Riyals	30 September 2023G	Pro forma Adjustments	30 September 2023G
	(Unaudited)		(Pro Forma)
Cash flows from financing activities			
Payments received against advances to some founding shareholders	286	-	286
Proceeds from loans and advances	646,673	-	646,673
Payment of loans and advances	(97,635)	-	(97,635)
Net cash generated from financing activities	549,324	-	549,324
Net decrease in cash and cash equivalents	(72,441)	-	(72,441)
Cash and cash equivalents at the beginning of the period	340,384	-	340,384
Cash and cash equivalents at the end of the period	267,943	-	267,943
Key additional non-cash information:			
Capitalization of borrowing costs on property, plant and equipment	405,756	-	405,756
Capitalization of borrowing costs on investment properties	68,113	-	68,113
Transferred from property, plant and equipment to real estate for the purpose of development and sale	6,845	-	6,845
Transferred to property, plant and equipment from investment properties	1,607,816	-	1,607,816
Issuance of capital at a premium under a debt-to-equity swap	-	547,499	547,499

Source: Unaudited pro forma condensed consolidated financial information

Issuance of capital at a premium under a debt-to-equity swap

As a result of the conversion of debt into equity, the payable to Creditors was paid through the conversion of debt into shares, and the fair value of the shares was determined based on the current closing price of the share as of 27 September 2023G of SAR 23.4 per share for preparing the pro forma financial statements. Accordingly, the capital was issued with an issue premium of SAR 547,499.



10.2 Key Performance Indicators

The following table shows a comparison between the Company's key performance indicators, based on the unaudited condensed consolidated financial statements for the three- and nine-month periods ended 30 September 2023G and the unaudited condensed consolidated pro forma financial information prepared for the Company for the nine-month period ended 30 September 2023G.

Table 11: Key Performance Indicators

	30 September 2023G	30 September 2023G
	(Unaudited)	(Pro Forma)
Gross profit margin (1)	40.40%	40.40%
Net profit margin (2)	23.61%	23.61%
Return on assets (3)	0.85%	0.85%
Return on equity (4)	1.84%	1.76%

1. Gross profit margin is calculated by dividing gross profit by revenue.
2. The net profit margin is calculated by dividing the total comprehensive income/(loss) for the period by the revenue.
3. Return on assets is calculated by dividing total comprehensive income/(loss) for the period by total assets.
4. Return on equity is calculated by dividing total comprehensive income/(loss) for the period by total equity.

10.3 Analysis of the increase or decrease of earnings per share as a result of the capital increase

Table 12: Earnings Per Share

	30 September 2023G	30 September 2023G
	(Unaudited)	(Pro Forma)
Total comprehensive income/(loss) for the period (thousand SAR)	237,546	237,546
Weighted average number of shares (in thousands)	1,154,534	1,154,534
Earnings per share attributable to unit holders of the parent company (basic and low)	0.21	0.21

Source: Unaudited pro forma condensed consolidated financial information

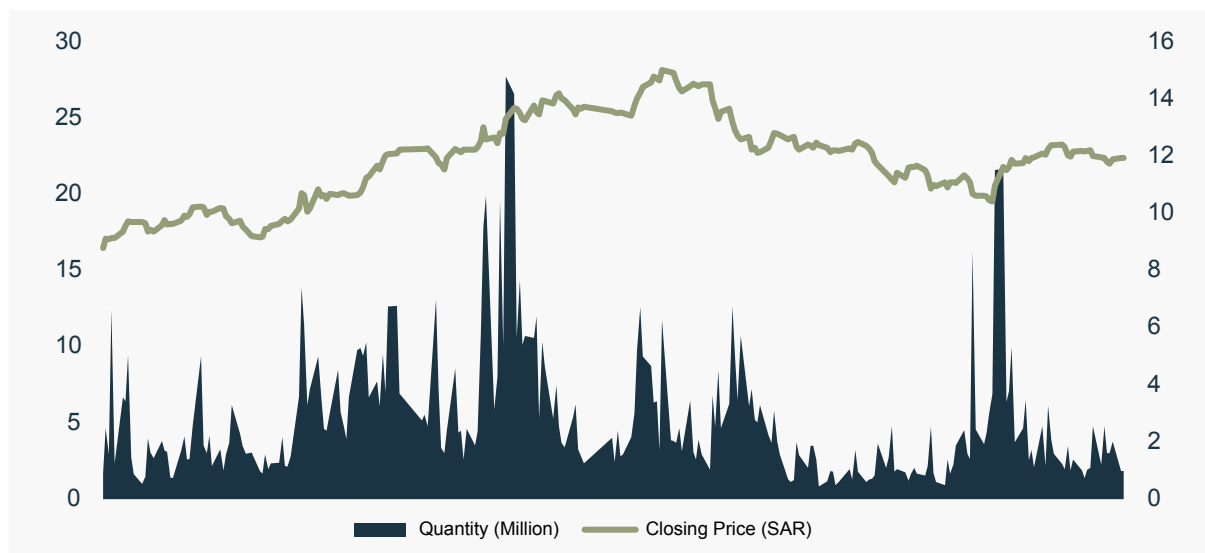
Earnings or loss per share is calculated by dividing the total comprehensive income/(loss) attributable to common stockholders in the parent company by the weighted average number of ordinary shares existing during the period.

(1) The pro forma financial information for the nine-month period ended 30 September 2023G was prepared as if the conversion had taken place on 28 September 2023G, so the weighted average number of shares remained substantially unchanged; and (2) the conversion did not affect the statement of profit or loss and other comprehensive income, so the earnings or loss per share remained substantively stable.



10.4 Evolution of the Company's share price

The following figure shows the evolution of the Company's share price during the period from 1 January 2023G to 1 January 2024G.



Source: The Saudi Stock Exchange (Tadawul) (as of 1 January 2024G)

Year	2023G											
Month	January	February	March	April	May	June	July	August	September	October	November	December
Average total trading volume Within a month (million)	2	1.9	3	4.6	5.4	3.4	3	3.1	1.1	1.1	3.6	1.8
Average price during a month (SAR)	17.8	18.4	19.3	22	23.6	25.9	26.8	24.7	23.2	21.5	21.2	22.7

Source: The Saudi Stock Exchange (Tadawul) (as of 1 January 2023G)



10.5 Summary of the audited financial statements for the financial years ended 31 December 2021G, 2022G and 2023G

Consolidated statement of financial position

The following table shows the Company's audited consolidated statement of financial position as of 31 December 2021G, 2022G and 2023G.

Table 13: Consolidated Statement of Financial Position as of 31 December 2021G, 2022G and 2023G.

Thousand Saudi Riyals	Financial Year Ended 31 December		
	2023G	2022G	2021G
Assets			
Non-current assets			
Property, machinery and equipment	21,356,632	19,501,539	19,369,516
Intangible assets	359	573	4,646
Investment properties	3,507,787	5,047,841	5,024,028
Equity-method investee company	127,982	126,652	121,762
Financial investments at fair value through profit or loss	-	283,762	304,122
Retained cash - non-current portion	109,950	242,590	242,590
Other non-current assets	16,509	17,453	18,396
Total non-current assets	25,119,219	25,220,410	25,085,060
Current assets			
Properties held for development and sale	21,069	21,069	24,806
Other current assets	13,743	63,937	95,230
Trade and other receivables	342,608	389,634	548,060
Financial investments at fair value through profit or loss	267,259	-	24,475
Retained cash - circulating portion	296,596	346,288	716,520
Cash and cash equivalents	298,848	340,384	328,427
Assets held for sale	923,356	130,749	-
Total current assets	2,163,479	1,292,061	1,737,518
Total assets	27,282,698	26,512,471	26,822,578
Equity and liabilities			
Equity			
Capital	11,545,342	11,545,342	9,294,000
Issue premium	627,596	627,596	-
Statutory reserve	108,506	108,506	108,506
Accumulated losses	35,822	-	(1,179,491)
Advance reserve for certain founding shareholders	(285,674)	(285,960)	(285,960)
Equity attributable to shareholders in the parent company before the permanent subsidiary	12,031,592	11,995,484	7,937,055
Permanent subsidiary	689,668	689,668	689,668



Thousand Saudi Riyals	Financial Year Ended 31 December		
	2023G	2022G	2021G
Net equity attributable to shareholders in the parent company before the permanent subsidiary	12,721,260	12,685,152	8,626,723
Non-controlling interest	1,560	1,560	1,503
Total equity rights	12,722,820	12,686,712	8,628,226
Liabilities			
Non-current liabilities			
Loans and advances - non-current portion	11,048,007	10,502,424	8,042,845
Lease liabilities - Non-current portion	-	-	11,309
Payables to other unit holders in an investment fund	-	-	4,964,244
Provision for employee end-of-service benefits	40,959	32,675	27,309
Other non-current liabilities	834,782	934,078	1,131,480
Total non-current liabilities	11,923,748	11,469,177	14,177,187
Current liabilities			
Loans and advances - current portion	678,503	478,621	1,766,085
Trade payables and other current liabilities	1,471,941	1,592,903	1,539,866
Accrued to other investment fund unit owners - current portion	-	-	406,199
Lease liabilities – current portion	-	-	3,247
Outstanding Zakat	485,686	285,058	301,768
Total current liabilities	2,636,130	2,356,582	4,017,165
Total liabilities	14,559,878	13,825,759	18,194,352
Total equity and liabilities	27,282,698	26,512,471	26,822,578

Source: Financial statements for the year 2023G and financial statements for the year 2022G Certain amounts are shown for 2021G and 2022G in line with the presentation for 2023G.

- (1) Some comparative figures for the financial year ended 31 December 2022G (as shown in the table above) have been reclassified in the financial statements for the year 2023G, in line with the presentation of the 2023G statements, and therefore, they may differ from those contained in the financial statements for the year 2022G.
- (2) All financial information for the year 2021G contained in this Circular has been extracted from the comparative financial information for the year 2021G included in the financial statements for the year 2022G.



Statement of profit or loss and other comprehensive income

The following table shows the Company's audited consolidated statement of profit or loss and other comprehensive income for the financial years ended 31 December 2021G, 2022G and 2023G.

Table 14: The Company's Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G, 2022G, and 2023G.

Thousand Saudi Riyals	Financial Year Ended 31 December		
	2021G	2022G	2023G
Revenue	310,359	849,501	1,326,723
Cost of revenue	(534,994)	(820,034)	(925,673)
Gross profit	(224,635)	29,467	401,050
Sale and marketing expenses	(4,133)	(2,099)	(4,190)
General and administrative expenses	(237,620)	(155,066)	(218,188)
Provision/(reversal) of financial loss on financial assets	34,036	(49,079)	47,790
Other operating income	7,262	13,984	397,713
Other operating expenses	(33,246)	(12,864)	(738)
Operating profit/(loss)	(458,336)	(175,657)	623,437
Financing costs	(736,029)	(425,970)	(385,942)
Share in the results of an equity method investee	7,172	4,890	1,330
Net gain on loan amortization	1,275,581	259,618	-
Net change in fair value of financial investments	-	(20,360)	(16,503)
Financing income	-	5,106	14,541
Other income	-	-	22,000
Gain on disposal of assets held for sale	1,068,808	-	-
Profit/(loss) for the period before Zakat	1,157,196	(352,373)	258,863
Zakat	(211,206)	-	(221,383)
Profit/(loss) for the period	945,990	(352,373)	37,480
Other comprehensive income			
Items that will not be reclassified to the consolidated statement of profit or loss in subsequent periods:			
(Loss)/profit of re-estimating employee end- of-service benefits	2,490	(3,156)	(1,658)
Total comprehensive income/(loss) for the year	948,480	(355,529)	35,822
Pertaining to:			
Shareholders in the parent company	946,206	(352,430)	37,480
Non-controlling interest	(216)	57	-
	945,990	(352,373)	37,480
Total comprehensive income/(loss) for the year			
Pertaining to:			
Shareholders in the parent company	948,696	(355,529)	35,822
Non-controlling interest	(216)	57	-
	948,480	(355,529)	35,822



Thousand Saudi Riyals	Financial Year Ended 31 December		
	2021G	2022G	2023G
(Loss)/earnings per share			
Weighted average number of ordinary shares (in thousands)	929,400	1,004,445	1,004,445
(Loss)/earnings per share attributable to the unit holders of the parent company (basic and low)	1.02	(0.35)	0.03

Source: Financial statements for the year 2023G and financial statements for the year 2022G Certain amounts are shown for 2021G and 2022G in line with the presentation for 2023G.

- (1) Some comparative figures for the financial year ended 31 December 2022G (as shown in the table above) have been reclassified in the financial statements for the year 2023G, in line with the presentation of the 2023G statements, and therefore, they may differ from those contained in the financial statements for the year 2022G.
- (2) All financial information for the year 2021G contained in this Circular has been extracted from the comparative financial information for the year 2021G included in the financial statements for the year 2022G.



Statement of Cash Flows

The following table shows the consolidated statement of cash flows for the financial years ended 31 December 2021G, 2022G and 2023G.

Table 15: Consolidated Statement of Cash Flows for the Financial Years Ended 31 December 2021G, 2022G and 2023G.

Thousand Saudi Riyals	Financial Year Ended 31 December		
	2021G	2022G	2023G
Cash flows from operating activities			
Profit/(loss) for the year before Zakat	1,157,196	(352,373)	258,863
Adjustments of:			
Depreciation of property, plant and equipment	242,474	232,811	262,767
Depreciation of investment properties	29,095	29,626	20,681
Amortization of intangible assets	1,267	4,238	524
Recovering impairment of property, plant and equipment	-	-	71,166
Provision for employee end-of-service benefits	7,694	-	-
(Reversal)/provision for expected credit losses	(34,036)	49,079	(47,790)
Share in the results of an equity method investee	(7,172)	(4,890)	(1,330)
Financing costs	736,029	425,970	385,942
Change in financial investments at fair value through profit or loss	(256)	20,360	16,503
(Gain)/Loss on disposal/write-off of property, plant and equipment	1,602	75,650	(152)
Write-off of property, plant and equipment	-	-	-
Net profit from amortization of loan and lease liabilities	(1,275,581)	(259,618)	-
Gain on disposal of assets held for sale	(1,068,808)	-	(390,427)
	(210,496)	220,853	576,747
Working capital adjustments:			
Other non-current assets	1,548	943	943
Properties for development and sale	(820)	41,294	-
Other current assets	(63,008)	31,293	50,194
Trade and other receivables	(262,032)	(122,596)	83,840
Other non-current liabilities	(15,311)	(172,837)	(150,300)
Trade payables and other current liabilities	(152,661)	246,364	(377,531)
Provision for employee end-of-service benefits	-	2,210	6,626
Cash generated from (used in) operations	(702,780)	247,524	190,519
Paid financing costs	(110,462)	(396,746)	(525,526)
Zakat paid	-	(16,710)	-
Employee end-of-service benefits paid	(11,034)	-	-
Net cash used in operating activities	(824,276)	(165,932)	(335,007)
Cash flows from investment activities			
Additions to property, plant and equipment	(454,259)	(1,215,505)	(780,780)



Thousand Saudi Riyals	Financial Year Ended 31 December		
	2021G	2022G	2023G
Purchases of intangible assets	(3,801)	(165)	(310)
Net change in retained cash balances	(368,201)	370,232	182,332
Proceeds from disposal of non-current assets	1,045,000	-	521,176
Proceeds from disposal of property, plant and equipment	-	-	161
Additions to investment properties	-	(483)	-
Proceeds from disposal of financial investments held at fair value through profit or loss	44,205	-	-
Proceeds from disposal of investment held at amortized cost	-	-	-
Net cash used in investing activities	262,944	(845,921)	(77,421)
Cash flows from financing activities			
Payments received against advances to some founding shareholders	1,336	-	286
Proceeds from loans and advances	1,184,411	1,992,907	750,516
Payment of loans and advances	(285,831)	(969,097)	(379,910)
Dividends paid to other unit holders of an investment fund	(50,900)	-	-
Dividend paid for non-controlling interest	-	-	-
Lease liabilities payments	(10,482)	-	-
Net cash generated from financing activities	838,534	1,023,810	370,892
Net (decrease)/increase in cash and cash equivalents	277,202	11,957	(41,536)
Cash and cash equivalents at the beginning of the year	51,225	328,427	340,384
Cash and cash equivalents at the end of the year	328,427	340,384	298,848

Source: Financial statements for the year 2023G and financial statements for the year 2022G Certain amounts are shown for 2021G and 2022G in line with the presentation for 2023G.

- (1) Some comparative figures for the financial year ended 31 December 2022G (as shown in the table above) have been reclassified in the financial statements for the year 2023G, in line with the presentation of the 2023G statements, and therefore, they may differ from those contained in the financial statements for the year 2022G.
- (2) All financial information for the year 2021G contained in this Circular has been extracted from the comparative financial information for the year 2021G included in the financial statements for the year 2022G.



11 Legal Information

11.1 Declarations of the Company's Board Members

The Board Members of the Company declare that:

1. The debt conversion does not violate the relevant laws and regulations in the Kingdom of Saudi Arabia.
2. Issuance of the New Shares is without prejudice to any of the contracts or agreements to which the Company is a party.
3. All material legal information relating to the Company has been disclosed in this Circular.
4. This section includes all material legal information relating to the debt conversion documents that must be taken into consideration by the shareholders of the Company to vote knowledgeably.
5. There is no other material legal information not mentioned in this section the omission of which would cause the other statements to be misleading.

Except as disclosed in Section (8.6) ("**Board Members**") of this Circular, the Company's Board Members that are independent to the Transaction (other than the Conflicted Director) acknowledge that they have no direct or indirect interest in any of the Company shares or in any contract concluded or to be concluded between parties to the Transaction, and declare their complete independence with respect to the issue of the shares subject of this Circular.

The Company's Board Members (other than the Conflicted Director), having considered the market situation as of the date of publication of this Circular and having exercised the due diligence they consider appropriate under the circumstances, believe that the Transaction is in the best interests of the Company and its shareholders and therefore unanimously recommend that the Company's shareholders approve the Transaction Resolutions. In making this recommendation, the Company's Board Members (other than the Conflicted Director) have taken into account the external advice they have received on legal, financial, accounting, strategic and other matters relating to the Transaction.

It should be noted that all of the Company's Board Members (other than the Conflicted Director) that will vote on the Transaction Resolutions at the Company's EGM relating to the Transaction will vote in favor of the Transaction Resolutions.

It should be noted that the Company's Board Members (other than the Conflicted Director) did not take into account the individual investment objectives, financial situation, Zakat and tax status or circumstances of each shareholder due to their different circumstances, conditions and objectives. Accordingly, the Company's Board Members (other than the Conflicted Director) emphasize that the Company's shareholders should obtain independent professional advice from a licensed financial advisor in connection with the Transaction and should rely on their own review of the Transaction to ensure that the Transaction and the information contained in this Circular are appropriate for their own investment objectives and financial situation.

11.2 Summary of the legal structure of the Transaction

11.2.1 Legal structure

1. The Transaction will be implemented in accordance with the provisions of Paragraph (b) of Article 126 of the Companies Law and the provisions of Article 74 of the Rules on the Offer of Securities and Continuing Obligations, as all outstanding debt owed by the Company to the Creditors will be converted in exchange for the issuance of the New Shares and their allocation to the Creditors through the increase of the Company's capital by way of debt conversion.
2. The debts to be converted will include the First Debt and the Second Debt owed by the Company to the First Creditor and the Second Creditor respectively.
3. As consideration for issuing New Shares in the Company to the Creditors, the New Shares in the Company will be issued by increasing its capital, and the Creditors will become shareholders in the Company on the date the New Shares are issued and listed on the Saudi Stock Exchange (Tadawul) and allocated to them (each according to what they are entitled to) according to the terms and conditions of the Settlement Agreements.

11.2.2 Consideration

1. The Company will issue eleven million seventy-six thousand nine hundred sixty-seven (11,076,967) new ordinary shares to the First Creditor in exchange for settlement of the First Debt, after fulfilling the terms of the Settlement Agreement with the First Creditor, which are summarized in Section (11.4.1.1) ("**Material Terms and**



Conditions of the Settlement Agreement with the First Creditor") of this Circular. For more details regarding the representations and warranties contained in the Settlement Agreement with the First Creditor, please refer to Section (11.4.1.2) ("**Representations and warranties related to the Settlement Agreement with the First Creditor**") of this Circular.

2. The Company will issue fourteen million four hundred eleven thousand seven hundred seventy-six (14,411,776) new ordinary shares to the Second Creditor in exchange for settlement of the Second Debt, after fulfilling the terms of the Settlement Agreement with the Second Creditor, which are summarized in Section (11.4.2.1) ("**Material Terms and Conditions of the Settlement Agreement with the Second Creditor**") of this Circular.

11.3 Necessary approvals to complete the Transaction

Taking into account the fulfillment of all conditions stipulated in the Transaction Agreements, the Transaction requires obtaining a number of required approvals, as follows:

11.3.1 Government approvals

The Transaction requires obtaining a number of government approvals, which are as follows:

- a. Obtaining the Capital Market Authority's approval of the request to register and offer capital increase shares by way of debt conversion.
- b. Obtaining the conditional approval of the Saudi Stock Exchange to list the New Shares.
- c. Obtaining the Ministry of Commerce's approval of the proposed amendments to the Company's Bylaws.
- d. Obtaining the Capital Market Authority's approval to convene the Company's EGM relating to the Transaction; the date of the meeting will be announced on Tadawul's website.

All of the government approvals set out above have been obtained, except for the Ministry of Commerce's approval of the proposed amendments to the Company's Bylaws, which will be obtained after the Transaction is approved by the General Assembly.

11.3.2 EGM approval

One of the conditions for completing the Transaction is to obtain the approval of the Company's EGM for the Transaction, with the required majority of the Company's shareholders approving the Transaction Resolutions.

After obtaining the Capital Market Authority's approval of the Company's request to convene the EGM, the Company will publish the invitation to the EGM relating to the Transaction. The Company's EGM shall be valid if it is attended by shareholders representing at least half of the Company's shares that have voting rights. If such quorum is not met at the first meeting, a second meeting shall be called to be held one hour after the end of the period set for the first meeting (provided the invitation to the first meeting includes an announcement that a second meeting may be held one hour after the end of the time period set for the first meeting if the quorum required to hold the meeting is not met). The second meeting shall be valid if attended by shareholders representing at least one-fourth of the capital. If the quorum is not met at the second meeting, the Company will apply to the Capital Market Authority for approval to hold a third EGM. Upon receiving their approval, the Company shall publish the invitation to the EGM and the EGM will be held not less than twenty-one (21) days after the date of publication of the invitation. The third meeting will be valid regardless of the number of shares represented therein.

All shareholders registered in the Company's shareholders register at the end of trading on the day of the EGM relating to the Transaction have the right to attend the EGM. Shareholders will be able to attend and vote on the agenda (either in person, by electronic voting, or by proxy) in accordance with the relevant procedures. The power of attorney must be in writing, signed by the authorized shareholder and certified by the Chamber of Commerce, a bank, persons licensed by the Capital Market Authority, the notary public, or persons licensed to perform notarial work. The authorized person must present the original authenticated power of attorney on the day of the Assembly's meeting, in addition to a copy of the national ID, passport or resident ID of the authorized person.

The Transaction Resolutions will be approved at the Company's EGM relating to the Transaction if the approval resolution is issued by a three-quarters majority of the shares represented at the meeting, whether in person or by proxy. Shareholders will also be able to vote on the EGM agenda items remotely (electronically) through the Tadawulaty service provided by Tadawul, provided that the shareholders have registered for the Tadawulaty service. Registration and voting through the Tadawulaty service is available free of charge to all shareholders. For more information, please visit the link: www.tadawulaty.com.sa. E-voting will be available at least five days prior to the EGM. The dates on which e-voting will be available will be specified in the EGM invitation.

Votes at EGMs will be counted on the basis of one vote per share. A shareholder who fails to attend the EGM (whether in person, by e-voting or by proxy) will forfeit their right to vote at the EGM and the votes associated with their shares will not be taken into consideration.

Although all shareholders of the Company are entitled to attend and vote on the resolutions of the Company's EGM relating to the Transaction (subject to any restrictions that may be imposed due to a conflict of interest or any other restrictions under applicable laws in the Kingdom), all shareholders of the Company residing outside the Kingdom should note that this Shareholders Circular has



not been filed and registered with any regulatory authority outside the Kingdom. Accordingly, if any of the Company's shareholders are resident in any country whose regulations require the Company to take any action to enable the relevant shareholder to legally vote on the Transaction Resolutions, the relevant shareholder should not participate in voting on the proposed resolutions at the Company's EGM relating to the Transaction. If the relevant shareholder votes on the Transaction Resolutions, the Company has the right, after agreement with the Creditors, not to continue the Transaction unless the Transaction has been approved by the required majority of the Company's shareholders, without counting the votes of the concerned shareholder.

11.4 Summary of Material Agreements

11.4.1 Settlement Agreement with the First Creditor

The Company concluded a Settlement Agreement with CDCC (as the First Creditor) on 07/06/1445H (corresponding to 20/12/2023G) in order to settle the First Debt (arising from receivables related to the District Cooling Concession Agreement for the Jabal Omar Development Project concluded between the Company and the First Creditor on 17/07/2012G), (for more details on the origin of the debt, please refer to Section (8.2) ("**Overview of the Creditors**") of this Circular). Under the agreement, the two parties agreed to settle the First Debt owed by the Company to the First Creditor, amounting to two hundred and thirty-seven million, nine hundred and thirty-three thousand, two hundred and fifty-nine Saudi riyals (SAR 237,933,259), in exchange for issuing New Shares to the First Creditor based on the Conversion Ratio for First Debt, which will be issued by increasing the Company's capital through debt conversion. The Settlement Agreement with the First Creditor includes the detailed terms and conditions related to it (for more details on the Material Terms and Conditions of the Settlement Agreement, please refer to Section (11.4.1.1) ("**Material Terms and Conditions of the Settlement Agreement with the First Creditor**") of this Circular) and the obligations of the two parties regarding the implementation of the Settlement Agreement, as well as a number of representations and warranties provided by the two parties (for more details on the representations and warranties contained in the Settlement Agreement, please refer to Section (11.4.1.2) ("**Representations and warranties related to the Settlement Agreement with the First Creditor**") of this Circular).

11.4.1.1 Material Terms and Conditions of the Settlement Agreement with the First Creditor

The Settlement Agreement with the First Creditor included a number of conditions that must be met to complete the settlement with the First Creditor, and both parties shall seek to fulfill them as soon as possible and coordinate among themselves in this regard. Below is a summary of the main terms:

1. Obtaining all required approvals from the Capital Market Authority regarding the settlement of the First Debt in accordance with the Settlement Agreement with the First Creditor.
2. Obtaining other regulatory approvals necessary for both parties (if applicable) regarding the settlement of the First Debt in accordance with the Settlement Agreement with the First Creditor.
3. Obtaining the conditional approval of the Saudi Stock Exchange (Tadawul) on the request to list the New Shares and any other approvals that the Saudi Stock Exchange (Tadawul) may request related to the settlement of the First Debt in accordance with the Settlement Agreement with the First Creditor.
4. Obtaining the approvals of any third parties (in their capacity as lenders or guarantors) whose approval is required to settle the First Debt in accordance with the Settlement Agreement with the First Creditor.
5. The First Creditor obtaining the necessary written approvals from the financing entities (as indicated in the District Cooling Concession Agreement for Jabal Omar development project concluded between the Company and the First Creditor on 17/07/2012G) to conclude and implement the Settlement Agreement with the First Creditor.
6. Obtaining the approval of the required majority of the Company's shareholders regarding the Settlement Agreement with the First Creditor and the resolutions related thereto through the EGM held in accordance with the relevant regulatory requirements.
7. Non-breach of any of the representations and warranties contained in the Settlement Agreement with the First Creditor (unless the defaulting party corrects the breach in question in a manner acceptable to the other party, if such breach can be corrected) (for more details on the representations and warranties contained in the Settlement Agreement, please refer to Section (11.4.1.2) ("**Representations and warranties related to the Settlement Agreement with the First Creditor**") of this Circular).
8. The Company concluding the Settlement Agreement with the Second Creditor and obtaining the approval of the required majority of the Company's shareholders to conclude and implement it, in addition to obtaining all required approvals from the Capital Market Authority and the Saudi Stock Exchange (Tadawul) regarding the settlement procedures with the Second Creditor.
9. No decision has been issued or enforced by any governmental authority to prevent the Transaction in accordance with the provisions of the settlement with the First Creditor.
10. No decision has been issued by the Capital Market Authority or any other governmental authority restricting or prohibiting trading in the New Shares allocated to the First Creditor as a result of the Transaction after their issuance and listing on the Saudi Capital Market.



11.4.1.2 Representations and warranties related to the Settlement Agreement with the First Creditor

The Settlement Agreement with the First Creditor included a number of regular representations and warranties provided by both parties. Following is a summary of them:

1. The two parties have the authority to enter into the Settlement Agreement and implement their obligations arising therefrom.
2. Neither party has been subject to any bankruptcy or had a decision issued against it declaring its liquidation or bankruptcy.
3. No receiver has been appointed (or steps taken to appoint one) for either party regarding their assets.
4. The parties have not received any notice regarding any claims or demands (whether threatened or pending) that may affect the procedures for settling the First Debt in accordance with the Settlement Agreement.
5. The two parties have not been subjected to any administrative or criminal procedures.
6. The obligations arising from the Settlement Agreement are binding on both parties.
7. The implementation of the obligations arising from the Settlement Agreement will not lead to a material breach of the relevant laws or constitutive documents of both parties.

The representations included in the agreement also contained the agreement by both parties that in the event that the First Creditor sells all or part of the New Shares allocated to it as a result of the potential Transaction (the "**Consideration Shares**") within a period not exceeding six months from the date of allocating the Consideration Shares to the First Creditor (or any extension periods granted in accordance with the terms and conditions of the agreement) and the average value of the Consideration Shares sold based on the hypothetical selling price (after deducting any costs associated with the sales) by the First Creditor is less than the Agreed Share Price (which will be determined based on the closing price of the Company's shares on the Saudi Capital Market on the last trading day before the date of the EGM's approval of the Transaction ("**Agreed Share Price**")), the Company shall pay the First Creditor the value of the difference as follows:

The value of the difference = (the average value of the Consideration Shares sold during the indicated period – the Agreed Share Price) x the number of shares sold during the same period

If the average value of the consideration shares sold (after deducting any costs associated with the sales) is higher than the Agreed Share Price, the First Creditor shall pay the difference to the Company as indicated above.

11.4.1.3 Provisions for terminating the Settlement Agreement with the First Creditor

The agreement included the right of both parties to terminate the agreement before completing the Transaction by providing written notice to the other party in any of the following cases:

- a. As a result of a material breach by one of the parties of any of the terms and conditions of the agreement and such breach was not rectified within a period of sixty (60) days from the date of notification, if the breach was remediable. This includes breach of the obligations contained in clause (4) of the Settlement Agreement and breach of the warranties given by each party to the other set forth in clause (6) of the Settlement Agreement.
- b. The issuance of a decision or order or the implementation of any decision by any governmental authority that prevents the completion of the Transaction in accordance with the provisions of the Settlement Agreement.
- c. Failure to obtain the approval of the required majority of the Company's shareholders for the Settlement Agreement with the First Creditor and the related resolutions through an EGM to be held in accordance with the relevant statutory requirements.
- d. In the event that the New Shares are not issued and the outstanding portion thereof allocated to the First Creditor in accordance with the terms of the Settlement Agreement within a period of not more than eight (8) calendar months from the date of concluding the agreement or any extension period thereof in accordance with the provisions of the agreement.

The Settlement Agreement also included the right of the First Creditor to claim compensation from the Company of not more than one million Saudi riyals for any costs incurred by the First Creditor for the purposes of concluding the agreement and implementing its provisions (which includes any costs due to consultants appointed by the First Creditor for the purposes of preparing and negotiating the agreement) if the agreement expires for any reason other than a terminable breach caused by the First Creditor. In this case, the First Creditor will also have the right to require that the Company repay the First Debt.

The parties may terminate the agreement in writing by mutual consent before the date of completion of the Transaction. In the event of termination of the Settlement Agreement with the First Creditor, all rights and obligations of both parties thereunder shall expire with the exception of some provisions stipulated in the same agreement (such as the confidentiality clause, the governing law clause and dispute resolution procedures), in addition to the rights and obligations arising before the date of termination of the Settlement Agreement.



11.4.2 Settlement Agreement with the Second Creditor

The Company entered into a Settlement Agreement with Makkah Construction and Development Company (MCDC) (in its capacity as the Second Creditor) on 07/06/1445H (corresponding to 20/12/2023G), in order for the Company and the Second Creditor to settle the Second Debt (which is the remaining debt owed by the Company to the Second Creditor, arising from the Company's purchase of the Second Creditor's cash share in the Company and held on behalf of property owners who did not complete their legal and statutory documents, as set out in subparagraph (b) Article 7(1) in the Company's Bylaws), (for more details on the origin of the debts, please refer to Section (8.3) ("**Overview of the Origin of the Debt**") of this Circular). Under the agreement, both parties agreed to settle the Second Debt owed by the Company to the Second Creditor, amounting to three hundred and nine million, five hundred and sixty-four thousand, nine hundred and fifty Saudi riyals (SAR 309,564,950), in exchange for issuing New Shares to the Second Creditor according to the Conversion Ratio for Second Debt, which will be issued by increasing the Company's capital through debt conversion. The Settlement Agreement with the Second Creditor includes the detailed terms and conditions related to it (for more details on the Material Terms and Conditions of the Settlement Agreement, please refer to Section (11.4.2.1) ("**Material Terms and Conditions of the Settlement Agreement with the Second Creditor**") of this Circular) and the obligations of the parties regarding the implementation of the Settlement Agreement, as well as a number of representations and warranties provided by the two parties (for more details on the representations and warranties contained in the Settlement Agreement, please refer to Section (11.4.2.2) ("**Representations and Warranties Related to the Settlement Agreement with the Second Creditor**") of this Circular).

11.4.2.1 Material Terms and Conditions of the Settlement Agreement with the Second Creditor

The Settlement Agreement with the Second Creditor included a number of conditions that must be met to complete the settlement with the Second Creditor, and both parties shall seek to fulfill them as soon as possible and coordinate among themselves in this regard. Below is a summary of the main terms:

1. Obtaining all required approvals from the Capital Market Authority regarding the settlement of the Second Debt in accordance with the same agreement.
2. Obtaining other regulatory approvals necessary for both parties (if applicable) regarding the settlement of the Second Debt in accordance with the same agreement.
3. Obtaining the conditional approval of the Saudi Stock Exchange (Tadawul) on the request to list the New Shares and any other approvals that the Saudi Stock Exchange (Tadawul) may request in connection with the settlement of the Second Debt in accordance with the terms of the same agreement.
4. Obtaining any approvals that may be required from third parties for the purpose of implementing settlement procedures with the Second Creditor.
5. Obtaining the approval of the required majority of the Company's shareholders regarding the Settlement Agreement with the Second Creditor and the resolutions related thereto through the EGM held in accordance with the relevant regulatory requirements.
6. Non-breach of the representations and warranties contained in the Settlement Agreement with the Second Creditor (unless the breaching party corrects the breach in question in a form acceptable to the other party, if such breach can be corrected) (for more details on the representations and warranties contained in the Settlement Agreement, please refer to Section (11.4.2.2) ("**Representations and Warranties Related to the Settlement Agreement with the Second Creditor**") of this Circular).
7. The Company entering into the Settlement Agreement with the First Creditor and obtaining the approval of the required majority of the Company's shareholders to conclude and implement it, in addition to obtaining all the required approvals from the Capital Market Authority and the Saudi Stock Exchange (Tadawul) regarding the settlement procedures with the First Creditor.
8. No decision has been issued or enforced by any governmental authority to prevent the Transaction in accordance with the provisions of the Settlement with the Second Creditor.
9. No decision has been issued by the Capital Market Authority or any other governmental authority restricting or prohibiting trading in the New Shares allocated to the Second Creditor as a result of the Transaction after their issuance and listing in the Saudi Capital Market.

The agreement also included the obligation of the Second Creditor not to dispose of the New Shares allocated to it as a result of the Transaction after their issuance and listing on the Saudi Capital Market, and this obligation shall continue for a period of six (6) months from the date of issuance and allocation of the New Shares to the Second Creditor.



11.4.2.2 Representations and Warranties Related to the Settlement Agreement with the Second Creditor

The Settlement Agreement with the Second Creditor included a number of standard representations and warranties made by the parties, which are summarized below:

1. The two parties have the authority to enter into the Settlement Agreement and implement their obligations arising therefrom.
2. Neither party has been subject to any bankruptcy or had a decision issued against it declaring its liquidation or bankruptcy.
3. No receiver has been appointed (or steps taken to appoint one) for either party regarding their assets.
4. The two parties have not received any notice of any litigation or claims (whether threatened or pending) that may affect the settlement of the Second Debt in accordance with the Settlement Agreement.
5. The two parties have not been subjected to any administrative or criminal procedures.
6. The obligations arising from the Settlement Agreement are binding on both parties.
7. The implementation of the obligations arising from the Settlement Agreement will not lead to a material breach of the relevant laws or constitutive documents of both parties.

11.4.2.3 Provisions for terminating the Settlement Agreement with the Second Creditor.

The agreement included the right of both parties to terminate the agreement before completing the Transaction by providing written notice to the other party in the event of any of the following cases (which shall result in the immediate termination of the agreement):

- a. As a result of a material breach by one of the parties of any of the terms and conditions of the agreement and such breach was not rectified within a period of sixty (60) days from the date of notification, if the breach was remediable. This includes breach of the obligations contained in clause (4) of the Settlement Agreement and breach of the warranties given by each party to the other set forth in clause (6) of the Settlement Agreement.
- b. The issuance of a decision or order or the implementation of any decision by any governmental authority that prevents the completion of the Transaction in accordance with the provisions of the Settlement Agreement.
- c. Failure to obtain the approval of the required majority of the Company's shareholders regarding the Settlement Agreement with the Second Creditor and the related resolutions through an EGM to be held in accordance with the relevant statutory requirements.
- d. In the event that the New Shares are not issued and the outstanding portion thereof allocated to the Second Creditor in accordance with the terms of the Settlement Agreement within a period of not more than eight (8) calendar months from the date of concluding the agreement or any extension period thereof in accordance with the provisions of the agreement.

The parties may terminate the agreement in writing by mutual consent before the date of completion of the Transaction. In the event of termination of the Settlement Agreement with the Second Creditor, all rights and obligations of the two parties thereunder shall expire with the exception of some provisions stipulated in the agreement (such as the confidentiality clause, the governing law clause and dispute resolution procedures), in addition to the rights and obligations arising before the date of termination of the Settlement Agreement.

11.5 Lawsuits and claims against the Company

The Company and its Affiliates are party to a number of existing lawsuits and claims that fall within the course of their normal business. However, none of these lawsuits and claims (including any existing or potential lawsuits) could materially affect the Company's business and financial position or its Affiliates, taking into consideration that the company has already submitted its Zakat and income tax returns to the General Authority for Zakat, Tax and Customs until 2023G.

11.6 Bankruptcy

None of the Company's Board Members, Senior Executives or Board Secretary have been subject to any bankruptcy.

11.7 Insolvency

None of the Company's Board Members, Senior Executives or Board Secretary has held an administrative or supervisory position at any insolvent company during the previous five years.



12 Expert statements

The consultants and auditors whose names are mentioned in Section (3) ("**Company Directory**") have provided their written consent to the publication of their names, addresses, logos, statements and reports (as applicable) in accordance with the context set out in this Circular, and none have withdrawn this consent as of the date of this Circular. The consultants and auditors do not have, nor do their relatives have any shares or interests whatsoever in the Company or any of its Affiliates in a way that could affect their independency as of the date of this Circular. The Circular does not contain any statement prepared by an expert.



13 Expenses

The costs and expenses to be incurred by the Company for the debt conversion process and completion of the Transaction are estimated to be approximately five million Saudi riyals (SAR 5,000,000). These expenses include the fees of the financial advisor, legal advisor, auditors and other advisors, in addition to government entities fees, marketing, printing and distribution expenses, and all other costs or expenses related to the Transaction.



14 Exemptions

The Company did not submit an application to the Capital Market Authority to obtain exemptions from any of the requirements of the Rules on the Offer of Securities and Continuing Obligations with respect to increasing the Company's capital through debt conversion.



15 Documents available for inspection

The Company will make copies of the following documents available for review at its headquarters in Mecca at the Jabal Omar Company project located in the central area next to the Holy Mosque in Mecca 21955, P.O. Box 56968, Kingdom of Saudi Arabia, during normal business hours (Sunday to Thursday from nine (9) a.m. to six (6) p.m.) from the date 12/4/1446H (corresponding to 15/10/2024G) (not less than fourteen (14) days prior to the date of the Company's EGM) until the date of the Company's EGM relating to the Transaction, which is expected to be held on 2/5/1446H (corresponding to 4/11/2024G):

1. Transaction Agreements.
2. The unaudited condensed consolidated pro forma financial information for the nine-month period ended 30 September 2023G for the Company.
3. Letters of consent from consultants and auditors to the use of their names, logos and statements in this Circular.
4. A statement of the origin and amount of the debts involved in the Transaction, signed and approved by the Company's Board of Directors and the auditor, KPMG Professional Consulting.
5. Any other document required by the Authority.



Annex No. 1

The Company's Consolidated Financial Statements

The Company's audited consolidated financial statements for the financial years ended 31 December 2021G, 31 December 2022G and 31 December 2023G



**JABAL OMAR DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

31 DECEMBER 2021



JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company - A Saudi Joint Stock Company - (the "Company" or the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Qualified Opinion

As of 31 December 2021, the net carrying value of property, plant and equipment and investment properties (collectively "the Assets") reported in the Group's consolidated statement of financial position amounted to SR 19,369 million and SR 5,024 million, respectively. In view of substantial reduction in cash generated from the Group's hotels and other commercial operations, as well as the interruption in the development of the Group's real estate projects primarily due to the outbreak of COVID-19 pandemic, and in accordance with the requirements of IAS 36 Impairment of assets, the Group's management performed an impairment assessment on its Assets as of 31 December 2021 by comparing the Assets' carrying values with the recoverable amount, being the higher of fair value less costs to sell and value-in-use (VIU). Accordingly, the Group's management engaged external valuers ("valuers") to determine the fair values of the assets and carried out an internal assessment to determine the VIU. As a result of the Group management's assessment, it concluded that no impairment provision is required on its Assets as of 31 December 2021. We reviewed and challenged the significant judgments, assumptions and estimates used by the Group's management including its determination of the appropriate valuation methodologies, and noted that in our view recoverable values of certain Assets that comprised property, plant and equipment and investment properties with net carrying values of SR 9,672 million and SR 391 million, respectively as at 31 December 2021, were determined mainly using cost approach, while a permitted valuation approach by the applicable accounting standards, is not appropriate considering the nature and current and expected use of the Assets. We also noted that certain significant assumptions used in the calculation of certain Asset's VIUs and fair values using income approach were not supported by reasonable basis. Had the Group management used valuation methodology that is aligned with the requirements of the applicable accounting framework, as well as assumptions that are reasonably supported, certain elements in the accompanying consolidated financial statements together with the related disclosures would have been materially affected. The effects on the consolidated financial statements have not been determined.

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 qualified opinion.

Material Uncertainty Relating to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by SR 2,280 million and the Group had accumulated losses amounting to SR 1,179 million as at 31 December 2021. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditors' opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our audit.

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 matter	How the matter was addressed in our audit
Accounting for zakat claims from the Zakat, Tax and Customs Authority ("ZATCA"), As at 31 December 2021, the Group received the zakat assessments from ZATCA for the years since inception of the Parent Company (i.e. 1427H) to 2020G claiming additional zakat amounting SR 669 million. The Group has filed appeals against the assessments raised by ZATCA and maintained a provision SR 274 million as at 31 December 2021. The Group engaged an external zakat consultant to evaluate and determine the potential zakat exposure and recognise provision based on best estimate. We considered this as a key audit matter because of the materiality of the additional amounts claimed by ZATCA and the determination of zakat provision involves significant management estimates and judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. Refer to note (4) of the consolidated financial statements for more details regarding the significant accounting policies, note (2.4) regarding significant accounting estimates and judgements, and note (21) regarding details about relevant disclosures.	Our audit procedures performed included, among others, the following: ► Obtained understanding of management's process in estimating zakat provision for open assessments. ► Involved our internal zakat experts, to assess significant assumptions and judgments used by the Company's management and its external zakat consultant. ► Reviewed correspondences between the Group and ZATCA to determine the amount of the additional assessments being claimed by ZATCA. ► Participated in meetings with those charged with governance and the Group's management to obtain an update on the zakat-related matters and the results of their interactions with ZATCA relevant committees. ► Assessed the adequacy of related disclosures in the accompanying consolidated financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Accounting for financial restructuring During the year ended 31 December 2021, the Group entered into two restructuring agreements related to the syndicated Islamic loan and Ministry of Finance loan, on 4 October 2021 and 14 November 2021, respectively, having principal value of SR 4.7 billion and SR 3 billion respectively and accrued commission of SR 79 million and SR 439 million, respectively which constitute 65% of total loans and borrowings as of 31 December 2021. The loan restructuring includes significant modifications of loan terms such as extending the maturity of the existing loans, additional credit limits, waiver of the accrued commission, capitalization of commission for certain period, inclusion of grace period for commencing repayments, revision in commission rates and conversion of certain portion of the existing loan into a subordinated perpetual instrument. The accounting for these loan restructuring involves significant management estimates and judgements, including estimates of market rate for similar commercial lending, SIBOR curves, and projected cashflows. The Group engaged an external consultant, to assess the accounting treatment of the loan restructuring, which resulted in the recognition of a net modification gain of SR 1.3 billion in consolidated statement of profit or loss. We considered this as a key audit matter due to the complexity of accounting for loan restructuring, the use of significant judgements and estimates applied by the management, and the magnitude of modification gain recognized in the consolidated statement of profit or loss. In addition, loan restructuring is part of management's forecasted cash flows in supporting the Group's going concern assumption. Refer to notes 4, of the consolidated financial statements for more details regarding the significant accounting policies, note 2.4 regarding significant accounting estimates and judgments, and note 15 regarding details about relevant disclosures.	Our audit procedures performed included, among others, the following: ▸ Inspected the Board of Directors approval relating to the loan restructuring, and loans restructuring agreements including term sheets and traced significant modifications of loans' terms and conditions. ▸ Involved our internal specialist to evaluate the accounting treatment made by the management based on the assessment received from its external consultant; and to evaluate the significant assumptions and judgements, including estimates of market rates for similar commercial lending, SIBOR curves, and projected cashflows. ▸ Evaluated competence, capabilities and objectivity of the management's external consultant. ▸ Reviewed whether the forecasted cash flows used are consistent with the terms in the loan restructuring agreements. ▸ Obtained bank confirmations with respect to the revised terms of the loans as at 31 December 2021. ▸ Assessed the adequacy of related disclosures in the accompanying consolidated financial statements.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 07 April 2021 (25 Sha'ban 1442H).

Other information included in the Group's 2021 Annual Report

Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information in its annual report. The Group's 2021 annual report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Group's 2021 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.



INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
JABAL OMAR DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)**

Report on the Audit of the Consolidated Financial Statements (continued)

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Ahmed I. Reda
Certified Public Accountant
License No. 356



Jeddah: 10 April 2022G
09 Ramadhan 1443H



Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	19,369,516	17,875,110
Intangible assets		4,646	2,112
Investment properties	6	5,024,028	5,041,831
Investment in a joint venture	7	121,762	114,590
Investment held at fair value through profit or loss	8	304,122	304,710
Restricted cash	9	242,590	242,590
Other non-current assets	10	18,396	19,944
TOTAL NON-CURRENT ASSETS		25,085,060	23,600,887
CURRENT ASSETS			
Properties for development and sale	11	24,806	1,419,044
Other current assets	10	95,230	32,222
Trade and other receivables	12	548,060	101,528
Investment held at fair value through profit or loss	8	24,475	67,836
Restricted cash – current portion	9	716,520	348,319
Cash and cash equivalents	9	328,427	51,225
		1,737,518	2,020,174
Non-current asset classified as held for sale		-	115,821
TOTAL CURRENT ASSETS		1,737,518	2,135,995
TOTAL ASSETS		26,822,578	25,736,882
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	9,294,000	9,294,000
Statutory reserve	14.2	108,506	108,506
Accumulated losses		(1,179,491)	(2,128,187)
Reserve for advances to certain founding shareholders	14.3	(285,960)	(287,296)
Equity attributable to the equity holders of the Parent before subordinated perpetual instrument		7,937,055	6,987,023
Subordinated perpetual instrument	15(a)	689,668	-
Net Equity attributable to the equity holders of the Parent after subordinated perpetual instrument		8,626,723	6,987,023
Non-controlling interest		1,503	1,719
TOTAL EQUITY		8,628,226	6,988,742

(continued)


Wael Emad El-Turk
Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer

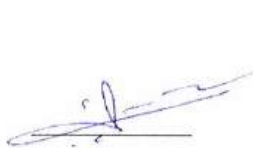

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

**Jabal Omar Development Company (A Saudi Joint Stock Company)****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	15	8,042,845	8,347,880
Liabilities against lease	16	11,309	14,181
Payable to other unitholders of investment fund	20	4,964,244	4,644,263
Provision for employees' terminal benefits	17	27,309	33,400
Other non-current liabilities	18	1,131,480	1,146,791
TOTAL NON-CURRENT LIABILITIES		14,177,187	14,186,515
CURRENT LIABILITIES			
Loans and borrowings – current portion	15	1,766,085	2,592,201
Accounts payable and other current liabilities	19	1,539,866	1,483,627
Payable to other unitholders of investment funds - current portion	20	406,199	406,199
Liabilities against lease – current portion	16	3,247	10,857
Zakat payable	21	301,768	68,741
TOTAL CURRENT LIABILITIES		4,017,165	4,561,625
TOTAL LIABILITIES		18,194,352	18,748,140
TOTAL EQUITY AND LIABILITIES		26,822,578	25,736,882


 Wael Emad El-Turk
 Chief Financial Officer


 Khaled Mohammed Al Amoudi
 Chief Executive Officer


 Saeed Mohammed AlGhamdi
 Chairman of the Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements



Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
Revenue	23	310,359	176,682
Cost of revenue	24	(534,994)	(601,367)
GROSS LOSS		(224,635)	(424,685)
Selling and marketing expenses		(4,133)	(6,748)
General and administration expenses	25	(237,620)	(243,113)
Reversal/ (allowance) of impairment loss on financial assets	12	34,036	(83,070)
Other operating income	26	7,262	18,502
Other operating expenses		(33,246)	(51,583)
OPERATING LOSS		(458,336)	(790,697)
Gain on disposal of non-current assets	13	1,068,808	-
Net gain on loan restructuring	15	1,275,581	-
Financial costs	27	(736,029)	(488,935)
Share of results from investment in a joint venture		7,172	9,157
PROFIT/ (LOSS) FOR THE YEAR BEFORE ZAKAT		1,157,196	(1,270,475)
Zakat	21	(211,206)	(68,741)
PROFIT/(LOSS) FOR THE YEAR		945,990	(1,339,216)
OTHER COMPREHENSIVE INCOME / (LOSS)			
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:</i>			
Re-measurement loss on employee's terminal benefits	17	2,490	(1,822)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		948,480	(1,341,038)
PROFIT / (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Parent Company		946,206	(1,339,005)
Non-controlling interest		(216)	(211)
		945,990	(1,339,216)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Parent Company		948,696	(1,340,827)
Non-controlling interest		(216)	(211)
		948,480	(1,341,038)
EARNINGS / (LOSS) PER SHARE:			
Weighted average number of ordinary shares (number in thousand)	28	929,400	929,400
Earnings/ (loss) per share attributable to ordinary equity holders of the Parent Company (basic and diluted)	28	1.02	(1.44)

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements



Jabal Omar Development Company (A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital SR '000	Statutory reserve SR '000	Accumulated losses SR '000	Reserve for advances to certain founding shareholders SR '000	Equity attributable to the equity holders of the Parent before subordinated perpetual instrument SR '000	Subordinated perpetual instrument SR '000	Net Equity attributable to the equity holders of the Parent after subordinated perpetual instrument SR '000	Non-controlling interests SR '000	Total equity SR '000
Balance at 1 January 2020	9,294,000	108,506	(787,360)	(302,458)	8,312,688	-	8,312,688	2,316	8,315,004
Loss for the year	-	-	(1,339,005)	-	(1,339,005)	-	(1,339,005)	(211)	(1,339,216)
Other comprehensive loss	-	-	(1,822)	-	(1,822)	-	(1,822)	-	(1,822)
Total comprehensive loss for the year	-	-	(1,340,827)	-	(1,340,827)	-	(1,340,827)	(211)	(1,341,038)
Dividend paid to Non-controlling interest Payments received against advance to certain founding shareholders	-	-	-	-	-	-	-	(386)	(386)
Balance at 31 December 2020	9,294,000	108,506	-	15,162	15,162	-	15,162	-	15,162
Profit for the year	-	-	(2,128,187)	(287,296)	6,987,023	-	6,987,023	1,719	6,988,742
Other comprehensive income	-	-	946,206	-	946,206	-	946,206	(216)	945,990
Total comprehensive income for the year	-	-	2,490	-	2,490	-	2,490	-	2,490
Subordinated perpetual instrument Payments received against advance to certain founding shareholders	-	-	948,696	-	948,696	689,668	948,696	(216)	948,480
Balance at 31 December 2021	9,294,000	108,506	(1,179,491)	(285,960)	7,937,055	689,668	8,626,723	1,503	8,628,226

Wael Emad El-Turk
Chief Financial Officer

Khaled Mohammed Al Amoudi
Chief Executive Officer

Saeed Mohammed AlGhamdi
Chairman of the Board of Director

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Jabal Omar Development Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		31 December 2021 SR'000	31 December 2020 SR'000
	Note		
OPERATING ACTIVITIES			
Profit/ (loss) for the year before zakat		1,157,196	(1,270,475)
<i>Adjustments to reconcile profit/ (loss) before zakat to net cash flows:</i>			
Depreciation on property, plant and equipment	5	242,474	279,523
Depreciation on investment properties	6	29,095	30,020
Amortization of intangible assets		1,267	1,190
Provision for employees' terminal benefits	17	7,694	9,884
Reversal/ (allowance) of impairment loss on financial assets	12	(34,036)	83,070
Net gain on loan restructuring	15	(1,275,581)	-
Loss from disposal of property, plant and equipment		1,602	3,730
Write-off of property, plant and equipment		-	10,640
Share of results of investment in a joint venture	7	(7,172)	(9,157)
Finance costs	27	736,029	488,935
Gain on disposal of non-current assets	13	(1,068,808)	-
Change in fair value of investments held at fair value through profit or loss	8	(256)	23,982
		(210,496)	(348,658)
<i>Working capital adjustments:</i>			
Other non-current assets		1,548	3,347
Properties for development and sale		(820)	4,258
Other current assets		(63,008)	(7,490)
Trade and other receivables		(262,032)	99,373
Other non-current liabilities		(15,311)	(12,574)
Accounts payable and other current liabilities		(152,661)	17,719
Cash used in operations		(702,780)	(244,025)
Financial costs paid		(110,462)	(19,531)
Employees' termination benefits paid		(11,034)	(7,829)
Net cash used in operating activities		(824,276)	(271,385)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	5	(454,259)	(342,215)
Proceeds from disposal of non-current assets		1,045,000	-
Additions to investment properties		-	(13,902)
Purchase of intangible assets		(3,801)	-
Proceed from disposal of investment held at fair value through profit or loss		44,205	139,999
Proceed from disposal of investment held at amortized cost		-	150,441
Net change in restricted cash balances		(368,201)	97,925
Net cash from investing activities		262,944	32,248

(continued)

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The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements

**Jabal Omar Development Company (A Saudi Joint Stock Company)****CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

For the year ended 31 December 2021

	Note	31 December 2021 SR'000	31 December 2020 SR'000
FINANCING ACTIVITIES			
Payments received against advance to certain founding shareholders		1,336	15,162
Loans and borrowings drawdown		1,184,411	773,151
Loans and borrowings repayment		(285,831)	(533,106)
Dividend paid to other unitholders of investment fund		(50,900)	(203,601)
Dividend paid to Non-controlling interest		-	(386)
Repayments of lease		(10,482)	-
Net cash from financing activities		838,534	51,220
Net decrease in cash and cash equivalents		277,202	(187,917)
Cash and cash equivalents at beginning of the year		51,225	239,142
Cash and cash equivalents at end of the year		328,427	51,225
MAJOR NON-CASH SUPPLEMENTAL INFORMATION:			
Capitalization of borrowing cost on investment property	6 (a)	11,292	57,905
Capitalization of borrowing cost on property, plant and equipment	5 (d)	47,835	117,056
Transfer from development property to property, plant and equipment	5	1,395,058	-
Transfer from property, plant and equipment to properties for development and sale	5	-	61,546
Transfer from investment property to properties for development and sale	6	-	54,275
Addition of property, plant and equipment against due to related party	5	-	18,352

Wael Emad El-Turk
Chief Financial OfficerKhaled Mohammed Al Amoudi
Chief Executive OfficerSyed Mohammed AlGhamdi
Chairman of Board of Director

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

1. CORPORATE INFORMATION

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

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

Going concern

The Group utilizes debt financing to fund the development of each of the Project's phases. However, the revenues from the Group's operational assets are insufficient to meet the servicing requirements of the Group's debt structure.

Moreover, this shortfall was exacerbated by the outbreak of novel coronavirus (COVID-19), classified as a pandemic, in March 2020. The outbreak of COVID-19 led to a substantial reduction in cash generated from the Group's hotel and commercial area operations. The Group's current liabilities exceeded its current assets by SR 2,280 million (31 December 2020: SR 2,426 million) and the Group had accumulated losses amounting to SR 1,179 million (31 December 2020: SR 2,128 million) as of 31 December 2021.

Consequently, the Group is critically dependent on the cash that will be generated from debt financing, restructuring and the sale of certain plots of land to meet its obligations when they become due and to continue its operations without a significant curtailment. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

At 31 December 2021	Within 1 year SR'000	1-2 years SR'000	2-5 years SR'000	Over 5 years SR'000	Total SR'000
Loans and borrowings	1,398,958	1,801,557	1,935,187	5,724,645	10,860,347
Payable to other unitholders of investment fund	812,398	812,398	1,218,596	5,801,087	8,644,479
Accounts payable and other current liabilities	1,539,867	-	-	-	1,539,867
Liabilities against leases	3,407	11,683	-	-	15,090
Other non-current liabilities	62,239	437,595	186,717	903,189	1,589,740
	3,816,869	3,063,233	3,340,500	12,428,921	22,649,523

**Since Alinma Makkah Real Estate Fund ("the Fund") was consolidated, and as a result of consolidating the Fund, a liability is payable to the remaining unitholders of the Fund. The liability consists of accrued interest payable on a semi-annual basis of 9.6 % and the redemption amount payable on liquidation of the Fund. The Group has pledged Phase 1 to the lender as mortgage against this transaction Please refer Note 6 for further details. As the unitholders receive a fixed return and redemption amount is fixed, the liability was accounted for at amortized cost.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

1. CORPORATE INFORMATION (continued)*Going Concern (continued)*

The Group's obligations against lenders and banks carry financial covenants for the following (refer note 15):

- Covenants in respect of loans amounting to SR 70 million and SR 636 million, respectively included in current liabilities
- covenants in respect of syndicated loan with local banks amounting to SR 4,889 million included in non-current liabilities

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern. The plan comprises the Group's liquidity and forecasted cash flows taking into account reasonably possible outcomes over a 12-month period from the date of approval of these consolidated financial statements. This plan principally includes:

- On 5 October 2021, the Group announced the restructuring of loan facility amounting to SR 4.7 billion with an additional SR 1.2 billion credit limit to be drawn down, taking the total financing to SR 5.9 billion. The restructured loan agreement would require the Group to sell phase 5. The Group has appointed a real estate broker for the sale of plots of land belonging to phase 5. The total available undrawn facility as at reporting period amounts to SR 1 billion. The cash expected to be generated from this sale would be utilized to partially repay the loan, amounting to SR 1.2 billion. An amount of SR 1.5 billion, will be made within twelve months from the date of the consolidated statement of financial position. The funds from additional facility will go towards the completion of phase 2 and 4 of the Group's master plan. This loan has been considered in maturity profile as per restructured repayment plan.
- During the year ended 31 December 2021, the Group announced the restructuring of loan facility from the Ministry of Finance ("MoF") which involves significant modifications of loan terms such as extending the maturity of the existing loans, waiver of the accrued commission, capitalization of commission for certain period for commencing repayments, revision in commission rates and conversion of certain portion of the existing loan into a subordinated perpetual instrument. Modified financial liability has been considered as non-current in maturity profile while subordinated perpetual instrument is not considered in foreseeable future.
The MoF has supported the Group by acting as guarantor for the new financing arrangement amounting to SR 1.6 billion referred to below (note 15).
- The Group also intends to sell certain plots of land in phase 7 along with the plots of land belonging to phase 5 (as mentioned above) and expects to generate aggregate cash amounting to SR 3.8 billion within 12 months from the date of the consolidated statement of financial position. The Group entered in agreements with buyers to sell plots of land in phase 5 and 7 for an amount of SR 1,347 million having cost of SR 227 million (see note 13).
- During the year ended 31 December 2021, the Group entered into a financing arrangement amounting to SR 1.6 billion with a lender for the completion of phase 3 and made a drawdown of SR 547 million. Remaining drawdowns from this facility is SR 1,053 million out of which SR 929 million, is planned to be made within 12 months from the date of the consolidated statement of financial position.
- During the year ended 31 December 2021, the Group obtained approval from another lender to roll-over a loan facility amounting to SR 1 billion due to mature on 30 November 2021 to 23 February 2022. The loan facility has a history of roll-over in the past and, on this basis, the Group's management is confident that further roll-over will be granted. This contractual flow is reflected in 1-5 years rather below 1 year in maturity table above.
- On 26 September 2021, the Group signed a revised facility with another lender, as per the terms of the agreement the facility will increase from SR 0.6 billion to SR 1 billion. Remaining drawdowns of 0.4 billion, is planned to be made within twelve months from the date of the interim condensed consolidated statement of financial position. The repayment for the facility will be due in 18 months from the day of the first withdrawal.
- During the year, the Group is at an advanced stage of discussions with a lender to avail new loan facility amounting to SR 225 million, the Group is confident that drawdowns would be available for said amount within 12 months from the date of consolidated statement of financial position.
- On 13 September 2021, JODC announced the submission of a non-binding offer to the manager of the Alinma Makkah Real Estate Fund ("Fund") relating to full settlement of the rights and obligation in respect of the funds' assets. JODC offered the unitholders of the fund a total of 193,068,966 Company's own newly issued shares in exchange of:
 - All payment obligation of the Group to the fund/unitholders deemed to be completely and finally settled
 - Fund surrendering to the Company all the rights over JODC's assets
 - All collaterals granted by JODC to the fund should be released and terminated

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

1. CORPORATE INFORMATION (continued)*Going Concern (continued)*

The Company has revised its offer on 23 December 2021 whereby the Company shall issue to the unitholders of the Fund a total number of 225,134,162 new shares instead of 193,068,966 shares.

Subsequent to the year ended 31 December 2021, on 9 January 2022, the Company received a notification from the Fund informing the Company that the Fund's unitholders have approved the Transaction in the unitholder General Assembly. As a result, liability payable to unitholders would be settled by issuing Company's own shares; hence this liability would not result in any cash outflow. Further, subsequent to year end on 2 April 2022, the Group has executed an agreement with the Fund Manager to settle this liability in exchange of Company's new 225,134,162 shares. In accordance with terms of agreement, the transaction is binding and non-revocable.

Based on the above plan, the Group's cash flow forecast for the 12-month period from the reporting date indicates a net positive cash flow position. Although there is a material uncertainty created by COVID-19 and its impact on travel restrictions besides the successful execution and conclusion of the above plan, management continues to believe that it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months.

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's ("SCTA") letters. These consolidated financial statements include the results of the operating activities relating to the following hotels in addition to its four branches bearing commercial registration numbers 4030291056, 40301097883, 40301098207 and 1010465230.

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

Further to the above operating hotels, the Company has two additional hotels, the operations of which are not yet commenced, bearing commercial registration numbers 4031215100 and 4031247845, respectively.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

1. CORPORATE INFORMATION (continued)

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December 2021. The Group is incorporated in the Kingdom of Saudi Arabia except for Jabal Omar Sukuk Company Limited which is incorporated in the Cayman Island. Except for Alinma Makkah Real Estate Fund, remaining subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

<i>Name of the Subsidiary</i>	<i>Registration Number</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal activities</i>
Shamikhat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company	4031210499	22 October 2017 corresponding to 02 Safar 1439H	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	1 January 2018 corresponding to 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishrakat for logistic services Company	4030303509	06 May 2018 corresponding to 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for marketing Company	4030326220	05 March 2019 corresponding to 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services
Rasyat Company	4031051838	8 August 2017 corresponding to 15 Dhul Qadah 1438H	100%	31 December	Investment in infrastructure facilities
Alinma Makkah Real Estate Fund	CMA letter no. 7/4432/5/3	22 August 2017 corresponding to 30 Dhul Qadah 1438H	16.42%	31 December	Acquire a number of income generating real estate assets located within the first phase of Jabal Omar project next to the Grand Mosque in Makkah
Jabal Omar Sukuk Company Limited	334209	12 March 2018 corresponding to 24 Jumada Al Thani 1439H	100%	31 December	Issuance of sukuks



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured as follows:

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

The consolidated financial statements of the Group are presented in Saudi Riyals (SR), which is also the functional currency of the Group. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands (SR '000) unless when otherwise stated.

2.2 Statement of compliance

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

The Group has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2021. 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the 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 OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary 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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit or loss. Any investment retained is recognized at fair value.

2.4 Significant accounting judgments, estimates and assumptions

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



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

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

- Sensitivity analyses disclosure (note 5, note 6 and note 17)
- Financial instruments risk management (note 30)
- Capital management (note 30)

Judgements

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Revenue recognition from sale of residential units

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

- the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

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

Determination of transaction prices

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

In addition to the stand-alone selling price, the sales contract also includes variable consideration in the form of delay penalties, which the Group is required to pay if the units are not delivered in time according to the contractual terms and conditions. This delay penalty is adjusted against revenue. In this regard, a significant judgement has been made as the Group has not been able to deliver the units in time and as such the impact of the delay penalties has been estimated, using the expected value. When assessing the amount of the delay penalties which should be recognized at the reporting date, management has made a judgement in relation to the timing of when the units will be available for operational readiness for the Buyer, and as such will no longer be obligated to make these payments.

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

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

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**2.4 Significant accounting judgments, estimates and assumptions (continued)*****Assessment of joint arrangements***

The Group has concluded that the investment in Central District Cooling Company ("CDCC") is a joint venture arrangement. The Group exercises judgment in its assessment of joint arrangements and whether the Group's investment in such arrangements should be classified as a joint operation or a joint venture. In making this judgement the Group considers whether the investee is a separate legal entity and whether terms of the contractual arrangement between the parties to the joint arrangement specify that the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. The Group also considers whether the arrangement establishes an allocation of revenues and expenses on the basis of relative performance of each party of the joint arrangement and whether parties to the joint arrangement are provided any guarantees to rights and obligations as joint ventures.

The Group has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Group's rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 Joint Arrangements. As a consequence, it accounts for its investments using the equity method.

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. For details refer note 1.

Determining the timing of gain recognition on the sale of non-current assets

The Group has evaluated the timing of revenue recognition on the sale of non-current assets based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed non-current assets are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

Classification of real estate properties

The Group exercises judgment in classification of real estate properties as property, plant and equipment, investment properties or properties for development and sale. The Group considers the recognition criteria as per the relevant accounting standard supported with management's intention and active plan. The hotels are owner occupied properties that are held for use in the supply of services while the commercial malls are classified as investment properties since these are held for rentals to others. Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when group purchase properties with an intention to sale.

Zakat

The determination for zakat provision involves significant management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. In determining the amount payable to GAZT, the Group has applied their judgement and interpretation of the GAZT requirements for calculating Zakat.

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 consolidated 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:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**2.4 Significant accounting judgments, estimates and assumptions (continued)*****Impairment of non-financial assets (continued)***

During the current year it was determined that indicators of impairment existed and as such a detailed impairment assessment was performed. Refer note 5 and 6 for the details on the impairment testing. 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 recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 5 and 6.

Useful lives and residual value of property, plant and equipment, intangibles and investment property

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. Management periodically reviews the useful lives, residual value, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Estimation of net realizable value of Properties for development and sale

Properties for development are stated at the lower of cost and net realizable value ("NRV"). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale.

NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions.

Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV.

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

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**2.4 Significant accounting judgments, estimates and assumptions (continued)*****Impairment for expected credit losses (ECL) in trade and other receivables***

The Group has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusted the historical loss rates based on expected changes in this factor using different scenarios. 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 customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 12.

Employees' terminal benefits plan

The cost of the employees' terminal benefit plan and the present value of the obligation are determined using actuarial valuations. 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 employees' 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 most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. 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. Further details about employee benefits obligations are provided in note 17.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 30.1 for further disclosures

Zakat assessments

As noted, in Note 21 on Zakat payable, the Group has received a zakat assessment from GAZT for the year 1427H-2020 of approximately Saudi Riyals 669 million and recorded zakat payable based on the received assessment of SR 274 million. The Group has filed an appeal against the open assessments.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**3.1 New and amended standards and interpretations**

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below.

There were several new and amendments to standards and interpretations which are applicable for the first time in 2021, but either not relevant or do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. See Note 3.2.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**3.1 New and amended standards and interpretations (continued)****Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

3.2 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 issuance of the Group's financial statements are disclosed below, if they are expected to have an impact on the Group's financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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
- 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. However, in November 2021, the IASB published an exposure draft which included a proposal to defer the effective date to no earlier than 1 January 2024.

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. The amendments are not expected to have a material impact on the Group.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.2 Standards issued but not yet effective (continued)

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 recognizes 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.

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. The amendments are not expected to have a material impact on the Group.

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 an 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 must 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.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.2 Standards issued but not yet effective (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (continued)

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures. The amendments are not expected to have a material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Current versus non-current classification

Assets

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

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

All other assets are classified as non-current.

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.

4.2 Investment in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.2 Investment in associates and joint ventures (continued)**

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after zakat and non-controlling interests in the subsidiaries of the associate or joint venture

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 7.

4.3 Foreign currencies***Transactions and balances***

Transactions in foreign currencies are initially recorded by the Group in its 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.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange 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 (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration

4.4 Property, plant and equipment***Recognition and measurement***

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

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.4 Property, plant and equipment (continued)*****Recognition and measurement (continued)***

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

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

Subsequent costs

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

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

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

	Number of years
• Building	85
• Central district cooling system	30
• Equipment	10 – 85
• Furniture and fixtures	10 - 12
• Infrastructure assets	20 – 85
• Other assets	4 - 8

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income within "Other income, net" at the time the item is derecognised.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management. Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in-progress is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

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



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Derecognition

Property, plant and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the consolidated statement of profit or loss and other comprehensive income within "Other income, net" at the time the item is derecognized.

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

Capital work in progress

Capital work in progress represents assets under construction and improvements to the existing assets, recorded at cost less accumulated impairment losses, if any. Such costs include cost of equipment, material and other 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. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies.

4.5 Intangible assets

Intangible assets comprise software licenses for computer, which have finite lives and are amortized over the period of its useful life on a straight-line basis and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. Any changes in the estimated useful life or the expected pattern of consumption of economic benefits are treated as change in accounting estimates.

The useful life for an intangible asset is reviewed at least at the end of each reporting period. The amortization expense on intangible assets is recognized in the consolidated statement of profit or loss and other comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

The estimated useful lives for the current and comparative periods are 4 years.

4.6 Investment properties

Properties held for long-term rental yields or for capital appreciation or both as well as those held for undetermined future use but not for sale in the ordinary course of business, which is not occupied by the Group is classified as investment properties. Investment properties comprise land, buildings and equipment, fixtures and fittings, office equipment and furniture which are an integral part of the buildings. Investment properties also includes property that is being constructed or developed for future use as investment properties. Investment properties is measured at its cost, including related transaction costs and where applicable borrowing costs.

Investment properties are carried at cost, net of accumulated depreciation, except for properties under construction which is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Capital work in progress represents the construction work at the Group's project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose.

Investment properties are derecognized 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 recognized 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).

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.6 Investment properties (continued)**

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets that meet the definition of investment properties are presented under investment properties.

Investment property is classified as “held for sale” when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the properties must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such properties and its sale must be highly probable.

When the investment properties are sold no revenues and direct / operating costs are recognized for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognized in the consolidated statement of profit or loss and other comprehensive income.

Owner-occupied property is property held by the owner, or a right-of-use asset relating to property held by a lessee, for use in the production or supply of goods or services or for administrative purposes. Owner-occupied property is used in conjunction with the other assets of the entity, such as plant and machinery and inventory. It does not generate cash flows independently of the other assets of the entity. 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.

Depreciation on assets is charged to consolidated statement of profit or loss and other comprehensive income using the straight-line method to allocate their costs over their estimated useful lives as follows:

	Number of years
• Building	85
• Equipment	16 – 20
• Infrastructure assets	20 – 85

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

4.7 Financial instruments – initial recognition and subsequent measurement

Financial instruments – initial recognition and subsequent measurement 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.

Financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized 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 amortized 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized 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 following categories:

- Financial assets at amortized 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 amortized cost (debt instruments)

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

The Group's financial assets at amortized cost includes cash and bank balances, trade receivables, employees' receivables and other receivables.

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 recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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 recognized 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 does not have any equity instrument designated at fair value through OCI.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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 recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Subsequent measurement

The Group considers a financial asset in default when contractual payments are 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.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

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 recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable, accruals and other liabilities and due to related parties.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

Derecognition

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

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.

Modification of financial assets and liabilities

When the contractual cash flows of a financial asset/ liability are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that instrument, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss under "Gain on loan modification". The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

Conversely, the Group accounts for an exchange with a lender of debt instruments with 'substantially different' terms to be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, (whether or not due to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Modification of financial assets and liabilities (continued)

The IFRS regards the terms of exchanged or modified debt as ‘substantially different’ if the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument. In the absence of such difference, the terms could still be considered as substantially different if they are deemed to be qualitatively significantly different from the pre-modifications terms.

The Group accounts for modifications in terms of a debt instrument that result in the instrument meeting the definition of an equity instrument consistent with the foregoing.

4.8 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized on goodwill are not reversible.

4.9 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 recognizes 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 recognizes 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 recognized, 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.

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 to the accounting policies in section 4.8 Impairment of non-financial assets

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.

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.9 Leases (continued)****Group as a lessor**

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Refer Note 4.19. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position in accordance with their nature. The Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the consolidated statement of profit or loss.

4.10 Development properties

Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when group purchase properties with an intention to sale or where there is a change in use of investment properties evidenced by the commencement of development with a view to sale. The investment properties are reclassified as development properties at their carrying amount 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.

4.11 Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

4.12 Cash and cash equivalents

For the purpose of statement of financial position, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term 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.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term 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, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

4.13 Restricted cash

Restricted cash that is subject to certain restrictions and are not available for general use by the Group, and therefore, do not form part of cash and cash equivalents. Classification between current vs non-current restricted cash depends on the relevant agreement. If the payment is on demand, then restricted cash is reported as current.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.14 Employee benefits*****Short-term employee benefits***

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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 recognized 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 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 recognized in employee costs in the consolidated statement of profit or loss and other comprehensive income.

The Group uses the yield available on the high-quality corporate bonds as a reasonable assumption for the discount rate.

4.15 Provisions

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

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

4.16 Payable to other unitholders of investment fund

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognized at the present value of redemption amount. All subsequent changes in liability is recognized in the consolidated statement of profit or loss. The liability comprises accrued interest and redemption amount payable as per the terms and conditions of the investment fund. Other unitholders receive a fixed return and redemption amount is fixed; hence, the liability is accounted for at amortized cost.

4.17 Zakat

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company and zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenues

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. When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Sale of development properties

Sale of development properties includes multi-unit properties in residential or hotel developments. Typically, these developments take a number of years to complete. Revenue recognition regarding the sale of such units is determined by the contractual terms and conditions for each arrangement.

Performance obligations

The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land, parking spaces, operational readiness (normally for units in hotels) and other amenities. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units is typically considered one performance obligation.

Transaction price and allocation of transaction price

The revenue is measured at the transaction price agreed under the contract and allocated to the performance obligation. In some cases the transaction price also includes variable consideration.

Revenue recognition

Revenue on sale of development properties is recognized when control over the properties has been transferred to the customer, in some circumstances this is over time, where the criteria as per IFRS 15 paragraph 35 is met and in other circumstances revenue is recognized at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.18 Revenues (continued)***Over time contracts*

However, the Group has determined that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Point in time contracts

Where the criteria for overtime revenue recognition is not met, revenue is recognized at a point in time, only when the control criteria as per IFRS 15 paragraph 38 is met. Control is normally obtained by the customers when they are able to obtain economic benefits from the properties, this is typically on handover of the properties. In order for the properties to be ready for handover, all the individual promises in the contract must be complete, this will include properties which require the units to be available for operational readiness, such as hotel units.

Significant financing

In cases where deferred payment terms are agreed, the transaction price is adjusted for the effects of a significant financing component.

Rental income from investment properties

Rental income from investment properties is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire lease term, on a straight-line basis.

Rental from hotel services

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

4.19 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

4.20 Borrowings costs

Borrowing costs directly attributable to the acquisition or construction of an inventory property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs incurred in relation to investment property under development are expensed as incurred.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.21 Finance income and finance costs**

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

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

4.22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group, and makes strategic decisions.

An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- whose financial information is separately available.

4.23 Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9 – refer to “Impairment” in note 12.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. 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). Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed to and certified by the customer, the difference is recognised (as a contract asset) and presented in the statement of financial position under “Contract assets”, whereas in contracts in which the goods or services transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the Group transfers the remaining goods or services), the difference is recognised (as a contract liability) and presented in the statement of financial position under “Contract liabilities”.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT

	Lands SR '000	Buildings SR '000	Central District Cooling System SR '000	Equipment SR '000	Furniture and fixtures and other Assets SR '000	Infra-structure Assets SR '000	Capital work in progress SR '000	Total SR '000
Cost:								
Balance at 1 January 2020	2,957,546	4,207,847	505,025	1,968,513	767,263	429,057	7,564,558	18,399,809
Additions during the year	-	-	-	711	6,502	-	452,057	459,270
Disposals during the year	-	-	-	-	(5,164)	-	-	(5,164)
Remeasurement	-	-	-	-	16,996	-	-	16,996
Write-off	-	-	-	-	(26,600)	-	-	(26,600)
Transfers from CWIP	-	-	502,129	-	-	-	(502,129)	-
Transfer to non-current asset classified as held for sale (note 5 (b))	(61,546)	-	-	-	-	-	-	(61,546)
Balance at 31 December 2020	2,896,000	4,207,847	1,007,154	1,969,224	758,997	429,057	7,514,486	18,782,765
Transfers from CWIP	-	-	11,868	-	-	-	(11,868)	-
Transfer from development properties (note 11)	135,997	-	-	-	-	-	1,259,061	1,395,058
Additions during the year	-	-	-	1,031	4,151	-	449,077	454,259
Disposals/write-off during the year	-	-	-	-	(20,825)	-	-	(20,825)
Transfer to held for sale (note 13)	(54,557)	-	-	-	-	-	(56,278)	(110,835)
Reclassification	41,103	-	-	-	-	-	(41,103)	-
Balance at 31 December 2021	3,018,543	4,207,847	1,019,022	1,970,255	742,323	429,057	9,113,375	20,500,422
Accumulated depreciation:								
Balance at 1 January 2020	-	131,250	75,838	169,072	239,514	29,853	-	645,527
Depreciation for the year	-	53,538	43,616	81,911	92,473	7,985	-	279,523
Relating to disposals during the year	-	-	-	-	(1,435)	-	-	(1,435)
Write-off	-	-	-	-	(15,960)	-	-	(15,960)
Balance at 31 December 2020	-	184,788	119,454	250,983	314,592	37,838	-	907,655
Depreciation for the year	-	49,873	34,227	81,552	68,838	7,984	-	242,474
Disposal	-	-	-	-	(19,223)	-	-	(19,223)
Balance at 31 December 2021	-	234,661	153,681	332,535	364,207	45,822	-	1,130,906
Net book value								
At 31 December 2021	3,018,543	3,973,186	865,341	1,637,720	378,116	383,235	9,113,375	19,369,516
At 31 December 2020	2,896,000	4,023,059	887,700	1,718,241	444,405	391,219	7,514,486	17,875,110

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group has reclassified certain residential units from properties for development and sale to property, plant and equipment as a result of specific use of assets.

- a. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") a joint venture for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. The Group is entitled to obtain all economic benefits from the DCS during its entire life and therefore recognizes the DCS from the commencement of construction by CDCC.
- b. These represent amounts transferred to non-current assets classified as held for sale pertaining to assets determined by management to be recovered principally through a sale transaction rather than continuing use. Refer to note 13.
- c. Land (the 'Land') represents plots situated in the Jabal Omar area, which were received by the Company from the founding shareholders (the 'Owners') against issuance of its shares at nominal value of SR 10 per share by virtue of a Royal Decree (the 'Decree') (note 1). Valuation of land was prepared and approved by Development Commission of Makkah Al Mukkaramah. Legal formalities for the transfer of title deeds from the Owners were completed. The Company had intended to complete the procedures for transferring any remaining title deeds in the name of the Company and issue corresponding shares, as and when their Owners would complete the related statutory and legal documentation (the 'documentation').

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

- No title deeds had been submitted for the past 2 years;
- In respect of the Owners who could not submit their legal title deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") subscribed for shares in the Company on behalf of those owners. This mechanism was ratified by Royal Decree No. M/63, dated 25/9/1427H (corresponding to 18 October 2006) and therefore legal ownership of the land is with the Group;
- The Company possesses substantive rights to the use of complete Land by virtue of the Decree;
- The Group has been in the possession of the Land for the past several years and has started construction thereon; and
- During 2020, the competent authorities issued a unified title deed in the name of the Company for the entire area of the Group's Project which amounts to 235,869.11 square meters.

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of owners who could not submit their legal title deeds, a corresponding payable to MCDC was recognized. The amount payable to MCDC would be settled as and when owners who could not submit their title deeds earlier, would do so, with a corresponding re-allocation in shareholding between MCDC and such owner. Management expects the liability to be settled on demand and hence recorded as current liability.

- d. During the year ended 31 December 2021, an amount of SR 47.8 million (31 December 2020: SR 117 million) was capitalized as borrowing cost for the construction of property plant and equipment included in capital work in progress. Further, the capitalization rate used to determine the amount of borrowing cost to be capitalized is the weighted average interest rate applicable to the Group general borrowing during the period, in this case 3.62% per annum (2020: 4.26% per annum).
- e. At 31 December 2021, the Group's land in the property and equipment with a carrying amount of SR 2,532 million (31 December 2020: SR 2,532 million) were mortgaged as collateral against loans and borrowings and unitholders of investment fund.
- f. Property, plant and equipment include asset under right of use assets as following:

Furniture and fixture and other assets	31 December 2021 SR'000	31 December 2020 SR'000
As at 1 January	15,840	10,490
Remeasurement	-	16,996
Depreciation	(1,673)	(11,646)
As at 31 December	14,167	15,840



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- g. The outbreak of COVID-19 led to a substantial reduction in cash generated from the Group's hotel and commercial area operations. It has also interrupted the development of the Group's projects. As a result, management had considered there to be indicators of impairment. There is an impairment indicator that the carrying value of non-financial assets, hotels, commercial properties and land parcels ("properties") associated with the Group's operations will be higher than the recoverable amounts.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of each CGU by assessing the fair value less cost of disposal (FVLCD) and value-in-use (being the higher of both) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Based on the valuation, no impairment was identified.

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

Valuation methodology:

The Group engaged independent professionally qualified valuation experts 'Dorchester Estates' ("Dorchester") and 'Square Meter' ("SQM") accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). Dorchester and SQM have recent experience under IFRS 13, in determining the fair value for properties in the locations and segments where the Group's properties are situated.

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

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

At each financial year-end the finance department:

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

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

The Group has a number of operating hotels and hotels under construction. Each hotel is considered a separate CGU for purposes of impairment testing. In determining the fair value, the valuer has used an income approach, residual value approach, cost approach and in certain cases a weighted average of approaches. In case of non-operated assets comprising land parcels only the valuer has used comparable values approach. The Group also has a number of commercial centers and each commercial center is considered a separate CGU. The valuer has used an income approach for developed commercial centers and commercial centers under development.

Income approach: Under this approach, the valuers obtained rental of the relevant property and estimated future rental cash inflows. These future cash inflows are then discounted back to valuation date, resulting in present value of the related investment property. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.

Cost approach: In cost approach appraisal, the market price for the property is equal to the fair value of the land plus cost of construction, less depreciation. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.

Comparable values approach and residual value approach: Under these approaches, the valuer obtains land prices in the neighbouring districts and adjusts them for difference in specification of the Group's properties. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Management has determined the above approaches using the below key assumptions as follows:

Assumption	Approach used to determine values
Average daily rate	Based on the actual location, type and quality of the properties and supported by historic trends and approved room rents including impacts of expected inflations.
Estimated occupancy rate	Based on current, historic and expected future market conditions.
Retail developed land value	Prices of residential and commercial land parcels per square meter in the neighbouring districts.
Discount rates	Reflects current market assessments of the uncertainty in the amount and timing of cash flows.
Capitalization rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.
Costs to complete	These are largely consistent with internal budgets developed by the Group's management, based on its experience and knowledge of market conditions.

The sensitivity analysis provided in the table below represent % change in the fair value due to changes in key assumptions noted as of 31 December 2020.

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table sets out the key assumptions for the CGUs of the group as of 31 December 2020:

CGU	Valuation techniques	Discount rate	Estimated occupancy rate	Average daily rate / lease rate (per square meter)	Cost to complete	Retail developed land value per square meter	Capitalization rate (%)	Sensitivities	
								Change in discount rate	
Hilton suites	Income approach	7%	81.42%	350 – 3,400	-	-	4%	Change in Cap rate	-1% 0% 1% 30% 13% 3% 14% 0% -8%
Hyatt Regency	Income approach	7%	88.43%	375 – 2,700	-	-	4%	Change in Cap rate	-1% 0% 1% 30% 13% 3% 14% 0% -9% 1% -11% -18%
Conrad hotel	Income approach	7%	78.60%	675 – 3,400	-	-	4%	Change in Cap rate	-1% 0% 1% 30% 13% 3% 14% 0% -8% 1% -11% -18%
Marriott hotel	Weighted average of cost approach and income approach	7%	58.67%	350 – 1,700	-	Price per square meter (Saudi Riyal per meter square) 10,761 - 214,286	4%	Change in Cap rate	-1% 0% 1% 4% 2% 0% 2% 0% -1% 0% -1% -2%



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

CGU	Valuation techniques	Discount rate	Estimated occupancy rate	Average daily rate / lease rate (per square meter) SR	Cost to complete	Retail developed land value per square meter	Capitalization rate (%)	Sensitivities
Hilton Convention Center	Weighted average of cost approach and income approach	7%	73.87%	350 – 4,500	-	Price per square meter (Saud Riyal per meter square)	4%	Change in discount rate -1% 0% 1% 7% 3% 1% 0 0% 2% 1% 0% -3% -4%
						2,329-214,286		
Al Khalil Malls (S1 & S2)	Income approach	7.5% - 8%	95% - 97%	3,7765- 7,000	-	-	5.5%	Change in discount rate -1% 0% 1% 21% 7% -3% 0 13% 0% -9% 1% 6% -6% -14%
DoubleTree Hotel	Income approach	7%	73.01%	400-1,800	-	-	4%	Change in discount rate -1% 0% 1% 29% 13% 3% 0 14% 0% -8% 1% 1% -11% -18%
Commercial Area - N3	Income approach	7%	100%	3,000	-	-	4%	Change in discount rate -1% 0% 1% 31% 10% -2% 0 18% 0% -11% 1% 7% -9% -19%

Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

CGU	Valuation techniques	Discount rate	Estimated occupancy rate	Average daily rate / lease rate (per square meter) SR	Cost to complete	Retail developed land value per square meter	Capitalization rate (%)	Sensitivities		
								Change in discount rate		
Phase 2 – Jumeirah (under construction)	Weighted average of cost approach and Residual approach	8.5%	78.01%	500-2,200	422,399	Price per square meter (Saudi Riyal per meter square)	4%	Change in Cap rate	-1% 0 1%	0% 3% 0% -2% -4%
Phase 2 – Commercial Mall 2 (under construction)	Income approach	8%	100%	2,800	-	-	5.5%	Change in Cap rate	-1% 0 1%	0% 11% 0% -9%
Phase 3 - The Address H1 (under construction)	Cost approach	8.5%	75.08%	450-2,000	295,555	Price per square meter (Saudi Riyal per meter square)	4%	Cost to complete +/- 5% leads to change in fair value of (1.1%) and (1.1) % respectively		
Phase 3 – Commercial Mall 3 (under construction)	Income approach	8%	100%	2,300	-	-	5.5%	Change in Cap rate	-1% 0 1%	0% 11% 0% -9%



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

5. PROPERTY, PLANT AND EQUIPMENT (continued)

CGU	Valuation techniques	Discount rate	Estimated occupancy rate	Average daily rate / lease rate (per square meter)	SR	Cost to complete	Retail developed land value per square meter	Capitalization rate (%)	Sensitivities
Phase 4 – Hotels under construction	Cost approach	8.5%	75.08%	300 – 2,000		1,045,858	Price per square meter (Saudi Riyal per meter square) 2000-214,286	4%	Cost to complete +/- 5% leads to change in fair value of (0.7%) and (0.7) % respectively
Phase 4 – Commercial Mall 4 (under construction)	Income approach	7%	100%	-	-	-	-	4%	Change in discount rate Change In Cap rate -1% -1% 0 1% 35% 21% 8% 0% 12% 0% -10% 1% -3% -13% -21%
Phase 5 - Land parcels	Comparable values approach	-	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 227 million and Saudi Riyals (227) million
Phase 6 - Land parcels	Comparable values approach	-	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 225 million and Saudi Riyals (225) million
Phase 7 - Land parcels	Comparable values approach	-	-	-	-	-	Price per square meter +/-10%		Price per square meter +/-10% leads to Saudi Riyals 663.6 million and Saudi Riyals (663.6) million

There were no reasonably possible changes in any of the key assumptions, that would result in an impairment in the CGUs. In case of impact of more material changes in the key assumptions and estimates, the results as of 31 December 2020 were as follows:

Commercial Area - N3

Should capitalization rate and discount rate increase by 1%, this would result in an impairment of Saudi Riyals 3.7 million.

Double tree Hotel

Should discount rate increase by 1%, this would result in an impairment of Saudi Riyals 4.4 million. Should capitalization rate and discount rate both increase by 1%, this would result in an impairment of Saudi Riyals 125.2 million.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

6. INVESTMENT PROPERTIES

	Land SR '000	Buildings SR '000	Equipment SR '000	Infrastructure Assets SR '000	Capital work in progress SR '000	Total SR '000
Cost:						
Balance at 1 January 2020	1,393,948	879,983	365,102	92,335	2,423,599	5,154,967
Additions during the year	-	-	2,113	-	69,694	71,807
Transfer to non-current asset classified as held for sale (note 6(c))	(54,275)	-	-	-	-	(54,275)
Balance at 31 December 2020	1,339,673	879,983	367,215	92,335	2,493,293	5,172,499
Additions during the year	-	-	-	-	11,292	11,292
Balance at 31 December 2021	1,339,673	879,983	367,215	92,335	2,504,585	5,183,791
Accumulated depreciation:						
Balance at 1 January 2020	-	28,294	56,179	16,175	-	100,648
Depreciation for the year	-	11,058	17,038	1,924	-	30,020
Balance at 31 December 2020	-	39,352	73,217	18,099	-	130,668
Depreciation for the year	-	10,613	16,557	1,925	-	29,095
Balance at 31 December 2021	-	49,965	89,774	20,024	-	159,763
Net book value:						
At 31 December 2021	1,339,673	830,018	277,441	72,311	2,504,585	5,024,028
At 31 December 2020	1,339,673	840,631	293,998	74,236	2,493,293	5,041,831

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

6. INVESTMENT PROPERTIES (continued)

- a. Investment properties comprise commercial centers, parking areas and properties under development. Developed commercial centers and parking areas generate income through lease agreements. During the year ended 31 December 2021, there was SR 11.3 million capitalized as borrowing costs for the construction of investment properties included in capital work in progress (31 December 2020: SR 57.9 million). Further, the capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Group's general borrowings during the period, in this case 3.62% per annum (31 December 2020: 4.26 % per annum).
- b. Capital work in progress represents assets under construction relating to commercial centers and infrastructure development work on the land.
- c. These represent amounts transferred to non-current asset classified as held for sale pertaining to assets determined by management to be recovered principally through a sale transaction rather than continuing use. Refer to note 13.
- d. Depreciation charged for the year has been allocated to cost of sale.
- e. As at 31 December 2021, the Group's land in the investment properties with a carrying amount of SR 1,018 million (31 Dec 2020: SR 1,018 million) were mortgaged as collateral against loans and borrowings and unitholders of investment fund. Also, see note 1.
- f. Also refer Note 5(g) for key assumptions and information about fair value measurements using significant unobservable input.
- g. Amounts recognized in statement of profit or loss and other comprehensive income for investment properties are as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Rental income from operating leases	34,334	26,302
Direct operating expenses on property that generated rental income	(30,322)	(78,907)

There were no direct operating expenses on investment properties that did not generate rental income (under development) during 2021 and 2020.

- h. Following is the fair value of investment properties, held by the Group:

	31 December 2021 SR'000	31 December 2020 SR'000
Rental income	11,340,000	8,399,096

All the investment properties held by the Group are for the purpose of generating rental income and it does not hold any investment properties with undetermined use.

Revenues are derived from a large number of tenants and no single tenant more than 20% of the Group's revenues.

- i. Leasing arrangements

The investment properties that are leased to tenants are under operating leases with rentals payable on a monthly basis. The Group's rental contract carries rental payments which are fixed in nature and there are no variable payments which are based on percentages of sales.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

6. INVESTMENT PROPERTIES (continued)

- j. Management has determined the recoverable amount of the investment properties by assessing the fair value less cost of disposal (FVLCO). No impairment was identified.
- k. As at 31 December 2020, the Group has Nil for contractual obligation for future repairs and maintenance which are not recognized as liability.
- l. For all investment properties the current use of the property is considered the highest and best use.

7. INVESTMENT IN A JOINT VENTURE

This represents Group's 40% investment in a joint venture arrangement in Central District Cooling Company ("CDCC"), which is principally engaged in the business of providing central district cooling system services. CDCC has share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interest is the same as the proportion of voting rights held. CDCC is not publicly listed and the Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ('DCS'). The principal place of business of the joint venture is Makkah, KSA. The Group's interest in CDCC is accounted for using the equity method in the consolidated financial statements. The information disclosed reflects the amounts presented in the consolidated financial statements of the joint venture. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy. Summarized financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows.

Summarized statement of financial position of CDCC:

	31 December 2021 SR'000	31 December 2020 SR'000
Current assets	183,799	130,722
Non-current assets	796,479	811,589
Current liabilities	(175,079)	(148,042)
Non-current liabilities	(448,565)	(460,672)
Net assets	356,634	333,597



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

7. INVESTMENT IN A JOINT VENTURE (continued)

Summarized statement of profit or loss of CDCC:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Revenue	81,048	80,358
Expenses including zakat	(63,119)	(61,507)
Profit for the year	17,929	18,851
Other comprehensive loss for the year	-	-
Total comprehensive income for the year	17,929	18,851

Reconciliation to carrying amounts:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
At the beginning of the year	333,597	295,559
Additional equity contribution	5,108	18,352
Profit for the year	17,929	18,851
Cumulative changes in fair value of cashflow hedges	-	835
Closing net assets	356,634	333,597
Group's share in %	40%	40%
Group's share in SR	142,654	133,439
Adjustments	(20,892)	(18,849)
Carrying amount	121,762	114,590

8. INVESTMENT HELD AT FAIRVALUE THROUGH PROFIT OR LOSS

8.1 Equity investments at fair value through profit or loss

		<i>Carrying value as at</i>		<i>Unrealized (loss) / gain as at</i>	
	<i>Note</i>	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Non-current assets					
Al Bilad Makkah Hospitality Fund	a	304,122	304,710	(588)	(26,290)
Current assets					
Alinma Saudi Riyal Liquidity Fund	b	24,475	67,836	844	2,308

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

8. INVESTMENT HELD AT FAIRVALUE THROUGH PROFIT OR LOSS (continued)**8.1 Equity investments at fair value through profit or loss (continued)**

- a) This represents investment in 20 million units (31 December 2020: 20 million units) of the investee which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'). Management believes that indicative NAV is a reasonable approximation of the fair value of the investee. As per the audited financial statements of the investee for the year ended 31 December 2021, the Indicative NAV per unit amounts to SR 15.2 (31 December 2020: SR 15.24), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2021.
- b) This represents investment in Alinma Saudi Riyal Liquidity Fund which is a public investment fund domiciled in KSA and managed by Alinma Investment Company. The objective of the investee is to invest in Murabaha Contracts which complies with Islamic Shari'a.
- c) Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

	<i>Date of valuation</i>	<i>Total SR '000</i>	<i>Fair value measurement using</i>		
			<i>Quoted prices in active markets (Level 1) SR '000</i>	<i>Significant observable inputs (Level 2) SR '000</i>	<i>Significant unobservable inputs (Level 3) SR '000</i>
Equity investments at fair value through profit or loss	31 December 2021	328,597	24,475	304,122	-
Equity investments at fair value through profit or loss	31 December 2020	372,546	67,836	304,710	-

8.2 Amounts recognized in statement of profit or loss and other comprehensive income

	31 December 2021 SR '000	31 December 2020 SR '000
Fair value (loss) recognized in statement of profit or loss and other comprehensive income	(588)	(26,290)
Fair value gain recognized in statement of profit or loss and other comprehensive income	844	2,308

8.3 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 30.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

9. CASH AND CASH EQUIVALENTS

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Cash on hand	85	462
Cash at banks (see notes (a), (b) and (c) below)	981,527	335,747
Term deposits less than three months (note (a) below)	305,925	305,925
	1,287,537	642,134
Less: Restricted cash– non-current (see note (a) below)	(242,590)	(242,590)
Less: Restricted cash – current (see note (a) below)	(716,520)	(348,319)
	328,427	51,225

- a) These represent deposit placed in Murabaha deposits with commercial banks having original maturity of three months and yielding profit at prevailing market rate. Further, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks. The classification depends on the contractual arrangement and is classified as current when the payment is on demand.
- b) Balance in bank accounts with entities having common directorship with the Group amount to SR 1.5 million as at reporting date (31 December 2020: SR 50.3 million).
- c) The cash is held in accounts with banks having sound credit ratings. The fair value of cash and cash equivalent and restricted cash approximates the carrying value at 31 December 2021 and 31 December 2020.

10. OTHER ASSETS

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Other non-current assets		
Accrued rent	18,396	19,944
Other current assets		
Prepaid expenses	8,362	11,194
Hotels other receivables	37,539	16,468
Other	49,329	4,560
Total	95,230	32,222

Current portion of accrued rent and other receivables are generally settled in 12 months from the reporting date. Hence, the carrying amount is considered to be the same as fair value.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

11. PROPERTIES FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units which determined by management to be used for future sale in the ordinary course of Group's operations.

Movement during the year ended is as follows:

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Opening balance	1,419,044	1,423,302
Transfers (note 5 and 11.4)	(1,395,058)	-
Additions	820	11,771
	24,806	1,435,073
Less: Charged to cost of revenue	-	(16,029)
	24,806	1,419,044

11.1 At 31 December 2021 the Group's properties from development and sale amounting to SR Nil (31 December 2020: 146 million) were mortgaged as collateral to the local commercial banks and unitholders of investment fund.

11.2 Properties for development and sale recognized as an expense during the year ended 31 December 2021 amounts to Nil (31 December 2021: SR 16 million) are included in cost of development properties sold.

11.3 At 31 December 2021 and 31 December 2020, the net realizable value of the properties is assessed to be higher than their carrying value.

11.4 The Board of Directors approved the change in business use of property for development and sale, to a property to own and operate. The change of classification and business strategy from sale to operation is due to change of usage and part of the milestone towards the implementation of restructure plan.

Residential units

The management of the Group has carried out an exercise to determine the net realizable value of their residential units. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. At 31 December 2021 and 31 December 2020, the net realizable value of the residential units is assessed to be higher than their carrying value.

12. TRADE AND OTHER RECEIVABLES

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Receivables from contract with customers	16,757	36,679
Receivables from rental income and land sale	156,322	53,382
Receivables in respect of properties for development and sale	-	17,532
Contract assets	56,550	69,996
Advances to suppliers	152,904	6,538
Margin and other deposits	14,571	14,571
Other receivables	211,645	7,127
Less: net impairment loss on financial assets	(60,689)	(104,297)
	548,060	101,528

Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 90 to 180 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2021, five largest customers accounted for 71% (31 December 2020: 36%) of the outstanding receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

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

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

12. TRADE AND OTHER RECEIVABLES (continued)

The provision for impairment of trade and other receivables is as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Receivables from contract with customers	9,882	26,571
Receivables from rental income	41,921	47,749
Receivables in respect of properties for development and sale	-	17,532
Contract assets	8,886	12,445
	60,689	104,297

12.1 Movement in provision for impairment of all receivables are as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Opening balance	104,297	21,227
Charge for the year	-	83,070
Reversals during the year	(34,036)	-
Provision written off against receivable	(9,572)	-
Closing balance	60,689	104,297

Contract assets relate to off-plan sales of properties for development and sale. Contract assets are initially recognized for revenue earned from property under development rendered but yet to be billed to customers. Upon Billing of invoice, the amounts recognized as contract assets are reclassified to trade receivables. The group also recognized a loss allowance for contract assets in accordance with IFRS 9.

13. GAIN OF DISPOSAL OF NON-CURRENT ASSETS

	31 December 2021 SR'000	31 December 2020 SR'000
Opening balance	115,821	-
Transferred from property, plant and equipment	110,835	115,821
Non-current assets sold during the year	(226,656)	-
Closing balance	-	115,821
Proceeds from disposal of non-current assets	1,145,000	-
Gain on disposal of non-current assets	1,068,808	-

During the year ended 31 December 2021, following sale of plots were made:

- 1) 2,572 square meters located in Phase 7 of the Group's project amounting to SR 830 million by transferring the plot's legal title to the buyer. Out of SR 830 million, an amount of SR 52 million is deferred and to be recognized on fulfillment of related performance obligation.
- 2) 2,600 square meters located in Phase 5 of the Group's project by transferring the plot's possession to the buyer with non-cancellable terms. The Group management expect transfer of title deed as protective clause with no further performance obligation.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

14. CAPITAL AND RESERVES**14.1 Share capital**

As at 31 December 2021 and 31 December 2020, Company's share capital is divided into 929,400,000 shares of SR 10 each.

14.2 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year (after absorption of accumulated losses) is transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The statutory reserve is not available for distribution. Since the Company has accumulated losses as of year end, no transfer to statutory reserve has been made.

14.3 Reserve for advances to certain founding shareholders

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

15. LOANS AND BORROWINGS

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

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Loans and borrowings	9,632,872	10,529,748
Accrued commission on term loan	241,320	433,374
Less: Deferred financial charges	(65,262)	(23,041)
	9,808,930	10,940,081
Current portion	(1,766,085)	(2,592,201)
Non-current portion	8,042,845	8,347,880



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

15. LOANS AND BORROWINGS (continued)

Non-current portion

	31 December 2021 SR'000	31 December 2020 SR'000
Government loan (Note (a) below)	1,326,088	3,000,000
Accrued commission	-	318,300
Syndicate loan (2) (Note (b) below)	4,889,028	3,587,699
Accrued commission	201,980	-
Facility from a local bank (Note (c) below)	-	331,770
Accrued commission	-	2,873
Facility from local bank (Note (f) below)	29,150	-
Facility from a local bank (Note (g) below)	600,000	600,000
Accrued commission	-	15,856
Subordinated Sukuk (Note (h) below)	506,250	506,250
Facility from local bank (Note (i) below)	547,550	-
	8,100,046	8,362,748
Less: Deferred financial costs	(57,201)	(14,868)
	8,042,845	8,347,880

Current portion

	31 December 2021 SR'000	31 December 2020 SR'000
Government loan (Note (a) below)	-	-
Accrued commission	-	42,421
Syndicate loan (2) (Note (b) below)	-	957,029
Accrued commission	-	840
Facility from a local bank (Note (c) below)	635,656	272,973
Accrued commission	9,496	11,851
Facility from a local bank (Note (d) below)	1,000,000	1,000,000
Accrued commission	3,171	28,553
Facility from a local bank (Note (e) below)	70,000	135,753
Accrued commission	1,099	1,757
Facility from a local bank (Note (f) below)	29,150	138,274
Accrued commission	420	969
Accrued commission (Note (g) below)	15,455	3,560
Accrued commission (note (h) below)	8,318	6,394
Accrued commission (Note (i) below)	1,381	-
	1,774,146	2,600,374
Less: Deferred financial costs	(8,061)	(8,173)
	1,766,085	2,592,201



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

15. LOANS AND BORROWINGS (continued)

Term loans

- a) On 13 December 2011 (corresponding to 18 Muharram 1433H), the Group signed an agreement with the Ministry of Finance ("MoF"), a government entity, to obtain a loan amounting to SR 3 billion. The loan was designated for development of Phase 3 of the Group's Project. At origination, the amount was due for settlement in six semiannual installments commencing from 1 January 2014. There are no financial debt covenants related to the facility.

During 2016, the Group obtained an extension on the settlement's commencement date to 1 January 2019.

During 2018, the Group obtained approval from the lender to further reschedule the loan for repayment in three equal installments annually, commencing from 31 December 2018, with interest rate of SIBOR plus 1.75%.

During 2020, the Group obtained approval from the lender to postpone until 31 March 2022 the repayment of all installments that were due on or before 31 December 2020. The Group has also pledged Phase 3 to the lender as mortgage against the loan.

During 2021, the Group entered into a loan restructuring agreement with MoF that involved significant modifications of the loan terms, including waiver of the accrued commission, capitalization of commission for certain period for commencing repayments, revision in commission rates and conversion of SR 1.5 billion of the total existing loan amount into a new unsecured Shariah-compliant subordinated perpetual instrument ("Perpetual instrument"), and maturity extension of the remaining secured SR 1.5 billion to 31 March 2031, with bullet payment ("Bullet Loan").

The SR 1.5 billion Perpetual instrument includes the following main features:

- 1- Waiver of the entire accrued and unpaid profit amounting to SAR 457 million.
- 2- The Perpetual instrument do not carry a contractual maturity nor does the government entity hold a contractual right to redemption or repayment in the ordinary course of Group's business.

Moreover, the Group may elect not to make any of the profit payments, except in the event of distribution of dividend to ordinary shareholders, and such non-payment of profit shall neither accumulate nor be considered an event of default.

The Group has analysed the Perpetual Instrument having features of an equity instrument under IAS-32 and hence classified the instrument under equity at its fair value on the date of debt conversion.

The SR 1.5 billion Bullet Loan will be repaid from 31 December 2026 and every six semiannual installments thereafter until its final maturity on 31 March 2031. The Bullet Loan, carries an annual profit commencing immediately after restructuring. Certain updates to the collateral provided against the Bullet Loan.

Pursuant to receipt of binding term sheets from MoF, confirmation from the facility agent and approval of Board of Directors (BoD) of acceptance of term sheets, the Group derecognized the old facility and recognized new facilities. The changes in the terms of the original MoF loan constitute a substantial modification and, accordingly, the difference between the pre-restructuring loan carrying amount and the fair value of the Perpetual Instrument and Bullet Loan, amounting to SR 1.4 billion, has been recognized as net gain on loan restructuring in the statement of profit or loss and other comprehensive income. The Group management is in the process of finalizing the facilities agreement as at 31 December 2021.

- b) On 18 May 2015 (corresponding to 29 Rajab 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of Saudi Riyals 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) and another short-term liability in addition to completing the construction of Phases 2 and 4 and executing Phase 5. The syndicated Islamic loan was payable over a period of 12 years from the date of signing the agreement in quarterly payments ending at September 2027. The Group had withdrawn Saudi Riyals amounting to 4.5 billion under the facility, carrying profit at SIBOR plus spread. During 2020, the Group received letter for the deferral of payment due till March 31, 2021.

The Group had provided the following securities against the facility:

- Mortgage of the above-mentioned phases' lands deeds and properties with carrying amount of Saudi Riyals 7,285 million as of 31 December 2020.
- Promissory note by the Group for the syndicate of Saudi Riyals 6.1 billion.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

15. LOANS AND BORROWINGS (continued)***Term loans (continued)***

During the year ended 31 December 2021, the Group completed the restructuring of the Syndicate loan facility with the following key changes:

- Additional SR 1.2 billion of available limit for future drawdowns.
- Extension in Syndicate Loan's final maturity by 3 years from the original date of maturity with an option to extend by a further 3 years, subject to certain pre-agreed conditions
- Sculpted repayment schedule based on the underlying projects' cash flows
- Scheduled repayments will initiate after a grace period of 3 years
- Scope for step-down in profit rate based on achieved progress on Phases 2 and 4 of the Project and deleveraging of the facility

The Group has analysed the renegotiated terms and identified the changes to represent a non-substantial modification. Accordingly, the resulting modification loss amounting to SR 173 million has been recognized in net gain on loan restructuring presented in the statement of profit or loss and other comprehensive income.

- c) On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an unsecured long term loan facility agreement with a local bank having common directorship with the Company (Note 19), the facility limit of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities, whereby the loan will be repaid over a period of four years. Accordingly, as per the repayment terms, the loan was repayable in seven semi-annual equal instalments; the first instalment was due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment would have been due on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at SIBOR plus 5%. On 21 March 2019 (corresponding to 14 Rajab 1441), the Group entered into a revised/ restructured agreement relating to the facility for the outstanding amount of the loan as at the restructuring date. Accordingly, as per the revised terms, the loan is repayable in nine installments: the first installment falling due on 18 August 2019 (Corresponding to 17 Dhul Hijjah 1440) and last installment due on 19 September 2023 (Corresponding to 4 Rabiul awal 1445). During the year ended 31 December 2020, the Group has received short-term deferral on the instalment due in March 2020 and September 2020 until the following instalment due date in March 2021 and remaining amount to be settled till September 2023 based on semi-annual installment schedule. Due to restructuring in current payments, the Group has recognized modification losses amounting to SR 4.9 million during the year ended 31 December 2020. During 2021, the Group received short-term deferral on the instalment due in March 2021 until July 2021. As of 31 December 2021, the Group has utilized SR 636 million. Subsequent to year end loan is repaid in full. There are no financial debt covenants related to the facility.
- d) On 17 July 2017 (corresponding to 22 Shawal 1438H), the Group signed an unsecured facility with a local bank, with an amount of SR 500 million for the purpose of settlement of certain Group's outstanding liabilities. The loan carries borrowing costs at commercial rates and was repayable after six months (with an option to extend for a further period of six months). Original maturity date of the loan was 31 August 2018 (corresponding to 20 Dul-Hajjah 1439H). On 16 October 2017 (corresponding to 26 Muharram 1439H), the Group has re-negotiated and signed an agreement to convert the existing unsecured facility with secured facility for an additional amount of SR 500 million which increased the facility to SR 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with SR 1 billion subscribed units of JODC in the Group's subsidiary interest, Alinma Makkah Real Estate Fund and was due for payment on 31 March 2018. The loan carries borrowing costs at commercial rates. During the year ended 31 December 2020, the Group has finalized the terms and condition of restructuring the facilities and accordingly maturity has been extended to November 2021 with borrowing cost of SIBOR plus 3%. The Group has recognized modification losses amounting to SR 36.2 million, as a result of facilities rescheduled during the year ended 31 December 2020. There are no financial debt covenants related to the facilities.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

15. LOANS AND BORROWINGS (continued)***Term loans (continued)***

- e) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured nonfunded facilities with a local bank, with a limit of SR 300 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility was renewed with an amount of SR 209.8 million with an expiry date of 30 January 2020. During the year ended 31 December 2020, the facility had been extended. At 31 December 2021, the Group has utilized SR 70 million to settle some of the outstanding liabilities SIBOR plus 2.5%. As of 31 December 2021, and 2020, under the terms of the borrowing facility, the group is complied with the financial covenant of debt-to-equity ratio of not exceeding 2.5:1.
- f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facilities with a local bank, with an amount of SR 200 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and facility was rolled over till 17 September 2022 (corresponding to 21 Safar 1444). The facility carries borrowing costs at SIBOR plus spread. At 31 December 2021, the Group has utilized SR 76 million to settle some of the outstanding liabilities. There are no financial debt covenants related to the facility.
- g) On 30 January 2019 (corresponding to 24 Jamada I 1440H), the Group has signed a facility with a local bank, with an amount of SR 600 million for the purpose of financing existing phase 3 project overhead requirements and other financial commitments. The loan was repayable on 27 February 2020. The Group has provided a hotel as mortgage against the loan amount. The facility carries borrowing costs at commercial rates at SIBOR plus 2%. During the year ended 31 December 2020, the Group finalized the terms and condition of restructuring the facility and accordingly its maturity has been extended to December 2025. During 2020, the Group has recognized modification losses amounting to SR 18.5 million due to rescheduling during the year 2020. The deferred repayments will be linked with the assigned operating cashflows of the hotel. There are no financial debt covenants related to the facility.
- h) On 12 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SR 506 million, with a maturity date of 15 November 2023. The sukuku were issued under wholly owned subsidiary 'Jabal Omar Sukuk Company Limited' in United States Dollars. The outstanding principal is repayable in a single instalment due on the maturity date. The Sukuk carries a fixed commission rate of 9.85% per annum. There are no financial debt covenants related to the Sukuk.

Subsequent to year end, the Company announces the partial early redemption of Sukuk amounting to USD 67,500,000 in aggregate face amount of its Certificates (out of total face amount of USD 135,000,000) that were issued on November 15, 2018 and its original maturity date is 15 November 2023.

- i) During the year ended 31 December 2021, the Group entered into a secured financing arrangement amounting to SR 1.6 billion with a lender for the completion of the Phase 3 of the Group's Project. SR 547 million were drawn which were used to settle some of Phase 3 related liabilities. Remaining drawdowns from this facility will be made within twelve months from the date of the consolidated statement of financial position. Cost of borrowing is SIBOR plus 0.9% per annum. There are no financial debt covenants related to the facility.

16. LIABILITIES AGAINST LEASE

The liabilities against lease are as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Total leases payments under leases	15,090	27,061
Finance costs	(534)	(2,023)
	14,556	25,038
Less: Current portion	(3,247)	(10,857)
Non-current portion	11,309	14,181



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

16. LIABILITIES AGAINST LEASE (continued)

During the year 2021, the Group recorded addition of SR nil (2020: SR 16 million) as remeasurement due to change in lease term based on exercise of extension option.

	<i>Future lease rentals SR '000</i>	<i>Unamortized finance charges SR '000</i>	<i>Lease Liability SR '000</i>
31 December 2021			
Less than one year	3,407	(160)	3,247
Between one to five years	11,683	(374)	11,309
	15,090	(534)	14,556
31 December 2020			
Less than one year	11,588	(731)	10,857
Between one to five years	15,473	(1,292)	14,181
	27,061	(2,023)	25,038

17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and other comprehensive income and amounts recognized in the consolidated statement of financial position.

	<i>31 December 2021 SR '000</i>	<i>31 December 2020 SR '000</i>
Defined benefit liability at the beginning of the year	33,400	29,523
Included in profit or loss		
Current service cost	7,992	10,968
Interest cost	459	785
Curtailment gain	(757)	(1,869)
	7,694	9,884
Included in other comprehensive income		
Re-measurement (gain) / loss:		
Actuarial (gain) / loss arising from:		
financial assumptions	(1,236)	2,875
experience adjustment	(1,254)	(1,053)
	(2,490)	1,822
Other		
Benefits paid	(11,034)	(7,829)
Liability transferred	(261)	-
	(11,295)	(7,829)
Defined benefit liability at the end of the year	27,309	33,400



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (continued)

Actuarial assumptions

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

	31 December 2021	31 December 2020
Discount rate (%)	2.4%	1.65%
Future salary growth (%)	2.25%	2.30%

At 31 December 2021, the weighted-average duration of the defined benefit obligation was 6 years (31 December 2020: 5.55 years).

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Sensitivity analysis

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

	31 December 2021		31 December 2020	
	Increase	Decrease	Increase	Decrease
	SR'000	SR'000	SR'000	SR'000
Discount rate (1% movement)	(1,600)	1,833	(1,848)	2,082
Future salary growth (1% movement)	1,958	(1,742)	2,219	(2,009)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation 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 obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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

	31 December 2021 SR'000	31 December 2020 SR'000
Within the next 12 months (next annual reporting period)	4,458	4,631
Between 1 and 5 years	11,370	14,384
Between 5 and 10 years	7,070	9,990

18. OTHER NON-CURRENT LIABILITIES

	Note	31 December 2021 SR'000	31 December 2020 SR'000
Payable to CDCC (see note (b) below)	22	741,205	762,595
Retention payable – non-current		370,363	358,926
Refundable deposits (see note (a) below)		6,457	6,096
Others		13,455	19,174
		1,131,480	1,146,791

a) Refundable deposits are received against commercial centers which are to be settled at the end of contract

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

18. OTHER NON-CURRENT LIABILITIES (continued)

- b) Under the arrangement CDCC's purpose is to construct the cooling facilities and provide the cooling service to the Group or other consumers within the project development area. The concession agreement sets out a pricing formula for the sale of services to the Group and consumers which is at a fixed rate subject to contracted cooling capacity and quantity of cooling services.

19. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Contractors accrued balances	334,152	567,276
Retention payable - current	19,117	8,000
Accrued expenses and other provisions	578,272	55,985
Advances from customers	188,941	247,765
Accounts payable	141,071	159,255
Due to related parties and other affiliates (note 22)	278,313	445,346
	<u>1,539,866</u>	<u>1,483,627</u>

- a) Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current and non-current based on expected date of settlement.
- b) Advance from customer represents amount received against sale of residential units, land parcels and advance rent for commercial centers.

20. PAYABLE TO OTHER UNITHOLDERS OF INVESTMENT FUND

As noted, under the critical estimates and judgements (note 2.4), the Alinma Makkah Real Estate Fund ("the Fund") was consolidated. As a result of consolidating the Fund, a liability is payable to the remaining unitholders of the Fund. The liability consists of accrued interest payable on a semi-annual basis of 9.6 % and the redemption amount payable on liquidation of the Fund. The Group has pledged Phase 1 to the lender as mortgage against this transaction Please refer Note 6 for further details. As the unitholders receive a fixed return and redemption amount is fixed, the liability was accounted for at amortized cost.

21. ZAKAT PAYABLE

Zakat is computed at 2.5% of income subject to zakat or Zakat base, whichever is higher. As such, Zakat for the year ended 31 December 2021 is based on Zakat base, significant components of which are as follows:

		<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Equity		7,903,214	8,312,688
Opening provisions and other adjustments		8,226,168	17,162,592
Book value of long-term assets		(26,112,588)	(25,368,250)
		<u>(9,983,206)</u>	<u>107,030</u>
Adjusted income/ (loss)	A	<u>1,125,567</u>	<u>(1,067,317)</u>
Zakat base	B	<u>(1,680,227)</u>	<u>(1,174,347)</u>
Zakat base higher of A and B		<u>1,125,567</u>	<u>(1,067,317)</u>

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

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

21. ZAKAT PAYABLE (continued)

The movement in the zakat provision for the year is as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Opening Balance	68,741	-
Charge for the year		
Current zakat charge – current year	29,017	-
Current zakat charge – prior period	182,189	68,741
	211,206	68,741
Transfer from accruals	21,821	-
Closing balance	301,768	68,741

Status of assessments

During 1433H, the Zakat, Tax and Customs Authority (“ZATCA”), issued an assessment for the intervening period from 23 Ramadan 1427H to 30 Dhul Hijjah 1430H resulting in additional zakat liability of SR 30.4 million. JODC has filed an appeal against ZATCA's assessment and submitted a bank guarantee of SR 29.1 million. During 2016, the Higher Appeal Committee (HAC) rendered its decision reducing the zakat liability to SR 21.8 million. JODC has filed another appeal to the Board of Grievance (BOG) against HAC's unfavorable decision. This appeal is under assessment and awaiting a decision from the General Secretariate Tax Committee (GSTC). Management expects a favorable outcome. During 2021, JODC has recorded additional zakat payable of SR 17 million for the related assessment.

During 1435H, ZATCA issued an assessment for zakat and withholding tax with a claim for additional zakat and WHT amounting to SR 26.8 million for the years ended 30 Dhul Hijjah 1431H through 1433H. JODC has filed an appeal against ZATCA's assessment along with the submission of a bank guarantee of SR 14.6 million. Management expects a favorable outcome.

The Group has filed its zakat return for the years ended 30 Dhul Hijjah 1434H to 1437H along with the periods ended 15 Rajab 1438H and 31 December 2018 and obtained a restricted zakat certificate for the said years. ZATCA has not completed the review of the zakat returns and has not issued any assessment for the said years. Furthermore, during 2017, the Group has submitted a revised zakat return for the years 1434H through 1436H which has been acknowledged by ZATCA and awaiting assessment. The Group has received zakat assessment from ZATCA till 2018 of approximately SR 421 million and recorded zakat payable based on the received assessment of SR 133.1 million and filed appeal against the open assessments.

During the year 2021 ZATCA has issued assessments for the years 2019 and 2020 resulting in an additional zakat liability of SR 209 million and recorded zakat payable of SR 102 million. The Group has submitted an objection against the aforesaid assessments. The objection is currently being reviewed by ZATCA.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group.

Related party	Relationship
Central District Cooling Company	Joint venture
Bank Al-Bilad	Affiliate
Al-Bilad Makkah Hospitality Fund	Investee
Makkah Construction and Development Company	Shareholder



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to related party transactions disclosed in notes to these consolidated financial statements, significant transactions with related parties in the ordinary course of business included in the consolidated financial statements for the year ended 31 December and balances arising there from are summarized below:

		31 December 2021 SR'000	31 December 2020 SR'000
Related party	Nature of transaction		
Bank Al Bilad – affiliate	Finance cost on loan from a local bank	28,291	33,979
Senior management employees	- Short term employee benefits	6,714	3,752
	- Post-employment benefits	150	152
	- BOD meeting attendance fee	557	585
Central District Cooling Company – Joint Venture	Cooling charges and lease payment (Note 5(a))	74,530	43,190
	Construction work in progress acquired from CDCC	-	229
	Concession fee 7%	7,993	7,175
	Others	353	5,280

Key management personnel comprise chief executive officer and heads of departments. Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined Benefit plan.

Balances arising from transactions with related parties are as follows:

Related party	Relationship	Included under	31 December 2021 SR'000	31 December 2020 SR'000
Central District Cooling Company	Joint venture	Other non-current Liabilities	741,205	762,595
Bank Al-Bilad	Affiliate	Loans and borrowings	642,277	619,468
Central District Cooling Company	Joint venture	Accounts payable and other current liabilities	208,817	120,256
Al-Bilad Makkah Hospitality Fund	Investee	Accounts payable and other current liabilities	69,496	112,519
Central District Cooling Company	Joint venture	Accounts and other Receivables	(11,467)	(5,280)
Makkah Construction and Development Company	Shareholder	Other current liabilities	309,565	309,565

The amount due to Makkah Construction and Development Company (MCDC), represents cash paid by them for shares in cash against land of which the Owners were not able to submit the statutory and legal documentation. Refer Note 5 for more details. The amount paid to MCDC during the year ended 30 Dhul-Hijjah 1436H (14 October 2015) of Saudi Riyals 50 million was offset against the liability recorded during year 1437H.

23. REVENUE

	Note	31 December 2021 SR'000	31 December 2020 SR'000
Revenue from contract with customers	A	276,025	150,380
Revenue from rental income	B	34,334	26,302
		310,359	176,682



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) At 31 December 2021

23. REVENUE (continued)

A. Disaggregation of revenue from contract with customers

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

	For the year ended 31 December					
	2021	2020	2021	2020	2021	2020
	Operating Hotels SR '000	Commercial centers SR '000	Properties for development and sale SR '000	2020 SR '000	2021 SR '000	Total SR '000
Type of revenue:						
Sale of Properties for development and sale	-	-	96,909	31,043	96,909	31,043
Hotel operations	142,111	-	-	-	142,111	91,002
- Room rent	37,005	-	-	-	37,005	28,335
- other services	179,116	-	96,909	31,043	276,025	150,380
Timing of revenue recognition:						
Point-in-time	37,005	-	-	-	37,005	28,335
Over time	142,111	-	96,909	31,043	239,020	122,045
Total Revenue from contract with customers	179,116	-	96,909	31,043	276,025	150,380
B. Rental income						
Hotel	-	-	-	-	-	-
Parking	-	2,440	-	-	-	2,440
Commercial center	-	-	-	23,862	-	23,862
Total revenue from rental income	-	2,440	-	23,862	34,334	26,302



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

24. COST OF REVENUE

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Cost of property for development and sale	87,616	71,705
Commercial center operating costs	29,548	38,907
Hotel cost		
- operating cost	375,113	401,388
- lease related cost	39,572	40,000
Other costs	3,145	49,367
	534,994	601,367

25. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Employee related costs and travelling expenses	136,753	104,791
Depreciation and amortization	51,181	91,498
Withholding taxes	3,378	10,075
Professional and consultancy fees	16,554	7,673
Attendance fee for board meetings	594	735
Hotels pre-opening expenses	1,668	518
Other	27,492	27,823
	237,620	243,113

26. OTHER OPERATING INCOME

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Murabaha investment income	1,821	4,522
Fair value gain on FVTPL investments (refer note 8)	844	2,308
Concession fee	1,097	2,078
Others	3,500	9,594
	7,262	18,502

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

27. FINANCE COSTS

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Interest and finance charges paid/ payable for financial liabilities not at fair value through profit or loss	426,159	174,692
Conventional borrowing cost	368,997	489,204
	795,156	663,896
Amount capitalized (note 5 and 6)	(59,127)	(174,961)
	736,029	488,935

- a) Conventional borrowing cost included modification loss amounting to SR 49 million (2020: SR 69 million) recognized during the year 2021.

28. EARNINGS/ (LOSS) PER SHARE

Basic earnings/ (loss) per share for the year ended 31 December 2021 and for the year ended 31 December 2020, have been computed by dividing the profit / (loss) for the year attributable to the shareholders of the Company by the number of shares outstanding during such year. As there are no diluted shares outstanding, basic and diluted losses per share are identical.

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Profit/ (loss) for the year attributable to shareholders of the Company	946,206	(1,339,005)
Weighted average number of shares outstanding (number in thousand)	929,400	929,400
Earnings/ (loss) per share (Saudi Riyals) – Basic and diluted	1.02	(1.44)

29. SEGMENT REPORTING**Basis for segmentation**

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

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



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

29. SEGMENT REPORTING (continued)

	<i>For the year ended 31 December 2021</i>				
	<i>Operating Hotels SR'000</i>	<i>Commercial Centres SR'000</i>	<i>Properties for development and sale SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
Current assets	224,451	38,961	67,674	1,406,432	1,737,518
Property and equipment	19,309,403	44,930	-	15,183	19,369,516
Investment properties	1,611,306	3,412,722	-	-	5,024,028
Other non-current assets	455	-	-	691,061	691,516
Total Assets	21,145,615	3,496,613	67,674	2,112,676	26,822,578
Total liabilities	135,127	6,470	149,005	17,903,750	18,194,352
Revenues from operations	184,835	34,334	91,190	-	310,359
Depreciation and Amortization	206,298	15,336	-	51,202	272,836
Zakat expense	-	-	-	211,206	211,206
Share of profit from joint venture	-	-	-	7,172	7,172
Finance cost	351,355	215,353	-	169,321	736,029
Total comprehensive Profit/(Loss)	(579,325)	(210,205)	9,293	1,728,717	948,480

	<i>For the year ended 31 December 2020</i>				
	<i>Operating Hotels SR'000</i>	<i>Commercial Centres SR'000</i>	<i>Properties for development and sale SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
Current assets	124,145	83,189	1,503,744	424,917	2,135,995
Property and equipment	17,786,458	-	-	88,652	17,875,110
Investment properties	558,934	4,482,897	-	-	5,041,831
Other non-current assets	-	-	-	683,946	683,946
Total Assets	18,469,537	4,566,086	1,503,744	1,197,515	25,736,882
Total liabilities	941,157	272,736	208,837	17,325,410	18,748,140
Revenues from operations	119,337	26,302	31,043	-	176,682
Depreciation and amortization	279,955	16,813	19,286	-	316,054
Zakat expense	-	-	-	68,741	68,741
Share of profit from joint venture	-	-	-	9,157	9,157
Finance cost	-	-	-	(488,935)	(488,935)
Total comprehensive loss	(494,213)	(92,646)	(40,663)	(713,516)	(1,341,038)

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in equity instruments.

The Group is exposed to market risk, credit risk and liquidity risk. The Group 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 Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. The Group is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

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 price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	31 December 2021 SR'000	31 December 2020 SR'000
Financial liabilities, principally borrowings	9,068,322	9,887,745

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Group's profit before tax, through the impact of floating rate borrowings with all other variables held constant:

	31 December 2021 SR'000	31 December 2020 SR'000
Interest rate-increases by 100 basis points	90,683	98,877
Interest rate-decreases by 100 basis points	(90,683)	(98,877)

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 transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Group's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)***Price risk (continued)***

The Group's exposure to unit price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. The Group closely monitors price in order to manage price risk arising from investments in fund.

The table below summarizes the impact of increases/decreases of the NAV of units on the Group's equity. The analysis is based on the assumption that the NAV of units had increased or decreased by 5% with all other variables held constant, and that all the Group's units moved in line with the market price.

	<i>Impact on profit or loss</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>SR'000</i>	<i>SR'000</i>
NAV of the units – increases by 5%	15,206	18,627
NAV of the units – decreases by 5%	(15,206)	(18,627)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, restricted cash, credit exposures to customers, including outstanding receivables, accrued rental income and contract assets.

Credit risk is managed on a Group basis. For trade receivables, accrued rental income and contract assets, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 31 December 2020 is equal to the respective carrying amounts as disclosed in notes 9 and 12.

Cash at banks are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, accrued rental income and contract assets, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables, accrued rental income and contract assets based on a provision matrix. To measure the expected credit losses, trade receivables, accrued rental income and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets and accrued rental income relate to unbilled work in progress. Further, the expected credit losses also incorporate forward-looking information.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)**

The provision matrix takes into account historical credit loss experience (48 months-period) and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP growth rate to be the most relevant macro-economic factors of forward looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

Tenant Receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals and services to tenants in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Receivables resulting from the sale of inventory property, property under development and contract assets

Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

The following table provides information about the exposure to credit risk and ECLs for receivables and contract assets:

31 December 2021	Current SR'000	More than 30 days past due SR'000	More than 90 days past due SR'000	More than 270 days past due SR'000	Total SR'000
Expected loss rate	0%	26%	59%	48%	25%
Gross carrying amount	102,463	25,446	11,908	98,655	238,472
Loss allowance	-	6,572	7,006	46,931	60,689
31 December 2020	Current SR'000	More than 30 days past due SR'000	More than 90 days past due SR'000	More than 270 days past due SR'000	Total SR'000
Expected loss rate	0%	29%	89%	59%	59%
Gross carrying amount	275	5,202	6,802	165,307	177,586
Loss allowance	-	1,493	6,026	96,778	104,297

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**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. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group's management has developed a plan to enable the Group to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern.

Expected maturity of undiscounted cash flows of financial liabilities are as follows:

	<i>Gross undiscounted value SR '000</i>	<i>up to 1 year SR '000</i>	<i>More than 1 year and less than 2 years SR '000</i>	<i>More than 2 year and less than 5 years SR '000</i>	<i>More than 5 years SR '000</i>	<i>Total SR '000</i>
31 December 2021						
Loans and borrowings	10,860,347	1,398,958	1,801,557	1,935,187	5,724,645	10,860,347
Payable to unit holder	8,644,479	812,398	812,398	1,218,596	5,801,087	8,644,479
Accounts and other Payables	1,539,867	1,539,867	-	-	-	1,539,867
Liabilities against leases	15,090	3,407	11,683	-	-	15,090
Other non-current liabilities	1,589,740	62,239	437,595	186,717	903,189	1,589,740
	22,649,523	3,816,869	3,063,233	3,340,500	12,428,921	22,649,523
	<i>Gross undiscounted value SR '000</i>	<i>up to 1 year SR '000</i>	<i>More than 1 year and less than 2 years SR '000</i>	<i>More than 2 year and less than 5 years SR '000</i>	<i>More than 5 years SR '000</i>	<i>Total SR '000</i>
31 December 2020						
Loans and borrowings	12,478,071	2,793,759	5,766,211	3,103,231	814,870	12,478,071
Payable to unit holder	8,123,055	548,368	812,398	1,218,596	5,543,693	8,123,055
Accounts and other Payables	1,235,863	1,235,863	-	-	-	1,235,863
Liabilities against Leases	27,060	11,588	6,494	8,978	-	27,060
Other non-current Liabilities	1,680,871	62,239	508,642	211,988	898,002	1,680,871
	23,544,920	4,651,817	7,093,745	4,542,793	7,256,565	23,544,920

Liabilities to unitholders

Payments are made to the Fund by the Company on a half yearly basis of Saudi Riyals 270 million but payments may be deferred for a period of 2 years. As such, contractually the Company must make cash payments to the Fund.

Dividends payable to unitholders as per the terms and conditions of the Fund is two semi-annual payments in a year of the total amount not less than 90% of annually net distributable profits (dividend is not discretionary). The fund has been consolidated by the Group on the basis set out in Note 20 and as such dividends payable have been shown in the periods based on the terms and conditions of the fund thereof.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. Refer to Note 15 for unused credit facilities and Note 9 for closing cash position of the Group.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

	31 December 2021 SR'000	31 December 2020 SR'000
Financial assets		
Other current assets	86,868	21,028
Trade and other receivables	455,845	199,287
Investment held at fair value through profit or loss	24,475	67,836
Restricted cash	716,520	348,319
	31 December 2021 SR'000	31 December 2020 SR'000
Financial liabilities		
Loans and borrowings – current portion	1,766,085	2,592,201
Payable to other unitholders of investment fund	406,199	406,199
Liabilities against lease – current portion	3,247	10,857
Accounts payable and other liabilities	1,350,925	1,235,862

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	31 December 2021 SR'000	31 December 2020 SR'000
Financial assets		
Investment held at fair value through profit or loss	304,122	304,710
Restricted cash	242,590	242,590
Other non-current assets	18,396	19,944
Financial liabilities		
Loans and borrowings	8,042,845	8,347,880
Payable to other unitholders of investment fund	4,964,244	4,644,263
Liabilities against lease – non- current portion	11,309	14,181
Other non-current liabilities	1,131,480	1,146,791

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimize the capital structure to reduce cost of capital. The capital structure includes all components of shareholders' equity totaling SR 8,627 million at 31 December 2021 (31 December 2020: SR 6,988 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Management is monitoring the cash capital position of the company and is the process of considering the overall capital structure. Some of these initiatives have been set out in the note on going concern (Note 1).

The Group has a financial covenant related to a borrowing facility with an outstanding principal amount of SR 70 million. The Group has complied with the requirements of the financial covenant during the 2021 and 2020 reporting years. Under the terms of the borrowing facility, the group is required to comply with the financial covenant of debt-to-equity ratio of not exceeding 2.5:1.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's treasury department monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Borrowings	9,808,930	10,940,081
Lease liabilities	14,556	25,038
Payable to unit holders	5,370,443	5,050,462
Less: cash and cash equivalents	(328,427)	(51,225)
Less: restricted cash	(959,110)	(590,909)
Net debt (A)	13,906,392	15,373,447
Shareholders' equity (B)	8,628,226	6,988,742
Total capital (A+B)	22,534,618	22,362,189
Gearing ratio (A / (A+B))	0.62	0.69
(a) Net debt		
	<i>31 December 2021 SR'000</i>	<i>31 December 2020 SR'000</i>
Borrowings	9,808,930	10,940,081
Lease liabilities	14,556	25,038
Payable to unit holders	5,370,443	5,050,462
Less: cash and cash equivalents	(328,427)	(51,225)
Less: restricted cash	(959,110)	(590,909)
Net debt (A)	13,906,392	15,373,447
Gross debt – fixed interest rates	5,384,999	5,566,898
Gross debt – variable interest rates	9,808,930	10,448,683
Cash and liquid investments	(1,287,537)	(642,134)
Net debt (A)	13,906,392	15,373,447



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

(b) Net debt reconciliation

	<i>Cash and cash equivalent SR '000</i>	<i>Restricted Cash SR '000</i>	<i>Borrowings SR '000</i>	<i>Payable to unitholders SR '000</i>	<i>Lease liabilities SR '000</i>	<i>Total SR '000</i>
January 1, 2020	239,142	688,834	(10,210,833)	(5,099,861)	(7,082)	(14,389,800)
Finance cost / others	-	-	(489,204)	(154,202)	(960)	(644,366)
Remeasurement	-	-	-	-	(16,996)	(16,996)
Cash flows, net	(187,917)	(97,925)	(240,044)	203,601	-	(322,285)
31 December 2020	51,225	590,909	(10,940,081)	(5,050,462)	(25,038)	(15,373,447)
Finance cost / others	-	-	(397,185)	(319,980)	-	(717,165)
Remeasurement	-	-	1,500,000	-	10,482	1,510,482
Cash flows, net	277,202	368,201	28,336	-	-	673,739
31 December 2021	328,427	959,110	(9,808,930)	(5,370,442)	(14,556)	(13,906,391)

30.1 Fair value measurement of financial instruments

Recognized fair value measurements

The Group measures financial instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits 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 assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 31 December 2021 and 31 December 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying values.



Jabal Omar Development Company (A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

30.1 Fair value measurement of financial instruments (continued)

Fair value hierarchy

<i>For the year ended 31 December 2021</i>						
	<i>FVTPL</i>	<i>Amortized</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR'000</i>	<i>cost</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
		<i>SR'000</i>				
Financial assets						
Cash and cash equivalents	-	328,427	328,427	-	-	328,427
Restricted cash	-	959,110	959,110	-	-	959,110
Trade and other receivables	-	537,628	537,628	-	-	537,628
Other current assets	-	95,230	95,230	-	-	95,230
Investments held at fair value through profit or loss	328,597	-	328,597	24,475	304,122	-
	328,597	1,920,395	2,248,992	24,475	304,122	1,920,395
<i>For the year ended 31 December 2020</i>						
	<i>FVTPL</i>	<i>Amortized</i>	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR'000</i>	<i>Cost</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
		<i>SR'000</i>				
Financial assets						
Cash and cash equivalents	-	51,225	51,225	-	-	51,225
Restricted cash	-	590,909	590,909	-	-	590,909
Trade and other receivables	-	107,593	107,593	-	-	107,593
Other current assets	-	32,223	32,223	-	-	32,223
Investments held at fair value through profit or loss	372,546	-	372,546	67,836	304,710	-
	372,546	781,950	1,154,496	67,836	304,710	781,950

There are no transfers in the fair value levels during the year ended 31 December 2021.

Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Investment in public funds	Quoted market prices
Funds Investment in non- public funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund
Other financial instruments	Discounted cashflow analysis

Loans and borrowings, liabilities against leases, payable to other unitholders in investment fund and other liabilities are the Group's financial liabilities. All financial liabilities as of 31 December 2021 and 31 December 2020 are measured at amortised cost except payable to other unitholders in investment fund. The carrying values of the financial liabilities under amortised cost approximate their fair values.

The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

**Jabal Omar Development Company (A Saudi Joint Stock Company)****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 December 2021

30. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Fair value measurements using significant unobservable inputs (level 3)**

	31 December 2021 SR'000	31 December 2020 SR'000
Opening balance	304,710	331,000
Loss recognised in profit or loss	(588)	(26,290)
Closing balance	304,122	304,710

Valuation process

In line with the Group's reporting dates, the Group's finance department determines fair value of the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO) and Chief Risk Officer (CRO). Also refer Note 9 for details on main level 3 inputs used by the Group.

31. COMMITMENTS AND CONTINGENCIES

- a) As at 31 December 2021, the outstanding capital commitments in respect of development of the Project amounted to SR 4,297 million (31 December 2020: SR 2,778 million).
- b) Operating lease commitments are not significant.
- c) Refer note 22 for Zakat and tax related contingencies.
- d) As at 31 December 2021, the Group has bank letter of credits amounting to SR 56.2 million (31 December 2020: SR 21.5 million) issued from local bank in the Kingdom of Saudi Arabia
- e) As at 31 December 2021, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 50 million (31 December 2020: SR 50 million).

32. SUBSEQUENT EVENTS

The events subsequent to year end are as follows:

- the Company announces the partial early redemption of Sukuk amounting to USD 67,500,000 in aggregate face amount of its Certificates (out of total face amount of USD 135,000,000) that were issued on November 15, 2018 and its original maturity date is 15 November 2023.
- on 9 January 2022, the Company received a notification from the Fund informing the Company that the Fund's unitholders have approved the Transaction in the unitholder General Assembly. As a result, liability payable to unitholders would be settled by issuing Company's own shares; hence this liability would not result in any cash outflow. Further, subsequent to year end on 2 April 2022, the Group has executed an agreement with the Fund Manager to settle this liability in exchange of Company's new 225,134,162 shares. In accordance with terms of agreement, the transaction is binding and non-revocable.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized to issue by the Board of Directors on 31 March 2022G corresponding to (28 Sha'ban 1443H).



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2022



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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**KPMG Professional Services**

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company

Qualified Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Qualified Opinion

As of 31 December 2022, the Group's total assets include Property, Plant and Equipment and Investment Property (collectively referred to as the 'Properties') amounting to SR 20,202 million and SR 5,048 million respectively (31 December 2021: SR 19,370 million and SR 5,024 million respectively). Due to the existence of impairment indicators, an impairment exercise was performed to compare the carrying amounts of these Properties with their corresponding recoverable amounts (being the higher of fair value or value in use) as at 31 December 2022. Pursuant to our audit procedures carried out in respect of management's determination of recoverable amounts, which included a detailed assessment of the valuation methodology and approach used by the valuation experts engaged by management, certain significant assumptions and judgments (such as in relation to the growth rate used with respect to the disposal cashflows) used by management in the determination of recoverable amounts of certain properties, were found to not be reasonable and appropriate in the context of the nature, type and location of these properties.

Had management used reasonable and appropriate assumptions, the recoverable amounts of these properties as at 31 December 2022 would have been estimated to be lower than their corresponding carrying values by approximately SR 0.7 billion and accordingly, as of that date, the carrying amounts of Properties and the total equity of the Group would have been lower by the same amount. The foregoing assessment of recoverable amounts includes various elements such as consideration of the highest and best use from market participant perspective as well as the use of appropriate assumptions and the application of judgment by management which represents an estimate at a point in time and is highly sensitive to the matters further explained in note 5, such as the reasonableness of the highest and best use scenarios, identification of comparable transactions and adjustments thereto, as well the developments disclosed in note 2.4. Therefore, such foregoing matters, judgments, assumptions and developments, or changes thereto, may have a material impact on the estimated recoverable amounts.

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© 2023 كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي متوافر بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة التجزئة محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report(continued)

To the Shareholders of Jabal Omar Development Company

Basis for Qualified Opinion (continued)

A similar impairment exercise was also performed in prior periods and as described in the other matter paragraph, the opinion expressed by the predecessor auditor on the financial statements of the Group for the year ended 31 December 2021 and conclusions expressed on the financial statements of the Group for the periods ended 31 March 2022 and 30 June 2022 were qualified opinion and conclusions respectively since the predecessor auditor assessed the valuation approach to be inappropriate and certain significant assumptions to not be reasonable. Our report for the current year is also qualified due to the effects of these matters on the comparability of the current year's figures and the corresponding figures as well as their impact on the current year amounts included in the consolidated financial statements as at and for the year ended 31 December 2022.

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 the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.4 of the consolidated financial statements, which indicates that the Group incurred a net loss of SR 352 million and negative operating cash flows amounting to SR 164 million during the year ended 31 December 2022 and, as of that date, the Group's current liabilities exceed its current assets by SR 1,065 million. As stated in Note 2.4, these events and conditions, along with other matters set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matter

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



Independent Auditor's Report(continued)

To the Shareholders of Jabal Omar Development Company

Adequacy of provision for Zakat	
The key audit matter	How the matter was addressed in our audit
As detailed in note 20 to the consolidated financial statements, the Group has filed Zakat returns for all periods/years up to and including 31 December 2021. Zakat assessments have been finalized with the Zakat, Tax and Customs Authority (ZATCA) for the years from 1427H to 1433H. In prior periods, ZATCA had raised additional zakat demands in respect of certain prior years against which the Group has filed appeals with the appropriate competent authorities and is awaiting conclusion. As at 31 December 2022, management has recognized a provision representing its best estimate of the amount required to settle all Zakat exposures, including pending assessments and appeals thereagainst, up to and including the year ended 31 December 2022 We considered this as a key audit matter because of the materiality of the additional amounts claimed by ZATCA and the determination of zakat provision involves significant management estimates and judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group	• Obtained an understanding of management's process in estimating the zakat provision for current and prior years including open assessments. • Involved our zakat experts, to assess the significant assumptions and judgments used by the Company's management and its external zakat consultant. • Reviewed correspondences between the Group and ZATCA to determine the amount of the additional assessments being claimed by ZATCA. • Assessed the adequacy of the total provision recognized by the management in respect of both current and prior years (especially while considering the assessments raised by ZATCA).
Other matter	

The consolidated financial statements for the year ended 31 December 2021 and the condensed consolidated interim financial statements for the periods ended 31 March 2022 and 30 June 2022 were audited/reviewed by another auditor who expressed a qualified opinion/conclusion on those financial statements on 10 April 2022, 31 May 2022 and 28 August 2022 respectively due to the use of an inappropriate approach and assumptions in determination of the recoverable amounts of Properties.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent Auditor's Report(continued)

To the Shareholders of Jabal Omar Development Company

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

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

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

Those charged with governance, Audit Committee, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our 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.



Independent Auditor's Report(continued)

To the Shareholders of Jabal Omar Development Company

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

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

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

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

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

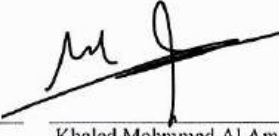
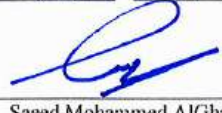


Jeddah, 9 April 2023
Corresponding to 18 Ramadan 1444H



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	31 December 2022 SR'000	31 December 2021 SR'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	20,201,539	19,369,516
Intangible assets		573	4,646
Investment properties	6	5,047,841	5,024,028
Equity-accounted investee	7	126,652	121,762
Financial investments at fair value through profit or loss	8	283,762	304,122
Restricted cash	9	242,590	242,590
Other non-current assets	10	17,453	18,396
Total non-current assets		25,920,410	25,085,060
Current assets			
Properties for development and sale	11	21,069	24,806
Other current assets	10	63,937	95,230
Trade and other receivables	12	389,634	548,060
Financial investments at fair value through profit or loss	8	--	24,475
Restricted cash - current portion	9	346,288	716,520
Cash and cash equivalents	9	340,384	328,427
Asset held for sale	2.4	130,749	--
Total current assets		1,292,061	1,737,518
Total assets		27,212,471	26,822,578
EQUITY AND LIABILITIES			
Equity			
Share capital	14.1	11,545,342	9,294,000
Share premium	14.2	1,327,596	--
Statutory reserve	14.3	108,506	108,506
Accumulated losses		--	(1,179,491)
Reserve for advances to certain founding shareholders	14.4	(285,960)	(285,960)
Equity attributable to the equity holders of the Parent before subordinated perpetual instrument		12,695,484	7,937,055
Subordinated perpetual instrument	15(a)	689,668	689,668
Net Equity attributable to the equity holders of the Parent after subordinated perpetual instrument		13,385,152	8,626,723
Non-controlling interest		1,560	1,503
TOTAL EQUITY		13,386,712	8,628,226
 Muhammad Jawad Acting Chief Financial Officer			
 Khaled Mohammed Al Amoudi Chief Executive Officer			
 Saeed Mohammed AlGhamdi Chairman of the Board of Director			

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2022

	Note	31 December 2022 SR'000	31 December 2021 SR'000
Liabilities			
Non-current liabilities			
Loans and borrowings	15	10,502,424	8,042,845
Lease liabilities	16	408	11,309
Payable to other unitholders of investment fund	4.16	--	4,964,244
Provision for employees' terminal benefits	17	32,675	27,309
Other non-current liabilities	18	933,670	1,131,480
Total non-current liabilities		11,469,177	14,177,187
Current liabilities			
Loans and borrowings - current portion	15	478,621	1,766,085
Trade payable and other current liabilities	19	1,591,518	1,539,866
Payable to other unitholders of investment funds - current portion	4.16	--	406,199
Lease liabilities - current portion	16	1,385	3,247
Zakat payable	20	285,058	301,768
Total current liabilities		2,356,582	4,017,165
Total liabilities		13,825,759	18,194,352
Total equity and liabilities		27,212,471	26,822,578


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Director

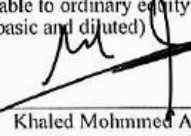
The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	31 December 2022 SR'000	31 December 2021 SR'000
Revenue	22	849,501	310,359
Cost of sales	23	(797,740)	(534,994)
Gross profit / (loss)		51,761	(224,635)
Selling and marketing expenses		(2,099)	(4,133)
General and administration expenses	24	(177,360)	(237,620)
(Charge) / reversal of allowance for expected credit losses	12	(49,079)	34,036
Other operating income	25	19,090	7,262
Other operating expenses		(33,224)	(33,246)
Operating loss		(190,911)	(458,336)
Net gain on extinguishment of loan and lease liability	2.4 & 15	259,618	1,275,581
Gain on disposal of non-current assets	13	--	1,068,808
Net finance costs	26	(425,970)	(736,029)
Share of results from equity-accounted investee		4,890	7,172
(Loss) / profit for the year before zakat		(352,373)	1,157,196
Zakat	20	--	(211,206)
(Loss) / profit for the year		(352,373)	945,990
Other comprehensive (loss) / income			
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:</i>			
Re-measurement (loss) / income on employee's terminal benefits	17	(3,156)	2,490
Total comprehensive (loss) / income for the year		(355,529)	948,480
(Loss) / profit for the year attributable to:			
Shareholders of the Parent Company		(352,430)	946,206
Non-controlling interest		57	(216)
		(352,373)	945,990
Total comprehensive (loss) / income for the year attributable to:			
Shareholders of the Parent Company		(355,586)	948,696
Non-controlling interest		57	(216)
		(355,529)	948,480
(Loss) / earnings per share:			
Weighted average number of ordinary shares (number in thousand)	27	1,004,445	929,400
(Loss) / earning per share attributable to ordinary equity holders of the Parent Company (basic and diluted)	27	(0.35)	1.02
 Muhammad Jawad Acting Chief Financial Officer	 Khaled Mohammed Al Amoudi Chief Executive Officer	 Saeed Mohammed AlGhamdi Chairman of the Board of Director	

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to the equity holders of the Parent						Net Equity attributable to the equity holders of the Parent after	Non-controlling interests	Total Equity
	Share capital	Share premium	Statutory reserve	Accumulated losses	Reserve for advances to certain founding shareholders	Equity attributable to the equity holders of the Parent before subordinated perpetual instrument	Subordinated perpetual instrument	SR '000	SR '000
Balance at 1 January 2021	9,294,000	--	108,506	(2,128,187)	(287,296)	6,987,023	--	6,987,023	1,719
Profit for the year	--	--	--	946,206	--	946,206	--	946,206	(216)
Other comprehensive income	--	--	--	2,490	--	2,490	--	2,490	--
<i>Total comprehensive income for the year</i>	--	--	--	948,696	--	948,696	--	948,696	--
Subordinated perpetual instrument	--	--	--	--	--	--	689,668	689,668	--
Payments received against advance to certain founding shareholders	--	--	--	--	--	--	--	--	--
Balance at 31 December 2021	9,294,000	--	108,506	(1,179,491)	(285,960)	7,937,055	689,668	8,626,723	1,503
Loss for the year	--	--	--	(352,430)	--	(352,430)	--	(352,430)	57
Other comprehensive income	--	--	--	(3,156)	--	(3,156)	--	(3,156)	--
<i>Total comprehensive loss for the year</i>	--	--	--	(355,586)	--	(355,586)	--	(355,586)	57
Issue of share capital under debt to equity swap (note 2.4)	2,251,342	2,917,739	--	--	--	5,169,081	--	5,169,081	--
Set off of accumulated losses against share premium (note 14.2)	--	(1,590,143)	--	1,590,143	--	--	--	--	--
Dissolution of subsidiary	11,545,342	1,327,596	108,506	(55,066)	(285,960)	12,695,484	689,668	13,385,152	1,560
Balance at 31 December 2022	22,090,684	2,655,192	217,012	(1,784,414)	(571,920)	22,090,684	1,379,336	23,469,996	3,063

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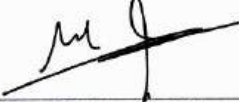


JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2022

	<u>Note</u>	31 December 2022 SR'000	31 December 2021 SR'000
Cash flows from financing activities			
Payments received against advance to certain founding shareholders		--	1,336
Proceeds from loans and borrowings		1,992,907	1,184,411
Repayment of loans and borrowings		(969,097)	(285,831)
Dividend paid to other unitholders of investment fund		--	(50,900)
Payment of lease liabilities	29(b)	(1,440)	(10,482)
Net cash from financing activities		1,022,370	838,534
Net increase in cash and cash equivalents		11,957	277,202
Cash and cash equivalents at 1 January		328,427	51,225
Cash and cash equivalents at 31 December		340,384	328,427
Significant non-cash transactions:			
Capitalization of borrowing cost on investment property	6 (a)	51,431	11,292
Capitalization of borrowing cost on property, plant and equipment	5 (d)	106,133	47,835
Transfer from development property to property, plant and equipment	5	--	1,395,058
Transfer to asset held for sale from property, plant and equipment	5	130,749	--
Transfer from property, plant and equipment to investment properties and properties for development and sale	5	40,195	--


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The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements

**JABAL OMAR DEVELOPMENT COMPANY**

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION

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

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

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's ("SCTA") letters. These consolidated financial statements include the results of the operating activities relating to the following hotels in addition to its four branches bearing commercial registration numbers 4030291056, 40301097883, 40301098207 and 1010465230.

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

**JABAL OMAR DEVELOPMENT COMPANY**

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. CORPORATE INFORMATION (continued)

Further to the above operating hotels, the Company has two additional hotels, the operations of which are not yet commenced, bearing commercial registration numbers 4031215100 and 4031247845, respectively.

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Company has the following subsidiaries as at 31 December 2022. The Group is incorporated in the Kingdom of Saudi Arabia except for Jabal Omar Sukuk Company Limited which is incorporated in the Cayman Island.

<i>Name of the Subsidiary</i>	<i>Registration Number</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal activities</i>
Shamikhat Company for Investment and Development	4030594602	09 October 2017 corresponding to 19 Muharram 1439H	100%	31 December	Investment & Development services in the real estate sector
Sahat For Facility Management Company	4031210499	22 October 2017 corresponding to 02 Safar 1439H	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	1 January 2018 corresponding to 14 Rabi II 1439H	90%	31 December	Hospitality services
Ishrakat for Logistic services Company	4030303509	06 May 2018 corresponding to 21 Shaban 1439H	100%	31 December	Logistic services
Alyaat for Marketing Company	4030326220	05 March 2019 corresponding to 27 Jumada Al-Thani 1440H	100%	31 December	Marketing services
Rasyat Company	4031051838	8 August 2017 corresponding to 15 Dhul Qadah 1438H	100%	31 December	Investment in infrastructure facilities
Jabal Omar Sukuk Company Limited	334209	12 March 2018 corresponding to 24 Jumada Al Thani 1439H	100%	31 December	Issuance of sukuku

Alinma Makkah Real Estate Fund, a subsidiary with ownership interest of 16.42% was liquidated during the year ended 31 December 2022 (refer note 2.4).

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**2.1 Basis of preparation**

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured as follows:

<u>Items</u>	<u>Measurement basis</u>
Provisions for employee terminal benefits	Present value of the defined benefit obligation using projected credit unit method
Investment held at fair value through profit or loss	Fair value



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.1 Basis of preparation (continued)

The consolidated financial statements of the Group are presented in Saudi Riyals (SR), which is also the functional currency of the Company and all components. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands (SR '000) unless when otherwise stated.

2.2 Statement of compliance

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

The Group has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date on which control ceases. 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.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. 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.

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated statement of profit or loss. Any investment retained is recognized at fair value.

2.4 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the mandatory repayment terms of the banking facilities as disclosed in note 15. The Group utilizes debt financing to fund the development of each of the Project's phases under construction. However, the revenues from the Group's operational assets which mainly consist of the hotels and commercial malls were insufficient to meet the servicing requirements of the Group's debt structure, therefore the Group had to enter into different loan restructuring agreements in the current and prior years.

This shortfall from the gap between the operational revenue and operational costs was exacerbated by the outbreak of novel coronavirus (COVID-19) in recent past. The outbreak of COVID-19 led to a substantial reduction in cash generated from the Group's hotel and commercial area operations in prior years due to the restrictions and safety precautionary measures placed by the government in the Kingdom of Saudi Arabia to curb the spread of the virus.

The Group incurred a net loss of SR 352 million and generated negative operating cash flows amounting to SR 164 million during the year ended 31 December 2022, and as of that date, the Group's current liabilities exceeded its current assets by SR 1,065 million (31 December 2021: SR 2,280 million) and the Group had accumulated losses amounting to SR 1.6 billion (31 December 2021: SR 1.2 billion) as of 31 December 2022 before being set off with share premium. (refer note 14.2)

Consequently, the Group is critically dependent on the cash that will be generated from debt financing, debt restructuring and the sale of certain plots of land to meet its obligations when they become due and to continue its operations without a significant curtailment. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern which potentially adversely impacts the Group's ability to realise its assets and discharge its liabilities in the normal course of business.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Going concern basis of accounting (continued)

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

At 31 December 2022	Within 1 year SR'000	1-2 years SR'000	2-5 years SR'000	Over 5 years SR'000	Total SR'000
Loans and borrowings	540,161	1,515,618	2,732,285	6,796,279	11,584,343
Trade payable and other current liabilities	1,355,496	--	--	--	1,355,496
Lease liabilities	1,440	391	--	--	1,831
Other non-current liabilities	37,266	261,714	186,717	903,189	1,388,886
	1,934,363	1,777,723	2,919,002	7,699,468	14,330,556

The Group's obligations against lenders and banks carry financial covenants which are detailed in note 15.

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern. The plan comprises the Group's liquidity and forecasted cash flows considering reasonably possible outcomes over a 12-month period from the date of approval of these consolidated financial statements. This plan principally includes:

- The Group's intention is to sell certain plots of undeveloped land (as mentioned above) and expects to generate aggregate cash amounting to SR 4.1 billion within 12 months from the date of the consolidated statement of financial position. During the year ended 31 December 2022, the Group conducted an auction (the "Auction") of certain plot of land with a covered area of 3,066 square meter and received offers from the bidders, all of which were higher than the carrying amount of the corresponding land. As at the reporting date, this plot of land meets the criteria for being classified as held for sale under IFRS 5 and has accordingly been presented as such in these consolidated financial statements (refer note 5). Moreover, pursuant to the Auction, management has commenced the process of executing a sale of the offered land with one of the bidders. As at the reporting date, such sale is in an advance stage of negotiations and expected to be executed in due course.
- On 30 September 2022, the Company entered into a swap agreement ("the Swap Agreement") with Alinma Investment Company ("the Fund Manager") on behalf of Alinma Makkah Real Estate Fund ("the Fund") the Group's investee and also lessor for a finance lease obligation entered into to settle the entire lease obligations that the Company held towards the Fund against the issue of shares to the unitholders of the Fund and extinguishment of Group's investment in the Fund. The events leading up to the execution of Swap Agreement are as follows:



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Going concern basis of accounting (continued)

On 13 September 2021 (corresponding to 6 Safar 1443H) the Company submitted a non-binding offer to the Fund Manager of the Fund relating to the full settlement of the rights and obligations in respect of the lease obligations. Subsequently, the Company made changes in the offer and made announcements on Tadawul. On 2 April 2022 (corresponding to 1 Ramadan 1443H) an agreement was entered between the Company and the Fund Manager in order to settle all rent payment obligations and other liabilities owed by the Company to the Fund, and for the Fund, to surrender all of their rights over the assets, including rights of ownership to be transferred to the Company, in exchange for the delivery of the new shares to the unitholders in accordance with the terms of the Agreement. On 21 April 2022 (corresponding to 20 Ramadan 1443H) the Company made an announcement that the Board of Directors recommended the increase of the Company's share capital by way of lease obligation settlement

On 25 August 2022 (corresponding to 27 Muharram 1444H), the shareholders of the Company approved the Board of Directors recommendation to increase the Company's share capital from SR 9,294 million to SR 11,545 million in the extra ordinary general meeting, representing an increase of 24.22% in the Company's current share capital, for the purpose of converting the entire lease obligation owed by the Company towards the Fund by issuing 2.2 million new shares in the Company to the Fund unitholders for each unit they own in the Fund at an agreed exchange ratio of 0.442 for each unit of the Fund in accordance with Article (138)(b) of the Companies Law, Article (56) of the Rules on the Offer of Securities and Continuing Obligations, and pursuant to the terms and conditions of the corresponding agreement at a share premium amounting to SR 2.9 billion. Consequently, the Swap Agreement was completed, and the debt to-equity conversion took place on 1 September 2022 (corresponding to 5 Safar 1444H) whereby the lease liability was settled against the investment made by the Company in the Fund as well as through the issuance of new shares which resulted in a gain of SR 259 million which has been recognised in the statement of profit or loss for the current period under non-operating income. Moreover, the finance charges accrued during the year ended 31 December 2022 amounting to SR 315 million have also been reversed and the reversal has been reflected within finance costs. On 1 September 2022 (corresponding to 5 Safar 1444H), the Fund Manager announced the expiry of the term of the Fund.

Based on the foregoing, together with certain other debt restructuring as set out in note 15, the Group's cash flow forecast for the 12-month period from the reporting date indicates a net positive cash flow position. Accordingly, management to believe that the Group continues to be going concern and consolidated financial statements have been prepared on that basis.

2.5 Significant accounting judgments, estimates and assumptions

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

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

- Sensitivity analyses disclosure (note 17)
- Financial instruments risk management and fair value measurement (note 29)
- Capital management (note 29)



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In the process of preparation of these consolidated financial statements management has made judgements and used assumptions. Significant judgements made and assumptions used are described below:

Classification of real estate properties

The Group exercises judgment in classification of real estate properties as property, plant and equipment, investment properties or properties for development and sale. The Group considers the recognition criteria as per the relevant accounting standard supported with management's intention and active plan. The hotels are owner occupied properties that are held for use in the supply of services while the commercial malls are classified as investment properties since these are held for rentals to others. Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when group purchase properties with an intention to sale.

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

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

Determining the timing of recognition of gain and presentation on the sale of non-current assets

The Group has evaluated the timing of revenue recognition on the sale of non-current assets based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed non-current assets are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied. The Group exercises judgement in determining the appropriate presentation of gain / loss on disposal of non-current assets. Gain / loss on sale of non-current assets that are outside the ordinary course of business and are not part of the approved overall long term business plan (i.e. disposals which are conducted on ad-hoc and exceptional basis to meet acute business needs) are classified as part of non-operating income / expenses.

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. For details refer note 2.4.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

During the current year it was determined that indicators of impairment existed and as such a detailed impairment assessment was performed. Refer note 5 and 6 for the details on the impairment testing. 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 recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 5 and 6.

Useful lives and residual value of property, plant and equipment, intangibles and investment property

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. Management periodically reviews the useful lives, residual value, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Estimation of net realizable value of Properties for development and sale

Properties for development are stated at the lower of cost and net realizable value ("NRV"). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale.

NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions.

Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV.

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

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).



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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

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

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusted the historical loss rates based on expected changes in this factor using different scenarios. 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 customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 12.

Zakat

The determination for zakat provision involves significant management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. In determining the best estimate of the amount payable to Zakat, Tax and Customs Authority ("ZATCA"), the Group has applied judgement and interpretation of the ZATCA requirements for calculating Zakat.

Employees' terminal benefits plan

The cost of the employees' terminal benefit plan and the present value of the obligation are determined using actuarial valuations. 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 employees' 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 most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. 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. Further details about employee benefits obligations are provided in note 17.



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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. refer Note 29.1 for further disclosures.

Revenue recognition from sale of residential units

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

- the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

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

Determination of transaction prices

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

In addition to the stand-alone selling price, the sales contract also includes variable consideration in the form of delay penalties, which the Group is required to pay if the units are not delivered in time according to the contractual terms and conditions. This delay penalty is adjusted against revenue. In this regard, a significant judgement has been made as the Group has not been able to deliver the units in time and as such the impact of the delay penalties has been estimated, using the expected value. When assessing the amount of the delay penalties which should be recognized at the reporting date, management has made a judgement in relation to the timing of when the units will be available for operational readiness for the Buyer, and as such will no longer be obligated to make these payments.

3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 Amendments to standards and standards issued and standards issued but not yet effective

Amendments to Standards

There were no new standards issued and / or applied during the year ended 31 December 2022 and the adoption of the following amendments to the existing standards had no significant impact on the condensed consolidated financial statements of the Company on the current period or prior periods and is expected to have no significant effect in the future periods.



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3. CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.1 Amendments to standards and standards issued and standards issued but not yet effective (continued)

Amendments to Standards (continued)

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

Standards and Amendments Issued but Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated financial statements, nor are these pronouncements expected to have any material impact on the Group's consolidated financial statements.

Standard / Interpretation	Description	Effective from periods beginning after the following date
IFRS 17	Insurance contracts and amendments	1 January 2023
IAS 1	Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 8	Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Current versus non-current classification

Assets

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

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

All other assets are classified as non-current.

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.

4.2 Investment in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Investment in associates and joint ventures (continued)

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

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after zakat and non-controlling interests in the subsidiaries of the associate or joint venture

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The carrying amount of equity-accounted investments is tested for impairment when impairment indicators are identified.

4.3 Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group in its 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.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange 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 (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Foreign currencies (continued)

Transactions and balances (continued)

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration.

If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration

4.4 Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Depreciation (continued)

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

	<u>Number of years</u>
• Building	85
• Central district cooling system	30
• Equipment	10 – 85
• Furniture and fixtures	10 - 12
• Infrastructure assets	20 – 85
• Other assets	4 - 8

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss and other comprehensive income within "Other income, net" at the time the item is derecognised.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management. Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in-progress is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

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

Derecognition

Property, plant and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Derecognition (continued)

These are included in the consolidated statement of profit or loss and other comprehensive income within "Other income, net" at the time the item is derecognized.

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

Capital work in progress

Capital work in progress represents assets under construction and improvements to the existing assets, recorded at cost less accumulated impairment losses, if any. Such costs include cost of equipment, material and other 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. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies.

4.5 Intangible assets

Intangible assets comprise software licenses for computer, which have finite lives and are amortized over the period of its useful life on a straight-line basis and are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each reporting period. Any changes in the estimated useful life or the expected pattern of consumption of economic benefits are treated as change in accounting estimates.

The useful life for an intangible asset is reviewed at least at the end of each reporting period. The amortization expense on intangible assets is recognized in the consolidated statement of profit or loss and other comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

The estimated useful lives for the current and comparative periods are 4 years.

4.6 Investment properties

Properties held for long-term rental yields or for capital appreciation or both as well as those held for undetermined future use but not for sale in the ordinary course of business, which is not occupied by the Group is classified as investment properties. Investment properties comprise land, buildings and equipment, fixtures and fittings, office equipment and furniture which are an integral part of the buildings. Investment properties also includes property that is being constructed or developed for future use as investment properties. Investment properties is measured at its cost, including related transaction costs and where applicable borrowing costs.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

Investment properties are carried at cost, net of accumulated depreciation, except for properties under construction which is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized. Capital work in progress represents the construction work at the Group's project including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose.

Investment properties are derecognized 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 recognized 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).

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Right-of-use assets that meet the definition of investment properties are presented under investment properties.

Investment property is classified as "held for sale" when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the properties must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such properties and its sale must be highly probable.

When the investment properties are sold no revenues and direct / operating costs are recognized for sale of investment properties. Any gain or loss on disposal of sale of investment properties (calculated as the difference between the net proceeds from disposal and carrying amount) is recognized in the consolidated statement of profit or loss and other comprehensive income.

Owner-occupied property is property held by the owner, or a right-of-use asset relating to property held by a lessee, for use in the production or supply of goods or services or for administrative purposes. Owner-occupied property is used in conjunction with the other assets of the entity, such as plant and machinery and inventory. It does not generate cash flows independently of the other assets of the entity. 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.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investment properties (continued)

Depreciation on assets is charged to consolidated statement of profit or loss and other comprehensive income using the straight-line method to allocate their costs over their estimated useful lives as follows:

	<u>Number of years</u>
• Building	85
• Equipment	16 – 20
• Infrastructure assets	20 – 85

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

4.7 Financial instruments – initial recognition and subsequent measurement

Financial instruments – initial recognition and subsequent measurement 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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 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 amortized 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 amortized 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.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized 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 following categories:

- Financial assets at amortized 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 amortized cost (debt instruments)

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

The Group's financial assets at amortized cost includes cash and bank balances, trade receivables, employees' receivables and other receivables.

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 recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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 recognized 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 does not have any equity instrument designated at fair value through OCI.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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 recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Impairment (continued)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Subsequent measurement

The Group considers a financial asset in default when contractual payments are 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.

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 recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payable, accruals and other liabilities and due to related parties.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss and other comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

Derecognition

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

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. No financial assets and financial liabilities have been offset as at the reporting date.

Modification of financial assets and liabilities

When the contractual cash flows of a financial asset/ liability are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that instrument, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial instrument is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial instrument's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

Conversely, the Group accounts for an exchange with a lender of debt instruments with 'substantially different' terms to be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability, or a part of it, (whether or not due to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The IFRS regards the terms of exchanged or modified debt as 'substantially different' if the net present value of the cash flows under the new terms (including any fees paid net of any fees received) discounted at the original effective interest rate is at least 10% different from the discounted present value of the remaining cash flows of the original debt instrument. In the absence of such difference, the terms could still be considered as substantially different if they are deemed to be qualitatively significantly different from the pre-modifications terms.

The Group accounts for modifications in terms of a debt instrument that result in the instrument meeting the definition of an equity instrument consistent with the foregoing.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized on goodwill are not reversible.

4.9 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 recognizes 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 recognizes 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 recognized, 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.

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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 4.8 Impairment of non-financial assets.

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.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Refer note 4.18. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position in accordance with their nature. The Group elected to recognise lease income for variable payment that depends on an index or a rate on a straight-line basis. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the consolidated statement of profit or loss.

4.10 Development properties

Development properties are properties that are being redeveloped with a view to sell. The Group's development properties arise when Group purchase properties with an intention to sale or where there is a change in use of investment properties evidenced by the commencement of development with a view to sale. The investment properties are reclassified as development properties at their carrying amount 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.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

4.12 Cash and cash equivalents

For the purpose of statement of financial position, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term 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.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term 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, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

4.13 Restricted cash (at bank)

Restricted cash at bank that is subject to certain restrictions and is not available for general use by the Group, and therefore, does not form part of cash and cash equivalents.

4.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Employee benefits (continued)

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 recognized 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 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 recognized in employee costs in the consolidated statement of profit or loss and other comprehensive income.

The Group uses the yield available on the high-quality corporate bonds as a reasonable assumption for the discount rate.

4.15 Provisions

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

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

4.16 Payable to unitholders of investment fund

This represents the ownership interest of other unitholders of Alinma Makkah Real Estate Fund ("the Fund") which was presented as part of liabilities in these consolidated financial statements as at 31 December 2021 due to the limited life of the Fund. As at 31 December 2022 this balance stands fully derecognized pursuant to the winding up of the funds (note 2.4).

4.17 Zakat

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company and Zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenues

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue from contracts with customers when it transfers control over a good or service to a customer 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. When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Sale of development properties

Sale of development properties includes multi-unit properties in residential or hotel developments. Typically, these developments take a number of years to complete. Revenue recognition regarding the sale of such units is determined by the contractual terms and conditions for each arrangement.

Performance obligations

The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land, parking spaces, operational readiness (normally for units in hotels) and other amenities. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units is typically considered one performance obligation.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.18 Revenues (continued)*****Sale of development properties (continued)******Transaction price and allocation of transaction price***

The revenue is measured at the transaction price agreed under the contract and allocated to the performance obligation. In some cases the transaction price also includes variable consideration.

Revenue recognition

Revenue on sale of development properties is recognized when control over the properties has been transferred to the customer, in some circumstances this is over time, where the criteria as per IFRS 15 paragraph 35 is met and in other circumstances revenue is recognized at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property

Over time contracts

However, the Group has determined that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of goods or services to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Point in time contracts

Where the criteria for overtime revenue recognition is not met, revenue is recognized at a point in time, only when the control criteria as per IFRS 15 paragraph 38 is met. Control is normally obtained by the customers when they are able to obtain economic benefits from the properties, this is typically on handover of the properties. In order for the properties to be ready for handover, all the individual promises in the contract must be complete, this will include properties which require the units to be available for operational readiness, such as hotel units.

Significant financing

In cases where deferred payment terms are agreed, the transaction price is adjusted for the effects of a significant financing component.

Rental income from investment properties

Rental income from investment properties is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire lease term, on a straight-line basis.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**4.18 Revenues (continued)*****Rental from hotel services***

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

4.19 Selling, marketing and general and administrative expenses

Selling, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of sale as required under generally accepted accounting principles. Allocations between selling, marketing and general and administrative expenses and cost of sale, when required, are made on a consistent basis.

4.20 Borrowings costs

Borrowing costs directly attributable to the acquisition or construction of a property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Borrowing cost is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

4.21 Finance income and finance costs

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



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 Finance income and finance costs (continued)

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

4.22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and accordingly makes strategic decisions.

An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment;
- Segment results that are reported to the CODM and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis; and
- whose financial information is separately available.

4.23 Contract assets and contract liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time, for example, billings require certification by the customer. Upon receipt of such certification from a customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9 – refer to Impairment in note 12.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. 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). Unlike the method used to recognise contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognised as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed to and certified by the customer, the difference is recognised (as a contract asset) and presented in the statement of financial position under “Contract assets”, whereas in contracts in which the goods or services transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the Group transfers the remaining goods or services), the difference is recognised (as a contract liability) and presented in the statement of financial position under “Contract liabilities”.



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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.24 Operating profit / loss

Operating profit / loss is the result generated from the continuing principal revenue -producing activities of the Group as well as other income expenses related to operating activities. Operating profit / loss excludes items such as net finance cost, share of profit of equity accounted investees, zakat, net gain / loss on modification / derecognition of loans leases and certain exceptional gain / losses on disposal of non-current assets (note 2.5).



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5. PROPERTY, PLANT AND EQUIPMENT

Cost:	Lands SR'000	Buildings SR'000	Central District Cooling System SR'000	Equipment SR'000	Furniture and fixtures and other Assets SR'000	Infra- structure Assets SR'000	Capital work in progress SR'000	Total SR'000
Balance at 01 January 2021	2,896,000	4,207,847	1,007,154	1,969,224	758,997	429,057	7,514,486	18,782,765
Additions during the year	--	--	--	1,031	4,151	--	449,077	454,259
Disposals / write-off during the year	--	--	--	--	(20,825)	--	--	(20,825)
Transfer from development properties (note 11)	135,997	--	--	--	--	--	1,259,061	1,395,058
Transfers from CWIP	--	--	11,868	--	--	--	(11,868)	--
Transfer to non-current asset classified as held for sale (note 5 (b))	(54,557)	--	--	--	--	--	(56,278)	(110,835)
Reclassification	41,103	--	--	--	--	--	(41,103)	--
Balance at 31 December 2021	3,018,543	4,207,847	1,019,022	1,970,255	742,323	429,057	9,113,375	20,500,422
Additions during the year	--	--	--	1,555	5,195	--	1,315,132	1,321,882
Disposals / write-off during the year	--	--	--	--	(252,869)	--	--	(252,869)
Transfer to asset held for sale (note 2.4)	(130,749)	--	--	--	--	--	--	(130,749)
Transfer to investment properties and property for sale and development (note 6 and 11)	--	--	--	--	(2,638)	--	(37,557)	(40,195)
Balance at 31 December 2022	2,887,794	4,207,847	1,019,022	1,971,810	492,011	429,057	10,390,950	21,398,491
Accumulated depreciation:								
Balance at 1 January 2021	--	184,788	119,454	250,983	314,592	37,838	--	907,655
Depreciation for the year (note 23 and 24)	--	49,873	34,227	81,552	68,838	7,984	--	242,474
Disposals / write-off during the year	--	--	--	--	(19,223)	--	--	(19,223)
Balance at 31 December 2021	--	234,661	153,681	332,535	364,207	45,822	--	1,130,906
Depreciation for the year (note 23 and 24)	--	49,873	34,227	81,597	59,130	7,984	--	232,811
Disposals / write-off during the year	--	--	--	--	(165,652)	--	--	(165,652)
Transfer to investment properties and property for sale and development (note 6 and 11)	--	--	--	--	(1,113)	--	--	(1,113)
Balance at 31 December 2022	--	284,534	187,908	414,132	256,572	53,806	--	1,196,952
Net book value:								
At 31 December 2022	2,887,794	3,923,313	831,114	1,557,678	235,439	375,251	10,390,950	20,201,539
At 31 December 2021	3,018,543	3,973,186	865,341	1,637,720	378,116	383,235	9,113,375	19,369,516

*The Group has reclassified certain residential units from properties for development and sale to property, plant and equipment as a result of specific use of assets.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

- a. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") a joint venture for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective 31 December 2014. The DCS is pledged against a loan obtained by CDCC. The Group is entitled to obtain all economic benefits from the DCS during its entire life and therefore recognizes the DCS from the commencement of construction by CDCC.
- b. These represent amounts transferred to non-current assets classified as held for sale pertaining to assets determined by management to be recovered principally through a sale transaction rather than continuing use (refer note 13).
- c. Land (the 'Land') represents plots situated in the Jabal Omar area, which were received by the Company from the founding shareholders (the 'Owners') against issuance of its shares at nominal value of SR 10 per share by virtue of a Royal Decree (the 'Decree') (note 1). Valuation of land was prepared and approved by Development Commission of Makkah Al Mulkaramah. Legal formalities for the transfer of title deeds from the Owners were completed. The Company had intended to complete the procedures for transferring any remaining title deeds in the name of the Company and issue corresponding shares, as and when their Owners would complete the related statutory and legal documentation (the 'documentation').

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

- No title deeds had been submitted for the past 2 years;
- In respect of the Owners who could not submit their legal title deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") subscribed for shares in the Company on behalf of those owners. This mechanism was ratified by Royal Decree No. M/63, dated 25/9/1427H (corresponding to 18 October 2006) and therefore legal ownership of the land is with the Group;
- The Company possesses substantive rights to the use of complete Land by virtue of the Decree;
- The Group has been in the possession of the Land for the past several years and has started construction thereon; and
- During 2020, the competent authorities issued a unified title deed in the name of the Company for the entire area of the Group's Project which amounts to 235,869.11 square meters.

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of owners who could not submit their legal title deeds, a corresponding payable to MCDC was recognized. The amount payable to MCDC would be settled as and when owners who could not submit their title deeds earlier, would do so, with a corresponding re-allocation in shareholding between MCDC and such owner. Management expects the liability to be settled on demand and hence recorded as current liability.

- d. During the year ended 31 December 2022, an amount of SR 106.1 million (31 December 2021: SR 47.8 million) was capitalized as borrowing cost for the construction of property plant and equipment included in capital work in progress. Further, the capitalization rate used to determine the amount of borrowing cost to be capitalized is the weighted average interest rate applicable to the Group general borrowing during the year, in this case 5.10 % per annum (2021: 3.62% per annum).



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

e. At 31 December 2022, the Group's land in the property, plant and equipment with a carrying amount of SR 3,894 million (31 December 2021: SR 2,532 million) were mortgaged as collateral against loans and borrowings.

f. Furniture and fixture and other assets include right of use assets as following:

	31 December 2022 SR'000	31 December 2021 SR'000
As at 1 January	14,167	15,840
Remeasurement	(11,323)	--
Depreciation	(114)	(1,673)
As at 31 December	2,730	14,167

In addition to the factors set out in note 2.4, the outbreak of COVID-19 led to a substantial reduction in cash generated from the Group's hotel and commercial area operations. It interrupted the development of the Group's projects as well. As a result, the management had identified the existence of indicators of impairment and has carried out an impairment testing exercise for its properties held as part of property, plant and equipment and investment properties. As part of this assessment management has engaged valuation experts accredited by the Saudi Authority for Accredited Valuers (TAQEEM) for the determination of the fair value less cost to sell of the relevant CGUs to which its properties correspond. Management has considered such fair values and value-in-use for assessing the recoverable amounts of the properties which have then been compared with the respective carrying amounts of the CGUs (represented by different zones). In the determination of fair values, management has taken into account a market participant's ability to generate economic benefits by using the properties in their highest and best use or by selling it to another market participant that would use the properties in its highest and best use. Such highest and best use assessment considers possible uses of the properties that are physically possible, legally permissible and financially feasible. Moreover, any costs ancillary to or associated with the possible use are also estimated and considered in the assessment. As such, as at the reporting date, management has determined that the fair values of the properties/CGUs are maximized in the event of the sale of associated land less any associated cost of demolition of adjacent structures, either on as-is basis or in the future after operating any associated properties for a certain period. Accordingly, while the different zones may include certain units that are capable of generating largely independent cashflows, however, from the perspective of the highest and best use, it has been determined that the relevant CGUs are represented by distinct zones as per the master title deed approved by the Makkah Development Authority (where by such distinct zones represents specific parcel / plot of land over which construction may or may not have been carried out and such zones are distinctly physically separated by surrounding infrastructure such roads, pathways, etc.). This is because any structures constructed over such zones that include such hotels and commercial centers are physically interconnected. Moreover, management has identified that the infrastructure assets constructed and located across all phases/zones are not reasonably allocable to any specific zone since these provide benefits pervasively to all the zones of the Company. As such, for impairment testing purposes such infrastructure has been assessed on an aggregate basis.



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

The details of the foregoing valuation assessment are set out below:

Cash Generating Unit	Carrying amount of properties corresponding to the zone as at 31 December 2022	Fair value based on highest and best use
1	2,227,043	Higher
2	1,273,269	Higher
3	980,717	Higher
4	2,003,377	Higher
5	3,528,781	Higher
6	6,081,620	Higher
7	1,819,051	Higher
8	3,145,576	Higher
9	259,549	Higher
10	224,199	Higher
11	272,984	Higher
12	362,589	Higher
13	118,005	Higher
14	115,133	Higher
15	114,434	Higher
16	91,797	Higher
17	102,929	Higher
18	76,240	Higher
19	76,140	Higher
20	83,966	Higher
21	139,347	Higher
22	18,705	Higher

Details of the valuation approaches and key assumptions used are as follows:

Valuation approach	Key inputs and assumptions used
<i>Income approach with exit value based on sale of land</i>	• Discount rate • Average occupancy rate • Average daily rate
Represents recoverable amount based on a market participant view and ability to maximise fair value based on highest and best use.	• Cost to complete • Commercial lease rate per square meter • Growth rate of cashflows and land value at disposal • Demolition cost



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation approach

Key inputs and assumptions used

Market approach based in immediate value of lands

Represent recoverable amount based on a market participant's view and ability to maximise fair value based on immediate sale of the lands located in the different zones after demolition of any buildings/structures constructed on such lands.

- Relevant comparable transactions
- Adjustments applied and Weightages allocated to comparable transaction
- Overall market situation and growth
- Demolition cost

The sensitivity of the fair values of the CGUs with respect to the selected significant assumptions are as follows:

Income approach

Input/assumption description	Value	Sensitivity
Discount rate	7.6%	+/- 1%
Average occupancy rate	35% - 80%	+/- 1%
Average daily rate (In SR)	-650 – 2,238	+/- 5%
Commercial lease rate per square meter (In SR)	65,000 – 114,000	+/- 1%
Growth rate of cashflows and land value at disposal	3.5%	+/- 1%
Demolition cost	1%	+/- 0.5%

Market approach

Input/assumption description	Value	Sensitivity
Relevant comparable transactions (actual transactions)	SR 199,000 per square meter to SR 322,688 per square meter	N/A
Adjustments applied to comparable transaction	Various adjustments applied based on the similarity / dissimilarity of the subject property with the comparable	+/- 5%
Overall market situation and growth	0 – 15%	+/- 5%
Demolition cost	1%	+/- 0.5%



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6. INVESTMENT PROPERTIES

	Land SR'000	Buildings SR'000	Equipment SR'000	Infrastructure Assets SR'000	Capital work in progress SR'000	Total SR'000
Cost:						
Balance at 1 January 2021	1,339,673	879,983	367,215	92,335	2,493,293	5,172,499
Additions during the year	--	--	--	--	11,292	11,292
Balance at 31 December 2021	1,339,673	879,983	367,215	92,335	2,504,585	5,183,791
Transfer from property, plant and equipment (note 5)	--	--	2,638	--	--	2,638
Additions during the year	--	--	483	--	51,431	51,914
Balance at 31 December 2022	1,339,673	879,983	370,336	92,335	2,556,016	5,238,343
Accumulated depreciation:						
Balance at 1 January 2021	--	39,352	73,217	18,099	--	130,668
Depreciation for the year (note 23 and 24)	--	10,613	16,557	1,925	--	29,095
Balance at 31 December 2021	--	49,965	89,774	20,024	--	159,763
Transfer from property, plant and equipment (note 5)	--	--	1,113	--	--	1,113
Depreciation for the year (note 23 and 24)	--	10,613	17,088	1,925	--	29,626
Balance at 31 December 2022	--	60,578	107,975	21,949	--	190,502
Net book value:						
At 31 December 2022	1,339,673	819,405	262,361	70,386	2,556,016	5,047,841
At 31 December 2021	1,339,673	830,018	277,441	72,311	2,504,585	5,024,028



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6. INVESTMENT PROPERTIES (continued)

- a. Investment properties comprise of commercial centers, parking areas and properties under development. Developed commercial centers and parking areas generate income through lease agreements. During the year ended 31 December 2022, there was SR 51.4 million capitalized as borrowing costs for the construction of investment properties included in capital work in progress (2021: SR 11.3 million). Further, the capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Group's general borrowings during the period, in this case 5.10 % per annum (31 December 2021: 3.62 % per annum).
- b. Capital work in progress represents assets under construction relating to commercial centers and infrastructure development work on the land.
- c. Depreciation charged for the year has been allocated to cost of sale.
- d. As at 31 December 2022, the Group's land in the investment properties with a carrying amount of SR 752 million (31 Dec 2021: SR 1,018 million) were mortgaged as collateral against loans and borrowings.
- e. Refer Note 5(g) for key assumptions and information about fair value measurements using significant unobservable input.
- f. Amounts recognized in statement of profit or loss and other comprehensive income for investment properties are as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Rental income from operating leases	89,284	34,334
Direct operating expenses on property that generated rental income	(38,787)	(30,322)

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

- g. Following is the fair value of investment properties, held by the Group:

	31 December 2022 SR'000	31 December 2021 SR'000
Fair value	10,513,336	11,340,000

All the investment properties held by the Group are for the purpose of generating rental income and it does not hold any investment properties with undetermined use.

Revenues are derived from a large number of tenants and no single tenant more than 10% of the Group's revenues.



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6. INVESTMENT PROPERTIES (continued)

- h. For details regarding the impairment assessment in relation to investment properties as carried out by management, please refer note 5.
- i. As at 31 December 2022, the Group has Nil contractual obligation for future repairs and maintenance which are not recognized as liability.
- j. For all investment properties the current use of the property is considered the highest and best use.

7. EQUITY-ACCOUNTED INVESTEE

This represents Group's 40% investment in a joint venture arrangement in Central District Cooling Company ("CDCC"), which is principally engaged in the business of providing central district cooling system services. CDCC has share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interest is the same as the proportion of voting rights held. CDCC is not publicly listed and the Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ('DCS'). The principal place of business of the joint venture is Makkah, KSA. The Group's interest in CDCC is accounted for using the equity method in the consolidated financial statements. The information disclosed reflects the amounts presented in the consolidated financial statements of the joint venture. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy. Summarized financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows.

Summarized statement of financial position of CDCC:

	31 December 2022 SR'000	31 December 2021 SR'000
Current assets	259,747	183,799
Non-current assets	764,877	796,479
Current liabilities	(226,057)	(175,079)
Non-current liabilities	(429,707)	(448,565)
Net assets	368,860	356,634



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7. EQUITY-ACCOUNTED INVESTEE (continued)

Summarized statement of profit or loss of CDCC:

	31 December 2022 SR'000	31 December 2021 SR'000
Revenue	85,401	81,048
Expenses including zakat	(73,175)	(63,119)
Profit for the year	12,226	17,929
Total comprehensive income for the year	12,226	17,929
Group's share in %	40%	40%
Group's share of total comprehensive income	4,890	7,172

Reconciliation to carrying amounts:

	31 December 2022 SR'000	31 December 2021 SR'000
At the beginning of the year	356,634	333,597
Additional equity contribution	—	5,108
Profit for the year	12,226	17,929
Closing net assets	368,860	356,634
Group's share in %	40%	40%
Group's share of net assets (40%)	147,544	142,654
Eliminations	(20,892)	(20,892)
Carrying amount	126,652	121,762



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8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

8.1 Equity investments at fair value through profit or loss

	Note	<u>Carrying value as at</u>		<u>Unrealized (loss) / gain as at</u>	
		<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
		SR'000	SR'000	SR'000	SR'000
Non-current assets					
Al Bilad Makkah Hospitality Fund	A	<u>283,762</u>	<u>304,122</u>	<u>(20,360)</u>	<u>(588)</u>
Current assets					
Alinma Saudi Riyal Liquidity Fund	B	<u>--</u>	<u>24,475</u>	<u>--</u>	<u>844</u>

- a) This represents investment in 20 million units (31 December 2021: 20 million units) of the investee which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'). Management believes that indicative NAV is a reasonable approximation of the fair value of the investee since such indicative NAV is based on the fair value of the core assets of the investee which represent a significant portion of its net assets. As per the audited financial statements of the investee for the year ended 31 December 2022, the Indicative NAV per unit amounts to SR 14.2 (31 December 2021: SR 15.2), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2022. Moreover, since the indicative NAV is not based on observable inputs the fair value of the investee is classified under level 3 of the fair value hierarchy.
- b) This represented investment in Alinma Saudi Riyal Liquidity Fund which is a public investment fund domiciled in KSA and managed by Alinma Investment Company. The objective of the investee is to invest in Murabaha Contracts which complies with Islamic Shari'a. During the year ended 31 December 2022, the Company entered into a swap agreement and the investment in the Fund was liquidated and accordingly the Fund's investment is no longer part of the consolidated financial statements of the Company.



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS
(continued)

8.1 Equity investments at fair value through profit or loss (continued)

- c) Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

	Date of valuation	Fair value measurement using			
		Total SR'000	(Level 1) SR'000	(Level 2) SR'000	(Level 3) SR'000
Equity investments at fair value through profit or loss	31 December 2022	283,762	--	--	283,762
Equity investments at fair value through profit or loss	31 December 2021	328,597	24,475	--	304,122

8.2 Amounts recognized in statement of profit or loss and other comprehensive income

	31 December 2022 SR'000	31 December 2021 SR'000
Fair value (loss) recognized in statement of profit or loss and other comprehensive income	(20,360)	(588)
Fair value gain recognized in statement of profit or loss and other comprehensive income	--	844

8.3 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in note 29.



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9. CASH AND CASH EQUIVALENTS

	31 December 2022 SR'000	31 December 2021 SR'000
Cash on hand	70	85
Cash at banks (refer notes (a), (b) and (c) below)	697,767	981,527
Term deposits (note (a) below)	231,425	305,925
	<u>929,262</u>	<u>1,287,537</u>
Less: Restricted cash – non-current (refer note (a) below)	(242,590)	(242,590)
Less: Restricted cash – current (refer note (a) below)	(346,288)	(716,520)
	<u><u>340,384</u></u>	<u><u>328,427</u></u>

- a) These represent deposit placed in Murabaha deposits with commercial banks having original maturity of three months and yielding profit at prevailing market rate. Further, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks.
- b) Balance in bank accounts with entities having common directorship with the Group amount to SR Nil as at reporting date (31 December 2021: SR 1.5 million).
- c) The cash is held in accounts with banks having sound credit ratings. The fair value of cash and cash equivalent and restricted cash approximates the carrying value at 31 December 2022 and 31 December 2021.

10. OTHER ASSETS

	31 December 2022 SR'000	31 December 2021 SR'000
Other non-current assets		
Accrued rent	17,453	18,396
Other current assets		
Prepaid expenses	10,315	8,362
Hotels other receivables	4,027	37,539
Other	49,595	49,329
	<u>63,937</u>	<u>95,230</u>
Total	<u><u>63,937</u></u>	<u><u>95,230</u></u>



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11. PROPERTIES FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units which determined by management to be used for future sale in the ordinary course of Group's operations. Movement during the year ended is as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Opening balance	24,806	1,419,044
Transfers (note 5)	37,557	(1,395,058)
Additions	--	820
	62,363	24,806
Less: Charged to cost of sales	(41,294)	--
	21,069	24,806

11.1 Properties for development and sale recognized as an expense during the year ended 31 December 2022 amounts to SR 41.3 million (31 December 2021: SR Nil) are included in cost of development properties sold.

11.2 At 31 December 2022 and 31 December 2021, the net realizable value of the properties is assessed to be higher than their carrying value.

Residential units

The management of the Group has carried out an exercise to determine the net realizable value of their residential units. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. At 31 December 2022 and 31 December 2021, the net realizable value of the residential units is assessed to be higher than their carrying value.

12. TRADE AND OTHER RECEIVABLES

	31 December 2022 SR'000	31 December 2021 SR'000
Receivables from contract with customers	36,956	16,757
Receivables from rental income and land sale (note 12.1)	205,985	156,322
Contract assets	12,519	56,550
Advances to suppliers	132,565	152,904
Margin and other deposits	--	14,571
Other receivables	101,410	211,645
Less: allowance for expected credit loss	(99,801)	(60,689)
	389,634	548,060

12.1 This includes an amount of SR 48 million (2021: SR 48 million) in respect of the sale of certain property in prior periods. The amount has been fully settled subsequent to 31 December 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 90 to 180 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2022, five largest customers accounted for 54% (31 December 2021: 71%) of the outstanding receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

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

The allowance for expected credit loss of trade and other receivables is as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Receivables from contract with customers	10,651	9,882
Receivables from rental income	78,649	41,921
Receivables in respect of properties for development and sale	8,478	--
Contract assets	2,023	8,886
	99,801	60,689

12.2 Movement in allowance for credit losses against trade and other receivables are as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Opening balance	60,689	104,297
Charge / (reversals) for the year	49,079	(34,036)
Provision written off against receivable	(9,967)	(9,572)
Closing balance	99,801	60,689

Contract assets relate to off-plan sales of properties for development and sale. Contract assets are initially recognized for revenue earned from property under development rendered but yet to be billed to customers. Upon billing of invoice, the amounts recognized as contract assets are reclassified to trade receivables. The group also recognized a loss allowance for contract assets in accordance with IFRS 9.



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13. GAIN ON DISPOSAL OF NON-CURRENT ASSETS

Gain on disposal of sale of land amounting to SR Nil (31 December 2021: 1,068 million).

	31 December 2022 SR'000	31 December 2021 SR'000
Opening balance	--	115,821
Transferred from property, plant and equipment	--	110,835
Non-current assets sold during the year	--	(226,656)
Closing balance	--	--
Proceeds from disposal of non-current assets	--	1,045,000
Gain on disposal of non-current assets	--	1,068,808

During the year ended 31 December 2021, following sale of plots were made:

1) 2,572 square meters located in Phase 7 of the Group's project amounting to SR 830 million by transferring the plot's legal title to the buyer. Out of SR 830 million, an amount of SR 52 million is deferred and to be recognized on fulfillment of related performance obligation.

2) 2,600 square meters located in Phase 5 of the Group's project by transferring the plot's possession to the buyer with noncancellable terms. The Group management expect transfer of title deed as protective clause with no further performance obligation.

14. CAPITAL AND RESERVES

14.1 Share capital

	2022	2021
In thousand of shares		
In issue at 1 January 2022 – Fully paid/contributed	929,400	929,400
Issue of shares against swap agreement (refer note 2.4)	225,134	--
In issue at 31 December 2022 – Fully paid/contributed	1,154,534	929,400
Authorised - par value SR 10	11,545,342	9,294,000

14.2 Share premium

Pursuant to the settlement of lease obligation as mentioned in the note 2.4, share premium reserve amounting to SR 2,918 million was recorded.

On 29 December 2022, as permitted by applicable regulations, the Board of Directors of the Company, resolved to approve the application / set off of the available share premium balance against the accumulated losses of the Company as at 31 December 2022. Accordingly as at 31 December 2022, share premium balance amounting to SR 1,590 million should set off as such.



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14. CAPITAL AND RESERVES (continued)

14.3 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net profit for the year (after absorption of accumulated losses) is transferred to statutory reserve. The Group may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The statutory reserve is not available for distribution. Since the Company has incurred a net loss for the year ended December 31, 2022, no transfer to statutory reserve has been made during the year then ended.

14.4 Reserve for advances to certain founding shareholders

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

15. LOANS AND BORROWINGS

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

	31 December 2022 SR'000	31 December 2021 SR'000
Loans and borrowings	10,682,433	9,632,872
Accrued commission	361,623	241,320
Less: Deferred financial charges	(63,011)	(65,262)
	10,981,045	9,808,930
Current portion	(478,621)	(1,766,085)
	10,502,424	8,042,845
Non-current portion		
	31 December 2022 SR'000	31 December 2021 SR'000
Government loan (Note (a) below)	1,378,951	1,326,088
Syndicate loan (Note (b) below)	5,388,035	4,889,028
Accrued Commission	225,161	201,980
Facility from a local bank (Note (c) below)	928,600	--
Facility from local bank (Note (f) below)	29,150	29,150
Facility from local bank (Note (d) below)	1,600,000	600,000
Subordinated Sukuk (Note (g) below)	--	506,250
Facility from local bank (Note (h) below)	1,007,477	547,550
	10,557,374	8,100,046
Less: Deferred financial costs	(54,950)	(57,201)
	10,502,424	8,042,845



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15. LOANS AND BORROWINGS (continued)

Current portion

	31 December 2022 SR'000	31 December 2021 SR'000
Facility from a local bank (Note (c) below)	71,400	635,656
Accrued commission	24,216	9,496
Facility from a local bank (Note (d) below)	--	1,000,000
Accrued commission	--	3,171
Facility from a local bank (Note (e) below)	--	70,000
Accrued commission	--	1,099
Facility from a local bank (Note (f) below)	26,235	29,150
Accrued commission	925	420
Accrued commission (Note (d) below)	95,920	15,455
Subordinated Sukuk (Note (g) below)	252,585	--
Accrued commission (note (g) below)	4,888	8,318
Accrued commission (Note (h) below)	10,513	1,381
	486,682	1,774,146
Less: Deferred financial costs	(8,061)	(8,061)
Current portion	478,621	1,766,085

- a) On 13 December 2011 (corresponding to 18 Muharram 1433H), the Group signed an agreement with the Ministry of Finance ("MoF"), a government entity, to obtain a loan amounting to SR 3 billion. The loan was designated for development of Phase 3 of the Group's Project. At origination, the amount was due for settlement in six semi-annual installments commencing from 1 January 2014. There are no financial debt covenants related to the facility.

During 2016, the Group obtained an extension on the settlement's commencement date to 1 January 2019.

During 2018, the Group obtained approval from the lender to further reschedule the loan for repayment in three equal installments annually, commencing from 31 December 2018, with interest rate of SIBOR plus 1.75%.

During 2020, the Group obtained approval from the lender to postpone until 31 March 2022 the repayment of all installments that were due on or before 31 December 2020.

During 2021, the Group entered into a loan restructuring agreement with MoF that involved significant modifications of the loan terms, including waiver of the accrued commission, capitalization of commission for certain period before commencing repayments, revision in commission rates and conversion of SR 1.5 billion of the total existing loan amount into a new unsecured Shariah-compliant subordinated perpetual instrument ("Perpetual instrument"), and maturity extension of the remaining secured SR 1.5 billion to 31 March 2031, with bullet payment ("Bullet Loan").

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15. LOANS AND BORROWINGS (continued)

The SR 1.5 billion Perpetual instrument includes the following main features:

1. Waiver of the entire accrued and unpaid profit amounting to SAR 457 million.
2. The Perpetual instrument do not carry a contractual maturity nor does the government entity hold a contractual right to redemption or repayment in the ordinary course of Group's business.

Moreover, the Group may elect not to make any of the profit payments, except in the event of distribution of dividend to ordinary shareholders, and such non-payment of profit shall neither accumulate nor be considered an event of default.

The Group has analysed the Perpetual Instrument having features of an equity instrument under IAS-32 and hence classified the instrument under equity at its fair value on the date of debt conversion.

The SR 1.5 billion Bullet Loan is repayable semi-annually starting from 31 December 2026 with final maturity on 31 March 2031. The Bullet Loans carries a profit payable annually starting immediately from the date of restructuring.

Pursuant to receipt of binding term sheets from MoF, confirmation from the facility agent and approval of Board of Directors (BoD) of acceptance of term sheets, the Group derecognized the old facility and recognized new facilities. The changes in the terms of the original MoF loan constitute a substantial modification and, accordingly, the difference between the pre-restructuring loan carrying amount and the fair value of the Perpetual Instrument and Bullet Loan, amounting to SR 1.4 billion, has been recognized as net gain on loan restructuring in the statement of profit or loss and other comprehensive income. The Group management is in the process of finalizing the facilities agreement as at 31 December 2022.

The Group has pledged plots of land in phase 3 and phase 7 with a carrying amount of SR 727.4 million to the lender as mortgage against the loan.

- b) On 18 May 2015 (corresponding to 29 Rajab 1436H), the Group signed a syndicated Islamic loan agreement under Ijara arrangement with a credit limit of Saudi Riyals 8 billion with two local banks. Such loan shall be used to repay all bank liabilities related to Phases 2, 4 and 5, including a loan from a local bank with a credit limit of Saudi Riyals 2 billion (already paid) and another short-term liability in addition to completing the construction of Phases 2 and 4 and executing Phase 5. The syndicated Islamic loan was payable over a period of 12 years from the date of signing the agreement in quarterly payments ending at September 2027. The Group had withdrawn Saudi Riyals amounting to 4.5 billion under the facility, carrying profit at SIBOR plus spread. During 2020, the Group received letter for the deferral of payment due till March 31, 2021.

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15. LOANS AND BORROWINGS (continued)

During the year ended 31 December 2021, the Group completed the restructuring of the Syndicate loan facility with the following key changes:

- Additional SR 1.2 billion of available limit for future drawdowns.
- Extension in Syndicate Loan's final maturity by 3 years from the original date of maturity with an option to extend by a further 3 years, subject to certain pre-agreed conditions
- Sculpted repayment schedule based on the underlying projects' cash flows
- Scheduled repayments will initiate after a grace period of 3 years
- Scope for step-down in profit rate based on achieved progress on Phases 2 and 4 of the Project and deleveraging of the facility

The Group has analysed the renegotiated terms and identified the changes to represent a non-substantial modification. Accordingly, the resulting modification loss amounting to SR 173 million has been recognized in net gain on loan restructuring presented in the statement of profit or loss and other comprehensive income.

The Group has pledged plots of land from phase 2, phase 4 and phase 5 with a carrying amount of SR 1,616.9 million to the lender as mortgage against the loan. Furthermore, the Group has also issued a promissory note in favor of the syndicate amounting to SR 6.1 billion.

The above facility contains certain financial covenants; however the Group is in compliance with these covenants as at 31 December 2022.

- c) On 20 March 2017 (corresponding to 21 Jumada II 1438H), the Group signed an unsecured long term loan facility agreement with a local bank, the facility limit of SR 842 million for the purpose of settlement of certain Group's outstanding liabilities, whereby the loan will be repaid over a period of four years. Accordingly, as per the repayment terms, the loan was repayable in seven semi-annual equal instalments; the first instalment was due on 20 March 2018 (corresponding to 03 Rajab 1439H) and last instalment would have been due on 20 March 2021 (corresponding to 7 Shabaan 1442H). The loan carries borrowing costs at SIBOR plus 5%. On 21 March 2019 (corresponding to 14 Rajab 1441), the Group entered into a revised/ restructured agreement relating to the facility for the outstanding amount of the loan as at the restructuring date. Accordingly, as per the revised terms, the loan is repayable in nine installments: the first installment falling due on 18 August 2019 (Corresponding to 17 Dhul Hijjah 1440) and last installment due on 19 September 2023 (Corresponding to 4 Rabiul awal 1445). During the year ended 31 December 2020, the Group has received short-term deferral on the instalment due in March 2020 and September 2020 until the following instalment due date in March 2021 and remaining amount to be settled till September 2023 based on semi-annual installment schedule. Due to restructuring in current payments, the Group has recognized modification losses amounting to SR 4.9 million during the year ended 31 December 2020. During 2021, the Group received short-term deferral on the instalment due in March 2021 until July 2021. As of December 31 2021, the Group has utilized SR 636 million. During the year ended 31 December 2022, the Group has repaid the loan in full.

Further, during the year ended 31 December 2022, the Group has finalized signing of new loan facility agreement, having facility limit of SR 1,000 million for the purpose of settlement of certain Group's outstanding liabilities, whereby the loan will be repaid over a period of eight years. Accordingly, as per the repayment terms, the loan is repayable in eight semi-annual equal instalments; the first instalment is due on 31 July 2023 and last instalment would be due on 31 January 2030. The loan carries borrowing costs at SIBOR plus 2.25%.



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15. LOANS AND BORROWINGS (continued)

The Group has pledged plots of land from phase 7 with a carrying amount of SR 229.5 million to the lender as mortgage against the loan.

The above facility contains certain financial covenants and the Group is in compliance with these covenants as at 31 December 2022.

- d) On 17 July 2017 (corresponding to 22 Shawal 1438H), the Group signed an unsecured facility with a local bank, with an amount of SR 500 million for the purpose of settlement of certain Group's outstanding liabilities. The loan carries borrowing costs at commercial rates and was repayable after six months (with an option to extend for a further period of six month). Original maturity date of the loan was 31 August 2018 (corresponding to 20 Dul-Hajjah 1439H). On 16 October 2017 (corresponding to 26 Muharram 1439H), the Group has re-negotiated and signed an agreement to convert the existing unsecured facility with secured facility for an additional amount of SR 500 million which increased the facility to SR 1 billion for the purpose of Group's outstanding liabilities. This new facility is secured with SR 1 billion subscribed units of JODC in the Group's subsidiary interest, Alinma Makkah Real Estate Fund and was due for payment on 31 March 2018. The loan carries borrowing costs at commercial rates. During the year ended 31 December 2020, the Group has finalized the terms and condition of restructuring the facilities and accordingly maturity has been extended to November 2021 with borrowing cost of SIBOR plus 3%. The Group has recognized modification losses amounting to SR 36.2 million, as a result of facilities rescheduled during the year ended 31 December 2020. There are no financial debt covenants related to the facilities. The loan facility has a history of roll-over in the past and during the year ended 31 December 2022, the Group obtained approval from lender to rollover a loan facility amounting to SR 1 billion to 28 August 2022.

On 30 January 2019 (corresponding to 24 Jamada Al Awal 1440H), the Group has signed a facility with a local bank, with an amount of SR 600 million for the purpose of financing existing phase 3 project overhead requirements and other financial commitments. The loan was repayable on 27 February 2020. The facility carries borrowing costs at commercial rates at SIBOR plus 2%. During the year ended 31 December 2020, the Group finalized the terms and condition of restructuring the facility and accordingly its maturity has been extended to December 2025. During 2020, the Group had recognized modification losses amounting to SR 18.5 million due to rescheduling during the year 2020. The deferred repayments will be linked with the assigned operating cashflows of the hotel. There are no financial debt covenants related to the facility.

During the year ended 31 December 2022, the Group has restructured the above-mentioned facilities from the bank amounting to SR 1,000 million and SR 600 million, respectively, and pursuant to this restructuring, the Group has entered into a new facility amounting to SR 1,600 million through modification of the previously obtained facilities. The restructured loan carries borrowing rate at SIBOR plus 2.3%. The Group has recognized modification losses amounting to SR 79.2 million, as a result of facilities rescheduled during the year ended 31 December 2022. This has been signed subsequent to year end. The facility is repayable in six equal quarterly installments commencing from 24 February 2023 with two bullet payments on 28 August 2026 and 28 August 2027 respectively.

The Group has pledged one of its property in phase 1 with the carrying amount of SR 2 billion to the lender as mortgage against the loan.

The above facility contains certain financial covenants; however the Group is in compliance with these covenants as at 31 December 2022.

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15. LOANS AND BORROWINGS (continued)

- e) On 17 January 2018 (corresponding to 30 Rabi Al-Akhar 1439H), the Group signed an unsecured nonfunded facilities with a local bank, with a limit of SR 300 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility was renewed with an amount of SR 209.8 million with an expiry date of 30 January 2020. During the year ended 31 December 2020, the facility had been extended. At 31 December 2021, the Group has utilized SR 70 million to settle some of the outstanding liabilities SIBOR plus 2.5%. During the year ended 31 December 2022, the Group has repaid the loan amount in full.
- f) On 16 August 2017 (corresponding to 24 Dhul Qadah 1438H), the Group signed an unsecured non funded facilities with a local bank, with an amount of SR 200 million for the purpose of opening letters of credit (L/C) and letters of guarantees (L/G) by the Group. The facility carries borrowing costs at commercial rates and facility was rolled over till 05 October 2023 (corresponding to 21 Safar 1444). At 31 December 2022, the Group has utilized SR 55.4 million to settle some of the outstanding liabilities. There are no financial debt covenants related to the facility.
- g) On 12 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SR 506 million, with a maturity date of 15 November 2023. The sukuks were issued under wholly owned subsidiary 'Jabal Omar Sukuk Company Limited' in United States Dollars. The outstanding principal is repayable in a single instalment due on the maturity date. The Sukuk carries a fixed commission rate of 9.85% per annum. There are no financial debt covenants related to the Sukuk.

During the year ended 31 December 2022, the Group announced and redeemed the partial early redemption of Sukuk amounting to USD 67,500,000 in aggregate face amount of its Certificates (out of total face amount of USD 135,000,000) that were issued on 12 November 2018 and its original maturity date is 15 November 2023.

- h) During the year ended 31 December 2021, the Group entered into a secured financing arrangement amounting to SR 1.6 billion with a lender for the completion of the Phase 3 of the Group's Project. SR 547 million were drawn which were used to settle some of Phase 3 related liabilities. Remaining drawdowns from this facility will be made within eighteen months from 30 June 2023. Cost of borrowing is SIBOR plus 0.9% per annum. As per the repayment terms, the loan is repayable in is twenty four equal semi-annual installments. First installment due after 24 months from the date of end of initial availability period dated 30 November 2024.

This loan is secured against the guarantee provided by the Government to the lender. There are no financial debt covenants related to the facility.

- i) During the year ended 31 December 2022, total drawdowns against loans and borrowings amounted to SR 1,993 million (2021: SR 1,184 million), repayments amounted to SR 969 million (2021: SR 286 million), while total finance cost amounted to SR 545 million (2021: SR 369 million)



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16. LEASE LIABILITIES

The Lease liabilities are as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Total liabilities	1,831	15,090
Finance costs	(38)	(534)
	1,793	14,556
Less: Current portion	(1,385)	(3,247)
Non-current portion	408	11,309

The table below shows the maturity analysis of lease liability bifurcated in lease rentals and unamortized finance charges, to be paid after the reporting date.

	Future lease rentals SR'000	Unamortized finance charges SR'000	Lease Liability SR'000
31 December 2022			
Less than one year	1,423	(38)	1,385
Between one to five years	408	--	408
	1,831	(38)	1,793
31 December 2021			
Less than one year	3,407	(160)	3,247
Between one to five years	11,683	(374)	11,309
	15,090	(534)	14,556

17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and other comprehensive income and amounts recognized in the consolidated statement of financial position.



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17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (continued)

	31 December 2022 SR'000	31 December 2021 SR'000
Defined benefit liability at the beginning of the year	27,309	33,400
<i>Included in profit or loss</i>		
Current service cost	7,124	7,992
Interest cost	601	459
Curtailment gain	(888)	(757)
	6,837	7,694
<i>Included in other comprehensive income</i>		
Re-measurement (gain) / loss:		
Actuarial (gain) / loss arising from:		
demographic assumptions	310	--
financial assumptions	341	(1,236)
experience adjustment	2,505	(1,254)
	3,156	(2,490)
<i>Other</i>		
Benefits paid	(4,627)	(11,034)
Liability transferred	--	(261)
	(4,627)	(11,295)
Defined benefit liability at the end of the year	32,675	27,309

Actuarial assumptions

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

	31 December 2022	31 December 2021
Discount rate (%)	4.13%	2.4%
Future salary growth (%)	4.12%	2.25%

At 31 December 2022, the weighted-average duration of the defined benefit obligation was 6.58 years (31 December 2021: 6.03 years).

Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.



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17. PROVISION FOR EMPLOYEES' TERMINAL BENEFITS (continued)

Sensitivity analysis

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

	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
	SR'000	SR'000	SR'000	SR'000
Discount rate (1% movement)	(2,196)	2,072	(1,600)	1,833
Future salary growth (1% movement)	2,181	(2,331)	1,958	(1,742)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation 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 obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

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

	31 December 2022 SR'000	31 December 2021 SR'000
Within the next 12 months (next annual reporting period)	4,899	4,458
Between 1 and 5 years	13,909	11,370
Between 5 and 10 years	25,811	16,164

18. OTHER NON-CURRENT LIABILITIES

	Note	31 December 2022 SR'000	31 December 2021 SR'000
Payable to CDCC (refer note (b) below)	21	716,232	741,205
Retention payable – non-current		193,501	370,363
Refundable deposits (refer note (a) below)		7,979	6,457
Others		15,958	13,455
		933,670	1,131,480

- a) Refundable deposits are received against commercial centers which are to be settled at the end of contract.
- b) Under the arrangement CDCC's purpose is to construct the cooling facilities and provide the cooling service to the Group or other consumers within the project development area. The concession agreement sets out a pricing formula for the sale of services to the Group and consumers which is at a fixed rate subject to contracted cooling capacity and quantity of cooling services.

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19. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	31 December 2022 SR'000	31 December 2021 SR'000
Contractors accrued balances, accrued expenses and other liabilities	384,726	602,859
Retention payable – current	197,839	19,117
Advances from customers	236,022	188,941
Trade payable	121,253	141,071
Due to related parties (note 21)	651,678	587,878
	1,591,518	1,539,866

- a) Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current and non-current based on expected date of settlement.
- b) Advance from customer includes amount received in advance against sale of residential units and advance rent for commercial centers.

20. ZAKAT PAYABLE

Zakat is computed at 2.5% of income subject to zakat or Zakat base, whichever is higher. As such, Zakat for the year ended 31 December 2022 is based on Zakat base, significant components of which are as follows:

		31 December 2022 SR'000	31 December 2021 SR'000
Equity		14,081,762	7,903,214
Opening provisions and other adjustments		12,603,340	8,226,168
Book value of long-term assets		(26,720,067)	(26,112,588)
Adjusted income	A	(208,317)	1,125,567
Zakat base	B	(243,282)	(1,680,227)
Zakat base higher of A and B		--	1,125,567

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



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20. ZAKAT PAYABLE (continued)

The movement in the zakat provision for the year is as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Opening Balance	301,768	68,741
Charge for the year		
Current zakat charge – current year	--	29,017
Current zakat charge – prior period	--	182,189
	--	211,206
Payments	(16,710)	--
Transfer from accruals	--	21,821
Closing balance	285,058	301,768

Status of assessments

The Group has filed Zakat returns for all periods/years upto and including 31 December 2021. Zakat assessments have been finalized with Zakat, Tax and Customs Authority (ZATCA) for the years from 1427H to 1433H.

In prior periods, ZATCA had raised additional zakat demand of SR 421 million in respect of the years ended 30 Dhul Hijjah 1434H to 1437H along with the periods ended 15 Rajab 1438H and 31 December 2018. The Group had filed an appeal against the additional demand. The Tax Violation and Dispute Appellate Committee (TVDAC) issued a notification in respect of the appeal revising the Zakat demand to SR 354 million. The Group has submitted a request for reconsideration with TVDAC. As at the reporting date, TVDAC's response is awaited in this respect.

During the year ended 31 December 2021, ZATCA issued assessments for the years 2019 and 2020 raising an additional zakat demand of SR 209 million. The Group has submitted an appeal in respect of the foregoing assessments. The Tax Violation and Dispute Resolution Committee (TVDR) has rendered its decision on the Group's appeal revising the additional Zakat demand to SR 189 million. The Group is in the process of filing an appeal with the TVDAC against TVDR's decision. As at 31 December 2022, management has recognized a provision representing its best estimate of the amount required to settle all Zakat exposures, including pending assessments and appeals thereagainst, upto and including the year ending 31 December 2022.

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21. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management and transactions with related parties are carried out at agreed terms. Following is the list of certain key related party transactions and balances of the Group.

Key management personnel comprise chief executive officer and heads of departments. Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined Benefit plan.

<u>Related party</u>	<u>Relationship</u>
Central District Cooling Company	Joint venture
Al-Bilad Makkah Hospitality Fund	Investee
Makkah Construction and Development Company	Shareholder
Key management personnel	Responsible for planning, directing and controlling the activities of the entity

In addition to related party transactions disclosed in notes to these consolidated financial statements, significant transactions with related parties in the ordinary course of business included in the consolidated financial statements for the year ended 31 December and balances arising there from are summarized below:

		31 December 2022 SR'000	31 December 2021 SR'000
Related party	Nature of transaction		
Bank Al Bilad	Finance cost	--	28,291
Key Management Personnel Compensation	- Short term employee benefits	7,200	6,714
	- Post-employment benefits	150	150
	- BOD meeting attendance fee	1,640	557
Central District Cooling Company – Joint Venture	Cooling charges	22,798	12,978
	Concession payable related finance charges	38,474	39,614
	Concession payments	23,765	22,625
	Rental income	4,057	4,057



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21. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Balances arising from transactions with related parties are as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Included under</u>	31 December 2022 SR'000	31 December 2021 SR'000
Central District Cooling Company	Joint venture	Other non-current liabilities	716,232	741,205
		Trade and other receivables	15,868	11,467
		Trade payable and other current liabilities	272,395	208,817
Bank Al-Bilad	Affiliate	Loans and borrowings	--	642,277
Al-Bilad Makkah Hospitality Fund	FVTPL investment	Trade payable and other current liabilities	69,718	69,496
Makkah Construction and Development Company (refer note 5c)	Shareholder	Trade payable and other current liabilities	309,565	309,565

22. REVENUE

	<u>Note</u>	31 December 2022 SR'000	31 December 2021 SR'000
Revenue from contract with customers	A	760,217	276,025
Revenue from rental income	B	89,284	34,334
		849,501	310,359



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22. REVENUE (continued)

22.1 Disaggregation of revenue from contract with customers

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

	For the year ended 31 December					
	2022	2021	2022	2021	2022	2021
	Operating Hotels SR'000	SR'000	Commercial centers SR'000	Properties for development and sale SR'000	Total SR'000	SR'000
Type of revenue:						
Sale of Properties for development and sale	-	-	-	62,680	62,680	96,909
Hotel operations						
- Room rent	542,157	142,111	-	-	542,157	142,111
- other services	155,380	37,005	-	-	155,380	37,005
	697,537	179,116	-	62,680	760,217	276,025
Timing of revenue recognition:						
Point-in-time	155,380	37,005	-	-	155,380	37,005
Over time	542,157	142,111	-	62,680	604,837	239,020
Total Revenue from contract with customers	697,537	179,116	-	62,680	760,217	276,025
22.2 Rental income (over time)						
	2022	2021	2022	2021	2022	2021
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Commercial center	-	-	89,284	34,334	89,284	34,334
Total revenue from rental income	-	-	89,284	34,334	89,284	34,334

22.3 The customers for operating hotels are represented by various diversified members of general public from all over the world. The customers for commercial centers are represented by shop owners in KSA. While the customer for properties for development and sale are largely represented by members of general public. There is no significant concentration of revenue to specific customers in any of the segments.



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23. COST OF SALES

	31 December 2022 SR'000	31 December 2021 SR'000
Cost of property for development and sale	74,231	87,616
Commercial center operating costs	22,392	14,212
Hotel operating cost	468,068	205,235
Depreciation and amortization	225,338	221,655
Other costs	7,711	6,276
	<u>797,740</u>	<u>534,994</u>

24. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2022 SR'000	31 December 2021 SR'000
Employee related costs and travelling expenses	53,456	136,753
Depreciation and amortization	41,337	51,181
Withholding taxes	3,364	3,378
Professional and consultancy fees	38,071	16,554
Attendance fee for board meetings	1,724	594
Hotels pre-opening expenses	3,323	1,668
Other	36,085	27,492
	<u>177,360</u>	<u>237,620</u>

25. OTHER OPERATING INCOME

	31 December 2022 SR'000	31 December 2021 SR'000
Murabaha investment income	5,106	1,821
Financial investments at fair value through profit or loss (refer note 8)	--	844
Concession fee	1,602	1,097
Maintenance fee and others	12,382	3,500
	<u>19,090</u>	<u>7,262</u>



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26. NET FINANCE COSTS

	31 December 2022 SR'000	31 December 2021 SR'000
Finance cost on leasing arrangement and other non-current liabilities	38,483	426,159
Finance cost on loan arrangement (a)	545,051	368,997
	583,534	795,156
Amount capitalized (note 5 and 6)	(157,564)	(59,127)
	425,970	736,029

- a) This includes modification loss amounting to SR 79.91 million (2021: SR 49 million) recognized during the year 2022.

27. (LOSS) / EARNINGS PER SHARE

Basic (loss) / earning per share for the year ended 31 December 2022 and for the year ended 31 December 2021, have been computed by dividing the (loss) / profit for the year attributable to the shareholders of the Company by the number of shares outstanding during such year. As there are no diluted shares outstanding, basic and diluted losses per share are identical.

	31 December 2022 SR'000	31 December 2021 SR'000
(Loss) / profit for the year attributable to shareholders of the Company	(352,430)	946,206
Weighted average number of shares outstanding (number in thousand) (refer note 27.1)	1,004,445	929,400
(Loss) / earnings per share (Saudi Riyals) – Basic and diluted	(0.35)	1.02

27.1 Weighted-average number of shares

	31 December 2022	31 December 2021
<i>In thousand of shares</i>		
Issued shares at 1 January	929,400	929,400
Effect of shares issued during the year	75,045	-
Weighted-average number of shares at 31 December	1,004,445	929,400



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28. SEGMENT REPORTING

Basis for segmentation

The Group has the following five strategic divisions which are its reportable operating segments. These divisions offer different products and/or services and are managed separately. The Group's Chairman, Group Chief Executive, and Chief Financial Officer (CFO) monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group. The following summary describes the operations of each reportable segment.

<u>Reportable segments</u>	<u>Operations</u>
Operating Hotels	Includes leasing rooms and selling food and beverages ("the Hotels").
Commercial centers	Includes operating and leasing commercial shopping malls ("the Commercial Centers").
Properties for development and sale	Includes construction and development of property and sale of completed dwellings
Corporate (Head office)	Activities of corporate office including selling and marketing.

	<i>As at the year ended 31 December 2022</i>				
	<i>Operating Hotels SR'000</i>	<i>Commercial Centers SR'000</i>	<i>Properties for development and sale SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
Current assets	404,563	71,455	33,589	651,705	1,161,312
Property, plant and equipment	20,151,206	44,930	--	5,403	20,201,539
Investment properties	1,614,696	3,433,145	--	--	5,047,841
Asset held for sale	130,749	--	--	--	130,749
Other non-current assets	220	--	--	670,810	671,030
Total Assets	22,301,434	3,549,530	33,589	1,327,918	27,212,471
Total liabilities	142,478	38,982	119,331	13,524,968	13,825,759

The consolidated statement of profit or loss and other comprehensive income items for the year ended 31 December 2022 items are as follows:

<i>For the year ended 31 Dec 2022</i>	<i>Operating Hotels SR'000</i>	<i>Commercial Centers SR'000</i>	<i>Properties for development and sale SR'000</i>	<i>Corporate SR'000</i>	<i>Total SR'000</i>
Revenue from operations	697,537	89,284	62,680	--	849,501
Total comprehensive (loss) / income	(18,993)	46,444	(11,551)	(371,429)	(355,529)



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28. SEGMENT REPORTING (continued)

<i>As at 31 Dec 2021</i>	<i>As at the year ended 31 December 2021</i>				
	<i>Operating Hotels SR '000</i>	<i>Commercial Centres SR '000</i>	<i>Properties for development and sale SR '000</i>	<i>Corporate SR '000</i>	<i>Total SR '000</i>
Current assets	224,451	38,961	67,674	1,406,432	1,737,518
Property and equipment	19,309,403	44,930	-	15,183	19,369,516
Investment properties	1,611,306	3,412,722	-	-	5,024,028
Other non-current assets	455	-	-	691,061	691,516
Total Assets	21,145,615	3,496,613	67,674	2,112,676	26,822,578
Total liabilities	135,127	6,470	149,005	17,903,750	18,194,352

The consolidated statement of profit or loss and other comprehensive income items for the year ended 31 December 2021.

<i>For the year ended 31 Dec 2021</i>	<i>Operating Hotels SR '000</i>	<i>Commercial Centres SR '000</i>	<i>Properties for development and sale SR '000</i>	<i>Corporate SR '000</i>	<i>Total SR '000</i>
Revenue from operations	184,835	34,334	91,190	-	310,359
Total comprehensive (loss) / income	(579,325)	(210,205)	9,293	1,728,717	948,480

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in equity instruments.

The Group has exposure to the following risks arising from financial instruments:

- market risk;
- credit risk; and
- liquidity risk

Risk management framework

The Group 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 Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. Audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. The Group is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

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 price risk.



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, at floating rates of interest, which are subject to re-pricing. There are interest bearing liabilities at fixed rate of interest, which has no exposure to cash flow interest rate risk. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

The interest rate profile of the Group's variable interest-bearing financial instruments as reported to the management of the Group is as follows:

	31 December 2022 SR'000	31 December 2021 SR'000
Financial liabilities	10,374,463	9,068,322

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Group's profit before tax, through the impact of floating rate borrowings with all other variables held constant:

	31 December 2022 SR'000	31 December 2021 SR'000
Interest rate-increases by 100 basis points	99,262	90,683
Interest rate-decreases by 100 basis points	(99,262)	(90,683)

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 transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Group's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from special commission rate risk (also referred to as interest rate risk or commission rate risk) or currency risk, whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market.



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Price risk (continued)

The Group's exposure to unit price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. The Group closely monitors price in order to manage price risk arising from investments in fund.

The table below summarizes the impact of increases/decreases of the NAV of units on the Group's equity. The analysis is based on the assumption that the NAV of units had increased or decreased by 5% with all other variables held constant, and that all the Group's units moved in line with the market price.

	Impact on profit or loss	
	31 December	31 December
	2022	2021
	SR'000	SR'000
NAV of the units – increases by 5%	14,188	15,206
NAV of the units – decreases by 5%	(14,188)	(15,206)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, leading to a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, restricted cash, credit exposures to customers, including outstanding receivables, accrued rental income and contract assets.

Credit risk is managed on a Group basis. For trade receivables, accrued rental income and contract assets, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2022 and 31 December 2021 is equal to the respective carrying amounts as disclosed in notes 9 and 12.

Cash at banks are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, accrued rental income and contract assets, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables, accrued rental income and contract assets based on a provision matrix. To measure the expected credit losses, trade receivables, accrued rental income and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets and accrued rental income relate to unbilled work in progress. Further, the expected credit losses also incorporate forward-looking information.



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Credit risk (continued)

The provision matrix takes into account historical credit loss experience (48 months-period) and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP growth rate to be the most relevant macroeconomic factors of forward looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

Tenant Receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals and services to tenants in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Receivables resulting from the sale of inventory property, property under development and contract assets

Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

The following table provides information about the exposure to credit risk and ECLs for receivables and contract assets:

31 December 2022	<u>Current</u>	<u>More than 30</u>	<u>More than 90</u>	<u>More than 120</u>	<u>Total</u>
	<u>SR'000</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>	<u>SR'000</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	
Expected loss rate	2%	2%	2%	2%	36%
Gross carrying amount	52,541	28,663	4,337	187,919	273,460
Loss allowance	792	545	84	95,914	97,335
31 December 2021	<u>Current</u>	<u>More than 30</u>	<u>More than 90</u>	<u>More than 120</u>	<u>Total</u>
	<u>SR'000</u>	<u>days past due</u>	<u>days past due</u>	<u>days past due</u>	<u>SR'000</u>
		<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	
Expected loss rate	0%	26%	59%	48%	25%
Gross carrying amount	102,463	25,446	11,908	98,655	238,472
Loss allowance	-	6,572	7,006	47,111	60,689



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group's management has developed a plan to enable the Group to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern.

Expected maturity of undiscounted cash flows of financial liabilities are as follows:

	Gross undiscounted value SR'000	up to 1 year SR'000	More than 1 year and less than 2 years SR'000	More than 2 year and less than 5 years SR'000	More than 5 years SR'000
31 December 2022					
Loans and borrowings	11,584,343	540,161	1,515,618	2,732,285	6,796,279
Payable to unit holder	-	-	-	-	-
Trade payable and other current liabilities	1,355,496	1,355,496	-	-	-
Lease liabilities	1,831	1,440	391	-	-
Other non-current liabilities:	1,388,886	37,266	261,714	186,717	903,189
	14,330,556	1,934,363	1,777,723	2,919,002	7,699,468
	Gross undiscounted value SR'000	up to 1 year SR'000	More than 1 year and less than 2 years SR'000	More than 2 year and less than 5 years SR'000	More than 5 years SR'000
31 December 2021					
Loans and borrowings	10,860,347	1,398,958	1,801,557	1,935,187	5,724,645
Payable to unit holder	8,644,479	812,398	812,398	1,218,596	5,801,087
Trade payable and other current liabilities	1,350,925	1,350,925	-	-	-
Lease liabilities	15,090	3,407	11,683	-	-
Other non-current Liabilities	1,589,740	62,239	437,595	186,717	903,189
	22,460,581	3,627,927	3,063,233	3,340,500	12,428,921



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Liquidity Risk (continued)

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. Refer to Note 15 for unused credit facilities and Note 9 for closing cash position of the Group.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	31 December 2022 SR'000	31 December 2021 SR'000
Financial assets		
Other current assets	53,622	86,868
Trade and other receivables	344,351	455,845
Financial investments at fair value through profit or loss	-	24,475
Cash and cash equivalents	340,384	328,427
Restricted cash	346,288	716,520
	31 December 2022 SR'000	31 December 2021 SR'000
Financial liabilities		
Loans and borrowings – current portion	478,621	1,766,085
Payable to other unitholders of investment fund	-	406,199
Lease liabilities – current portion	1,385	3,247
Trade payable and other current liabilities	1,355,496	1,350,925

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	31 December 2022 SR'000	31 December 2021 SR'000
Financial assets		
Financial investments at fair value through profit or loss	283,762	304,122
Restricted cash	242,590	242,590
Other non-current assets	17,453	18,396
	31 December 2022 SR'000	31 December 2021 SR'000
Financial liabilities		
Loans and borrowings	10,502,424	8,042,845
Payable to other unitholders of investment fund	-	4,964,244
Lease liabilities – non-current portion	408	11,309
Other non-current liabilities	933,670	1,131,480

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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity Risk (continued)****Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimize the capital structure to reduce cost of capital. The capital structure includes all components of shareholders' equity totaling SR 13,387 million at 31 December 2022 (31 December 2021: SR 8,628 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Management is monitoring the cash capital position of the company and is the process of considering the overall capital structure. Some of these initiatives have been set out in the note on going concern (Note 2.4).

The Group's treasury department monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	31 December 2022 SR'000	31 December 2021 SR'000
Borrowings	10,981,045	9,808,930
Lease liabilities	1,793	14,556
Payable to unit holders	-	5,370,443
Less: cash and cash equivalents	(340,384)	(328,427)
Less: restricted cash	(588,878)	(959,110)
Net debt (A)	10,053,576	13,906,392
Shareholders' equity (B)	13,386,712	8,628,226
Total capital (A+B)	23,440,288	22,534,618
Gearing ratio (A / (A+B))	0.43	0.62



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

Liquidity Risk (continued)

Capital management (continued)

(a) Net debt

	31 December 2022 SR'000	31 December 2021 SR'000
Borrowings	10,981,045	9,808,930
Lease liabilities	1,793	14,556
Payable to unit holders	-	5,370,443
Less: cash and cash equivalents	(340,384)	(328,427)
Less: restricted cash	(588,878)	(959,110)
Net debt (A)	10,053,576	13,906,392
Gross debt – fixed interest rates	309,763	5,384,999
Gross debt – variable interest rates	10,673,075	9,808,930
Cash and liquid investments	(929,262)	(1,287,537)
Net debt (A)	10,053,576	13,906,392

(b) Net debt reconciliation

	Cash and cash equivalent SR'000	Restricted cash SR'000	Borrowings SR'000	Payable to unit holders SR'000	Lease liabilities SR'000	Total SR'000
January 1, 2021	51,225	590,909	(10,940,081)	(5,050,462)	(25,038)	(15,373,447)
Finance cost / others	-	-	(397,185)	(319,980)	-	(717,165)
Remeasurement	-	-	1,500,000	-	10,482	1,510,482
Cash flows, net	277,202	368,201	28,336	-	-	673,739
31 December 2021	328,427	959,110	(9,808,930)	(5,370,442)	(14,556)	(13,906,391)
Finance cost / others	-	-	(538,191)	5,370,442	-	4,832,251
Remeasurement	-	-	-	-	11,323	11,323
Cash flows, net	11,957	(370,232)	(633,924)	-	1,440	(990,759)
31 December 2022	340,384	588,878	(10,981,045)	-	(1,793)	(10,053,576)



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29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

29.1 Fair value measurement of financial instruments

Recognized fair value measurements

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

29.1 Fair value measurement of financial instruments (continued)

Fair value hierarchy

For the year ended 31 December 2022						
	<u>FVTPL</u>	<u>Amortized</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>SR'000</u>	<u>cost</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Financial assets						
Cash and cash equivalents	-	340,384	-	-	-	-
Restricted cash	-	588,878	-	-	-	-
Trade and other receivables	-	344,351	-	-	-	-
Other current assets	-	53,622	-	-	-	-
Financial investments at fair value through profit or loss	283,762	-	283,762	-	-	283,762
	<u>283,762</u>	<u>1,327,235</u>	<u>283,762</u>	<u>-</u>	<u>-</u>	<u>283,762</u>
For the year ended 31 December 2021						
	<u>FVTPL</u>	<u>Amortized</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>SR'000</u>	<u>cost</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Financial assets						
Cash and cash equivalents	-	328,427	-	-	-	-
Restricted cash	-	959,110	-	-	-	-
Trade and other receivables	-	537,628	-	-	-	-
Other current assets	-	95,230	-	-	-	-
Financial investments at fair value through profit or loss	328,597	-	328,597	24,475	-	304,122
	<u>328,597</u>	<u>1,920,395</u>	<u>328,597</u>	<u>24,475</u>	<u>-</u>	<u>304,122</u>

There are no transfers in the fair value levels during the year ended 31 December 2022.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

29. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)

29.1 Fair value measurement of financial instruments (continued)

Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Investment in public funds	Quoted market prices
Funds Investment in non- public funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund

The carrying values of the financial liabilities under amortised cost approximate their fair values. The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

Fair value measurements using significant unobservable inputs (level 3)

	31 December 2022 SR'000	31 December 2021 SR'000
Opening balance	304,122	304,710
Loss recognised in profit or loss	(20,360)	(588)
Closing balance	283,762	304,122

Valuation process

In line with the Group's reporting dates, the Group's finance department determines fair value of the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Refer Note 8 for details on main level 3 inputs used by the Group.

30. COMMITMENTS AND CONTINGENCIES

- As at 31 December 2022, the outstanding capital commitments in respect of development of the Project amounted to SR 3,607 million (31 December 2021: SR 4,297 million).
- Refer note 20 for Zakat and tax related contingencies.
- As at 31 December 2022, the Group has bank letter of credits amounting to SR 5.5 million (31 December 2021: SR 56.2 million) issued from local bank in the Kingdom of Saudi Arabia
- As at 31 December 2022, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 50 million (31 December 2021: SR 50 million).



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

31. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized to issue by the Board of Directors on 30 March 2023 corresponding to 8 Ramadan 1444H.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2023



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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**KPMG Professional Services**

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company

Qualified Opinion

We have audited the consolidated financial statements of Jabal Omar Development Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, except for the possible effects on the corresponding figures for the year ended 31 December 2022 of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Qualified Opinion

As of 31 December 2023, the Group's total assets include Property, Plant and Equipment and Investment Properties (collectively referred to as the 'Properties') stated at SR 21,357 million and SR 3,508 million respectively (31 December 2022: SR 19,502 million and SR 5,048 million respectively).

As disclosed in note 5, due to the presence of impairment indicators identified in the current and previous financial periods, management performed an impairment exercise in those respective periods. Pursuant to management's impairment assessment carried out during the year ended 31 December 2023 which included a retrospective review of recoverable amount of the Properties in prior periods, management identified that certain properties required an impairment adjustment of SR 0.7 billion as at 1 January 2022. Accordingly, management recognized the adjustment by restating the corresponding balances of Property, Plant and Equipment and Accumulated Losses as of that date. The effect of the restatement is disclosed in note 29. In management's view, the estimates of recoverable amount used in carrying out the foregoing impairment assessment and the resulting restatement are based on assumptions and judgments existing as of the date of such restatement i.e., 1 January 2022. However, due to the elapse of time and significant changes in market conditions since the date of restatement, we are unable to conclude whether those assumptions and judgments were reasonable as at 1 January 2022 and unaffected by the events, circumstances and information arising subsequent to the restatement date and therefore do not incorporate any hindsight. Accordingly, we were unable to conclude whether any adjustment is required to the reported amounts of the Properties and Accumulated Losses as of 1 January 2022 as well as to the amount of expenses reported in the consolidated statement of profit or loss and other comprehensive income for the comparative year ended 31 December 2022. Our report for the current year is qualified due to the effects of these matters on the comparability of the current year's figures and the corresponding figures.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاء محاسبين ومراجعين قانونيين"، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company (continued)

Basis for Qualified Opinion (continued)

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 the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2.4 of the consolidated financial statements, which indicates that the Group generated negative operating cash flows amounting to SR 335 million during the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by SR 473 million. Moreover, the Group's forecasted cash flows showing a net positive cash flow position for the next twelve months, from the reporting date, are significantly dependent upon debt financing and the Group's ability to sell certain land parcels, including those classified under Assets Held for Sale in the consolidated statement of financial position as at 31 December 2023. As stated in note 2.4, these events and conditions along with other matters set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Adequacy of Zakat Provision

The key audit matter	How the matter was addressed in our audit
As detailed in note 18 to the consolidated financial statements, the Group has filed Zakat returns for all years up to and including 31 December 2022. Zakat assessments have been finalized with the Zakat, Tax and Customs Authority (ZATCA) for the years up to 31 December 2018. In prior years, ZATCA had raised additional Zakat demands in respect of certain prior years against which the Group has filed appeals with appropriate competent authorities and is awaiting conclusion.	• We obtained an understanding of management's process in estimating the Zakat provision for current and prior years including open assessments and their impact on years not yet assessed by ZATCA. • We involved our relevant subject matter specialist who challenged the significant assumptions and judgments used by the Group's management and its external Zakat consultant in determination of Zakat provision. • We inspected correspondences between the Group and ZATCA, and its various committees, regarding the assessments made by ZATCA. • We assessed the adequacy of the provision recognized by the management in respect of both current and prior years



Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company (continued)

Adequacy of Zakat Provision (continued)	
The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, management has recognized a provision representing its best estimate of the amount required to settle all Zakat exposures, including pending assessments and appeals thereagainst, up to and including the year ended 31 December 2023. However, there continues to exist Zakat contingencies due to the uncertainty associated with the timing and / or amount of eventual settlement for the year with open assessment, as well as unassessed years. Hence, adequacy of Zakat provision has been considered a key audit matter.	
Valuation of Non-financial Assets	
The key audit matter	How the matter was addressed in our audit
As detailed in note 4.4 and note 5 of the consolidated financial statements, in lieu of impairment triggers being identified, management has carried out an impairment testing ("valuation assessment") exercise in respect of the Group's property, plant and equipment and investment property (the "Properties"). The aggregate balance of the Properties amounts to SR 24.9 billion as at 31 December 2023 (31 December 2022: SR 24.6 billion) which represents a significant balance in the Group's consolidated statement of financial position. For the purposes of the valuation assessment, management has compared the carrying value of the Properties (as the level of each cash generating unit) with the corresponding recoverable amount (being the higher of fair value less cost of disposal and value in use). The determination of recoverable amount is inherently a complex process that involves the use of various assumptions and the exercise of considerable judgment. Such assumptions and judgments are set out in note 5 to the consolidated financial statements. Accordingly, the determined recoverable amount is often highly sensitive to such assumptions and judgments, and variations therein may have a material impact on the consolidated financial statements. Due to the factors set out above, we have identified the valuation assessment of Properties to be a key audit matter.	We obtained the valuation assessment carried out by management and performed the following audit procedures: • Evaluated management's assessment of the existence of impairment indicators. • Assessed the appropriateness of the process of identification of CGUs, and the identified CGUs, for which the valuation assessment was performed. • Assessed the competence, capabilities and objectivity of the Valuer engaged by management. • Tested the mathematical accuracy of the calculations included within management's valuation assessment. • Involved our internal valuation specialist who performed the following procedures: - Reviewed the methodology applied by the Valuer and management, to ensure the valuation approach used and methodology adopted by the Valuer is appropriate; and - Assessed the reasonableness and appropriateness of underlying assumptions and judgments used by the Valuer and management. • Checked the accuracy of the input data used by management to estimate the value-in-use based on discounted cash flow models. • Assessed management's sensitivity analysis around the impact of any change in key assumptions used on the recoverable amount of the CGUs • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. The 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and shareholders.

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

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

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

Those charged with governance, Audit Committee, 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



Independent Auditor's Report

To the Shareholders of Jabal Omar Development Company (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our 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 of Jabal Omar Development Company ("the Company") and its subsidiaries ("the Group").

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

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

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

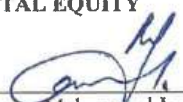


Jeddah, 2 April 2024
Corresponding to: 23 Ramadan 1445h



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	2023 SR'000	2022 SR'000 (Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,356,632	19,501,539
Intangible assets		359	573
Investment properties	6	3,507,787	5,047,841
Equity-accounted investee	7	127,982	126,652
Financial investments	8	—	283,762
Other non-current assets	10	16,509	17,453
Restricted cash	9	109,950	242,590
Total non-current assets		25,119,219	25,220,410
Current assets			
Financial investments	8	267,259	—
Properties for development and sale	11	21,069	21,069
Trade and other receivables	12	342,608	389,634
Other current assets	10	13,743	63,937
Restricted cash-current portion	9	296,596	346,288
Cash and cash equivalents	9	298,848	340,384
Assets held for sale	5 (b)	923,356	130,749
Total current assets		2,163,479	1,292,061
Total assets		27,282,698	26,512,471
EQUITY AND LIABILITIES			
Equity			
Share capital	13.1	11,545,342	11,545,342
Share premium	13.2	627,596	627,596
Statutory reserve	13.3	108,506	108,506
Retained earnings		35,822	—
Reserve for advances to certain founding shareholders	13.4	(285,674)	(285,960)
Equity attributable to Owners of the Company before subordinated perpetual instrument		12,031,592	11,995,484
Subordinated perpetual instrument	14(a)	689,668	689,668
Equity attributable to Owners of the Company after subordinated perpetual instrument		12,721,260	12,685,152
Non-controlling interest		1,560	1,560
TOTAL EQUITY		12,722,820	12,686,712
 Muhammad Jawad Acting Chief Financial Officer  Khaled Mohammed Al Amoudi Chief Executive Officer  Saeed Mohammed AlGhamdi Chairman of the Board of Director			

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2023

	<u>Note</u>	<u>2023</u> <u>SR'000</u>	<u>2022</u> <u>SR'000</u> (Restated)*
Liabilities			
Non-current liabilities			
Loans and borrowings	14	11,048,007	10,502,424
Provision for employees' terminal benefits	15	40,959	32,675
Other non-current liabilities	16	834,782	934,078
Total non-current liabilities		11,923,748	11,469,177
Current liabilities			
Loans and borrowings-current portion	14	678,503	478,621
Trade payable and other current liabilities	17	1,471,941	1,592,903
Zakat payable	18	485,686	285,058
Total current liabilities		2,636,130	2,356,582
Total liabilities		14,559,878	13,825,759
Total equity and liabilities		27,282,698	26,512,471

*The comparative is restated on account of adjustments disclosed in note 29 and 31.


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Director

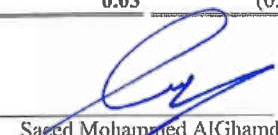
The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 SR'000	2022 SR'000
Revenue	20	1,326,723	849,501
Cost of revenue	21	(925,673)	(820,034)
Gross profit		401,050	29,467
Other operating income	23	397,713	13,984
Selling and marketing expenses		(4,190)	(2,099)
General and administration expenses	22	(218,188)	(155,066)
Reversal / (allowance) of expected credit losses on financial assets	12.2	47,790	(49,079)
Other operating expenses		(738)	(12,864)
Operating profit / (loss)		623,437	(175,657)
Net gain on extinguishment of loan	14	--	259,618
Other income		22,000	--
Finance costs	24	(385,942)	(425,970)
Finance income	9 (a)	14,541	5,106
Net change in fair value of financial investments	8	(16,503)	(20,360)
Share of results from equity-accounted investee		1,330	4,890
Profit / (loss) for the year before Zakat		258,863	(352,373)
Zakat	18	(221,383)	--
Profit / (loss) for the year		37,480	(352,373)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement loss on employees' terminal benefits	15	(1,658)	(3,156)
Total comprehensive income / (loss) for the year		35,822	(355,529)
Profit / (loss) for the year attributable to:			
Shareholders of the Parent Company		37,480	(352,430)
Non-controlling interest		--	57
		37,480	(352,373)
Total comprehensive income / (loss) for the year attributable to:			
Shareholders of the Parent Company		35,822	(355,586)
Non-controlling interest		--	57
		35,822	(355,529)
Earnings / (loss) per share:			
Basic and diluted earnings / (loss) per share:	25	0.03	(0.35)
 Muhammad Jawad Acting Chief Financial Officer	 Khaled Mohammed Al Amoudi Chief Executive Officer	 Saeed Mohammed AlGhamdi Chairman of the Board of Director	

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to the equity holders of the Company						Non-controlling interests SR '000	Total Equity SR '000
	Share capital SR '000	Share premium SR '000	Statutory reserve SR '000	(Accumulated losses) / retained earnings SR '000	Reserve for advances to certain founding shareholders SR '000	Equity attributable to Owners of the Company before subordinated perpetual instrument SR '000	Equity attributable to Owners of the Company after subordinated perpetual instrument SR '000	
Balance at 1 January 2022, as previously reported	9,294,000	-	108,506	(1,179,491)	(285,960)	7,937,055	8,626,723	8,628,226
Adjustment (note 29)	-	-	-	(700,000)	-	(700,000)	(700,000)	(700,000)
Balance at 1 January 2022 (Restated)	9,294,000	-	108,506	(1,879,491)	(285,960)	7,237,055	7,926,723	7,928,226
Loss for the year	-	-	-	(352,430)	-	(352,430)	(352,430)	(352,430)
Other comprehensive income	-	-	-	(3,156)	-	(3,156)	(3,156)	(3,156)
<i>Total comprehensive loss for the Year</i>	-	-	-	(355,586)	-	(355,586)	(355,586)	(355,529)
Issue of share capital under debt to equity swap	2,251,342	2,917,739	-	-	-	5,169,081	5,169,081	5,169,081
Set off of accumulated losses against share premium (note 13.2)	-	(2,290,143)	-	2,290,143	-	-	-	-
Dissolution of subsidiary	-	-	-	(55,066)	-	(55,066)	(55,066)	(55,066)
Balance at 31 December 2022 (Restated)	11,545,342	627,596	108,506	-	(285,960)	11,995,484	12,685,152	12,686,712
Profit for the year	-	-	-	37,480	-	37,480	37,480	37,480
Other comprehensive income	-	-	-	(1,658)	-	(1,658)	(1,658)	(1,658)
<i>Total comprehensive profit for the year</i>	-	-	-	35,822	-	35,822	35,822	35,822
Payments received against advance to certain founding shareholders	-	-	-	-	286	286	286	286
Balance at 31 December 2023	11,545,342	627,596	108,506	35,822	(285,674)	12,031,592	12,721,260	12,722,820


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Director

The accompanying notes from 1 to 32 form an integral part of these consolidated financial statements



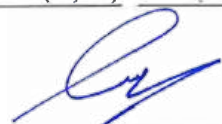
JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	2023 SR'000	2022 SR'000
Cash flows from operating activities			
Profit / (loss) for the year before Zakat		258,863	(352,373)
Adjustments for:			
Depreciation on property, plant and equipment	5	262,767	232,811
Depreciation on investment properties	6	20,681	29,626
Amortization of intangible assets		524	4,238
Impairment of property, plant and equipment	22	71,166	—
(Reversal) / allowance for expected credit losses	12.2	(47,790)	49,079
(Gain) / loss from write-off / disposal of property, plant and equipment		(152)	75,650
Share of results from equity-accounted investee	7	(1,330)	(4,890)
Finance costs	24	385,942	425,970
Net gain on extinguishment of loan	14	—	(259,618)
Gain on disposal of asset held for sale	23	(390,427)	—
Net change in fair value of financial investments		16,503	20,360
		<u>576,747</u>	<u>220,853</u>
Changes in:			
Other non-current assets		943	943
Properties for development and sale		—	41,294
Other current assets		50,194	31,293
Trade and other receivables		83,840	(122,596)
Other non-current liabilities		(150,300)	(172,837)
Trade payable and other current liabilities		(377,531)	246,364
Provisions for employees' terminal benefits	15	6,626	2,210
Cash generated from in operating activities		<u>190,519</u>	<u>247,524</u>
Finance costs paid		(525,526)	(396,746)
Zakat paid	18	—	(16,710)
Net cash used in operating activities		<u>(335,007)</u>	<u>(165,932)</u>
Cash flows from investing activities			
Additions to property, plant and equipment	5	(780,780)	(1,215,505)
Additions to investment properties	6	—	(483)
Additions to intangible assets		(310)	(165)
Proceeds from disposal of asset held for sale	5 (b)	521,176	—
Proceeds from disposal of property, plant and equipment	5	161	—
Net change in restricted cash balances	9	182,332	370,232
Net cash used in investing activities		<u>(77,421)</u>	<u>(845,921)</u>


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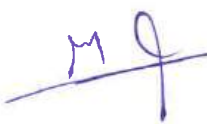


JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2023

	Note	2023 SR'000	2022 SR'000
Cash flows from financing activities			
Payments received against advance to certain founding shareholders	13.4	286	--
Proceeds from loans and borrowings	14	750,516	1,992,907
Repayment of loans and borrowings	14	(379,910)	(969,097)
Net cash generated from financing activities		370,892	1,023,810
Net (decrease) / increase in cash and cash equivalents		(41,536)	11,957
Cash and cash equivalents at 1 January	9	340,384	328,427
Cash and cash equivalents at 31 December	9	298,848	340,384
Major non-cash supplemental information:			
Capitalization of borrowing cost on property, plant and equipment	5 (e)	523,852	106,133
Capitalization of borrowing cost on investment property	6 (a)	88,443	51,431
Transfer from investment properties to property to property, plant and equipment	6	1,607,816	--
Transfer to asset held for sale from property, plant and equipment	5	923,356	130,749
Transfer from property, plant and equipment to investment properties	5	--	2,638
Transfer from property, plant and equipment to properties for development and sale	5	6,845	37,557
Issue of share capital under debt-to-equity swap	13	--	2,251,342


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JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE INFORMATION

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

The Company's and its subsidiaries' (the "Group") main activity is to own Jabal Omar area adjacent to the western side of the Holy Mosque in Makkah and develop it into plots of land to manage, invest, sell and lease them for the Group's interest ("Project") along with carrying out operations necessary for construction, maintenance, management, demolishing, surveying, and furnishing hotels, commercial facilities and staff residences, as well as importing and exporting hotels equipment and furniture, and operating the hotels. For administrative purposes the Project has been disaggregated into different phases and zones with the latter being consistent with the master title deed approved by the Makkah Development Authority.

These consolidated financial statements include the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). Subsidiaries are entities controlled by the Group. The Group is incorporated in the Kingdom of Saudi Arabia except for Jabal Omar Sukuk Company Limited which is incorporated in the Cayman Island. The Company has the following dormant subsidiaries:

<i>Name of the Subsidiary</i>	<i>Registration Number</i>	<i>Registration date</i>	<i>Ownership interest</i>	<i>Financial year end</i>	<i>Principal activities</i>
Sahat For Facility Management Company	4031210499	22 October 2017 (corresponding to 02 Safar 1439H)	100%	31 December	Real estate services
Warifat Hospitality Company	4030298569	1 January 2018 (corresponding to 14 Rabi II 1439H)	90%	31 December	Hospitality services
Jabal Omar Sukuk Company Limited	334209	12 March 2018 (corresponding to 24 Jumada Al Thani 1439H)	100%	31 December	Issuance of sukuks

Alinma Makkah Real Estate Fund and Shamikhat Company for Investment and Development, the subsidiaries where the Company had ownership interest of 16.42% and 100%, respectively, were liquidated during the year ended 31 December 2022. In addition to above, the Company's 100% owned subsidiaries Ishrakat for Logistic services Company and Alyaat for Marketing Company were liquidated during the year ended 31 December 2023.

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage's ("SCTA") letters. These consolidated financial statements include the results of the operating activities relating to the following hotels in addition to its three non-operational branches bearing commercial registration numbers 4030291056, 40301097883 and 40301098207.



JABAL OMAR DEVELOPMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

1. CORPORATE INFORMATION (continued)

<i>Name</i>	<i>Commencement of operation</i>	<i>Registration number</i>	<i>Registration date</i>	<i>SCTA's-letter No.</i>	<i>SCTA's-letter date</i>
Jabal Omar Hilton Suites Hotel (Hilton suites Makkah)	01 July 2014 (corresponding to 4 Ramadan 1435H)	4031077081	25 May 2013 (corresponding to 15 Rajab 1434H)	AVM/5887/34	04 March 2013 (corresponding to 22 Rabi II 1434H)
Jabal Omar Hyatt Regency Hotel (Hyatt Regency)	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031087547	09 September 2014 (corresponding to 14 Dhul Qida 1435H)	8957	25 May 2014 (corresponding to 26 Rajab 1435H)
Jabal Omar Conrad Hotel (Conrad)	30 July 2016 (corresponding to 25 Shabaan 1437H)	4031091636	29 April 2015 (corresponding to 10 Rajab 1436H)	9347	16 March 2015 (corresponding to 25 Jumada I 1436H)
Jabal Omar Hilton Hotel (Hilton Convention)	31 March 2017 (corresponding to 3 Rajab 1438H)	4031097174	10 August 2016 (corresponding to 07 Dhul Qida 1437H)	16474	19 July 2016 (corresponding to 14 Shawwal 1437H)
Jabal Omar Doubletree by Hilton Hotel (Double Tree by Hilton)	01 August 2019 (corresponding to 29 Dhul Qida 1440H)	4031214815	15 May 2018 (corresponding to 29 Shaban 1439H)	1651	14 May 2018 (corresponding to 28 Shaban 1439H)
Jabal Omar Marriott Hotel	22 June 2015 (corresponding to 5 Ramadan 1436H)	4031085088	07 May 2014 (corresponding to 8 Rajab 1435H)	AVM/8332/35	17 March 2014 (corresponding to 16 Jumada I 1435H)
Jabal Omar Address Al Bawaba Makkah (Address) *	06 June 2023 (corresponding to 17 Dhul Qidah 1444H)	4031215100	28 May 2018 (corresponding to 9 Ramadan 1439H)	10006429	16 May 2023 (corresponding to 26 Shawwal 1444H)
Jabal Omar Jumeirah Hotel*	03 September 2023 (corresponding to 18 Safar 1445H)	4031247845	28 February 2021 (corresponding to 16 Rajab 1442H)	10002521	28 August 2023 (corresponding to 12 Safar 1445H)

* Both hotels started partial operations during the year ended 31 December 2023.

2. BASIS OF ACCOUNTING

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS accounting standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to "IFRS as endorsed in KSA").



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.1 Statement of compliance (continued)

The Group has elected to present a single statement of profit or loss and other comprehensive income (herein after also referred to as “Statement of profit or loss”) and presents its expenses by function.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as “the Law”) came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law and accordingly amended its By-Laws to align the articles to the provisions of the Law. The Group will present the amended By-Laws to the shareholders in their General Assembly meeting for their ratification.

2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured as follows:

<u>Items</u>	<u>Measurement basis</u>
Provisions for employees’ terminal benefits	Present value of the defined benefit obligation using projected credit unit method
Financial investment at fair value through profit or loss	Fair value

The consolidated financial statements of the Group are presented in Saudi Riyals (SR), which is also the functional currency of the Group. All amounts have been rounded off to the nearest thousands (SR ‘000), unless when otherwise stated.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2023. The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.3 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date on which control ceases. 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 OCI are attributed to the Owners of the Company 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 subsidiary to bring their accounting policies into line with the Group's accounting policies.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. 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.

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 derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in consolidated Statement of profit or loss. Any investment retained is recognized at fair value.

2.4 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the mandatory repayment terms of the banking facilities as disclosed in note 14.

As at 31 December 2023, the Group's current liabilities exceeds its current assets by SR 473 million (31 December 2022: SR 1,065 million) and during the year then ended, the Group has generated negative operating cash flows amounting to SR 335 million. Moreover, the Group has absorbed accumulated losses amounting to SR 2.3 billion against share premium reserve until 31 December 2022. Furthermore, the Group significantly relies on debt financing to fund construction of its Project's under development and historically the operating cashflows from hotels and commercial malls have been insufficient to meet the debt servicing requirements. Accordingly, the Group entered into different loan restructuring agreements during financial year 2022 and further financing avenues are continuously being explored on a need basis. The existing and new financing arrangements, as well as the Group's capital expenditure and working capital requirements, require the Group to generate sufficient cashflows through operations and sale of properties in order to meet all financial obligations when they fall due without significant curtailment of operations. These conditions and events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of Group's going concern assessment, management has developed a plan (the "Plan") to enable the Group to meet its obligations as and when they become due. While management is actively pursuing the Plan for the next twelve months, certain material uncertainties exist and therefore the Group's ability to continue as a going concern is dependent on the successful execution of the Plan.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.4 Going concern basis of accounting (continued)

This Plan principally includes:

- i) To sell certain plots of undeveloped land and generate aggregate cash inflows amounting to SR 3.6 billion within 12 months from the date of the consolidated statement of financial position. In this respect, during the year ended 31 December 2023, the Board of Directors approved the sale of certain plots of land situated in phase 5 and 6 of the Project. Accordingly, the Group has received a non-binding offer for one such plot of land while the Group has appointed a bidding agent for the sale of other two more plots of land. As at the reporting date, some of the foregoing plots of land meet the criteria for being classified as asset held for sale under IFRS 5 and have been presented as such at the reporting date.
- ii) To fully operationalize hotels that were inaugurated during 2023 (Jabal Omar Address Al Bawaba Makkah and Jabal Omar Jumeirah Hotel), which are expected to increase the operating revenue and cashflows of the Group.
- iii) To enter into new lending arrangements to meet the Group's financing requirements. Subsequent to the year ended 31 December 2023, the Group has entered into Murabaha facility arrangement of SR 1.9 billion with a local bank comprising of both revolving and long-term financing facilities secured against two property in phase 6 as mortgage against the loan.

Based on the foregoing factors, as the Group's cash flow forecast for the 12-month period from the reporting date indicates a net positive cash flow position, management believes that the Group continues to be a going concern. Accordingly, these consolidated financial statements have been prepared on that basis.

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

- Sensitivity analysis pertaining to valuation of property, plant and equipment, and investment properties ("Properties") (note 5).
- Sensitivity analysis pertaining to employees' terminal benefits (note 15).
- Financial instruments risk management and fair value measurement (note 27).



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Judgements and estimates

Information about judgments and estimates made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are as follows:

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

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

Determining the timing of recognition of gain and presentation on the sale of non-current assets

The Group has evaluated the timing of revenue recognition on the sale of non-current assets based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed non-current assets are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied. The Group exercises judgement in determining the appropriate presentation of gain / loss on disposal of non-current assets (note 4.17).

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. For details refer note 2.4.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable from its continued use or sale. The recoverable amount is determined by the management using its fair value less cost of disposal and its value in use.

During the current year it was determined that indicators of impairment continued to exist in relation to Group's Properties (note 5) and as such a detailed impairment assessment has been performed. 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 an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located (herein after referred to as "Demolition Cost"), 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 Discounted Cash Flow ("DCF") model. The cash flows for operating and underdeveloped non-financial assets are derived from the approved budgets and / or expert third party independent forecasts 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. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 5.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Useful lives and residual value of property, plant and equipment, intangibles and investment properties

The Group's management determines the estimated useful lives of its property, plant and equipment, intangible and investment properties for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. Management periodically reviews the useful lives, residual value, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment for expected credit losses (ECL) in financial assets at amortized cost

The Group uses a provision matrix to calculate ECLs for trade and other receivables, other current assets and non-current assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

The Group considers a financial asset to be in default when:

- the financial asset is more than 150 days past due for contract assets and receivables in relation to Hotel's customers; and
- the financial asset is more than 360 days past due for contract assets and receivables from rental income and properties for development and sale.

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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of its customers, and accordingly adjusted the historical loss rates based on expected changes in this factor using different scenarios. 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 respective counter party's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 27.

Zakat

The determination for Zakat provision involves significant management judgement that involves calculation of the Zakat base and Zakatable profits in accordance with the Zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Group. In determining the best estimate of the amount payable to Zakat, Tax and Customs Authority ("ZATCA"), the Group has applied judgement and interpretation of the ZATCA requirements for calculating Zakat.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Employees' terminal benefits plan

The cost of the employees' terminal benefit plan and the present value of the obligation are determined using actuarial valuations. 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 growth, withdrawal rate, mortality rates, normal retirement age and employees' 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 most sensitive parameters are discount rate and future salary growth. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary growth is based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. 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. Refer note 15 for sensitivity related to employee benefits obligations.

Fair value measurement of non-financial assets

The Group has an established control framework with respect to measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurement, including level 3 fair values, and reports directly to chief financial officer.

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

Significant valuation issues are reported to the Group's audit committee.

Revenue recognition from sale of residential units / off-plan sales

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

- the customer simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date

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

In addition to the stand-alone selling price, the sales contract also includes variable consideration in the form of delay penalties, which the Group is required to pay if the assets sold are not delivered on time according to the contractual terms and conditions. This delay penalty is adjusted against revenue. The management has made a judgement in relation to the timing of when the assets sold will be available for operational readiness for the buyer and accordingly adjusted the contract price with the applicable penalties at the reporting date.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

2. BASIS OF ACCOUNTING (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Revenue recognition from sale of residential units / off-plan sales (continued)

Furthermore, to meet the allocation objective, the Group allocates the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis. For bundled services/products, the Group sells the services/products at a discount to the aggregate stand-alone selling prices of the services/products in the bundle, for the purpose of which the Group estimates the standalone selling prices based on the estimate of the price that the customer would be willing to pay in the market for the service/product or in cases where the standalone selling prices highly variable or uncertain the Group uses residual approach for estimation.

3. AMENDMENTS TO STANDARDS, NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

3.1 Amendments to standards

There were no new standards issued and / or applied during the year ended 31 December 2023 and, except for Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, the adoption of the following amendments to the existing standards had no significant impact on the consolidated financial statements of the Group on the current period or prior periods and is expected to have no significant effect in the future periods.

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of ‘material’ rather than ‘significant’ accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

Standard / Interpretation	Description	Effective date
IAS 8	Definition of Accounting Estimate - Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 12	International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12	23 May 2023
IFRS 17	IFRS 17 Insurance Contracts	1 January 2023

3.2 New Standards and interpretations Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 (subject to endorsement of SOCPA) and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.



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3. AMENDMENTS TO STANDARDS, NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

3.2 New Standards and interpretations Not Yet Adopted (continued)

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 16	Lease Liability in a Sales and Leaseback - Amendments to IFRS 16	1 January 2024
IAS 1	Classification of liabilities as current or non-current - Amendments to IAS 1	1 January 2024
IAS 1	Non- current liabilities with covenants - Amendments to IAS 1	1 January 2024
IAS 7 and IFRS 7	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2	Climate-related Disclosures	1 January 2024
IAS 21	Lack of Exchangeability - Amendments to IAS 21	1 January 2025
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Available for optional adoption / effective date deferred indefinitely

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

4.1 Equity accounted investees

The Group's interest in equity-accounted investees comprise interest in joint venture.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.1 Equity accounted investees (continued)

The Statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the Statement of profit or loss outside operating profit and represents profit or loss after Zakat of the joint venture.

The financial statement of the joint venture is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss within 'Share of results from equity accounted investee' in the statement of profit or loss.

4.2 Property, plant and equipment

Recognition and measurement

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

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

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

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and impairment losses, if any. Lands and capital work in progress are measured at cost less any accumulated impairment losses.

Subsequent costs

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



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment (continued)

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 profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

	<u>Number of years</u>
• Building	85
• Central district cooling system	30
• Equipment	10 – 85
• Infrastructure assets	20 – 85
• Furniture and fixtures	10 - 12
• Other assets	4 - 8

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

Derecognition

Property, plant and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount.

Capital work in progress

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible assets (depending on the nature of the project), once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item including consultancy, demolition, levelling of site, cutting rocks, supervision, construction work and other costs attributable to assets transportability to the site and readiness to operate for the intended purpose. Depreciation generally commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.3 Investment properties

Properties held for long-term rental yields or for capital appreciation or both as well as those held for undetermined future use but not for sale in the ordinary course of business, and not occupied by the Group is classified as investment properties. Investment properties comprise land, buildings and equipment, fixtures and fittings, office equipment and furniture which are an integral part of the buildings. Investment properties also includes property that is being constructed or developed for future use as investment properties. Investment properties is measured at its cost, including related transaction costs and where applicable borrowing costs net of accumulated depreciation and impairment, except for properties under construction which is stated at cost less accumulated impairment Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognized.

Investment properties are derecognized 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 recognized in profit or loss in the period of derecognition.

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.

Depreciation on investment properties is charged to Statement of profit or loss using the straight-line method to allocate their costs over their estimated useful lives as follows:

	<u>Number of years</u>
• Building	85
• Equipment	16 – 20
• Infrastructure assets	20 – 85

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

4.4 Financial instruments – initial recognition and subsequent measurement

Financial instruments – initial recognition and subsequent measurement 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.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.4 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized 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 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 amortized 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 amortized 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Financial assets owned by the Group have been classified under the following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

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

The Group's financial assets at amortized cost includes cash and bank balances and trade and other receivables.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.4 Financial instruments – initial recognition and subsequent measurement (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on investments are recognized as other income in the Statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 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.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.4 Financial instruments – initial recognition and subsequent measurement (continued)

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 recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payable, accruals and other liabilities and due to related parties.

Subsequent measurement

For purposes of subsequent measurement, Financial liabilities owned by the Group have been classified as follows:

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included as finance costs in the Statement of profit or loss.

Derecognition

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

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. No financial assets and financial liabilities have been offset as at the reporting date.

Modification of financial assets and liabilities

When the contractual cash flows of a financial instrument is renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that instrument, the Group recalculates the corresponding gross carrying amount and recognises a modification gain or loss in statement of profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument.

The Group accounts for debt to equity swaps or conversion in accordance with the requirements and guidance under IFRIC - 19.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.5 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the Statement of profit or loss. Impairment losses recognized on goodwill are not reversible.

4.6 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 recognizes 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 recognizes 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 recognized, 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.

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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are also subject to impairment.

In calculating the present value of lease payments, the Group uses interest rate implicit in the lease. 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.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.6 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expenses in the period in which the event or condition that triggers the payment occurs.

Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position in accordance with their nature. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalisation threshold of SR 18,750 and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the Statement of profit or loss.

4.7 Development properties

Development properties are properties that are being developed with a view to sell. The Group's development properties arise when Group purchase properties with an intention to sale or where there is a change in use of investment properties evidenced by the commencement of development with a view to sale. The investment properties are reclassified as development properties at their carrying amount 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 development and selling expenses.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.8 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and regulatory expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Moreover, management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

4.9 Cash and cash equivalents

For the purpose of statement of financial position, cash and cash equivalents include cash in hand, deposits held at banks and other short-term 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.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at cash at banks and other short-term 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, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

4.10 Restricted cash (at bank)

Cash at bank that is subject to certain restrictions and is not readily available for general use by the Group at its discretion does not form part of cash and cash equivalents.

4.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the Statement of profit or loss net of any reimbursement.

4.12 Zakat

The Company and its Saudi Arabian subsidiaries are subject to Zakat in accordance with the regulations of Zakat, Tax and Customs Authority ("ZATCA"). Provision for Zakat for the Company and Zakat related to the Company's ownership in the Saudi Arabian subsidiaries is charged to the Statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.13 Revenues

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue from contracts with customers when it transfers control over a good or service to a customer based on a five-step model as set out in IFRS 15.

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. When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Sale of development properties

Sale of development properties primarily represents units in hotels / accommodations. Typically, these properties take a number of years to complete. Revenue recognition regarding the sale of such units is determined by the contractual terms and conditions for each arrangement.

Performance obligations

The performance obligations in these arrangements are normally made up of several promises which encompass the unit, operational readiness (normally for units in hotels) and other amenities. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units is typically considered one performance obligation.

Transaction price and allocation of transaction price

The revenue is measured at the transaction price agreed under the contract and allocated to the performance obligation. In some cases, the transaction price also includes variable consideration.

Revenue recognition

Revenue on sale of development properties is recognized when control over the properties has been transferred to the customer, in some circumstances this is over time, where the criteria is met and in other circumstances revenue is recognized at a point in time, when the customer has control of the property and is able to direct the use of the property, this is typically when the customer has taken possession of the property.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.13 Revenues (continued)

Sale of development properties (continued)

Over time contracts

The Group has determined that, for its typical contracts of multi-unit property, its performance does not create an asset with alternative use to the Group and it has concluded that, at all times, it has an enforceable right to payment for performance completed to date. Therefore, control transfers over time for these contracts. For contracts that meet the overtime revenue recognition criteria, the Group's performance is measured using an input method, by reference to the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the completion of the property.

The Group excludes the effect of any costs incurred that do not contribute to the Group's performance in transferring control of property to the customer (such as unexpected amounts of wasted materials, labour or other resources) and adjusts the input method for any costs incurred that are not proportionate to the Group's progress in satisfying the performance obligation (such as uninstalled materials).

Significant financing

In cases where deferred payment terms are agreed, the transaction price is adjusted for the effects of any significant financing component.

Rental income from investment properties

Rental income from investment properties is recognized in the Statement of profit or loss on a straight-line basis over the term of the lease. When the Group provides incentives to its customers in the form of rent-free period, the incentive is recognized as a reduction of the total rental income over the entire lease term, on a straight-line basis.

Revenue from hotel operations

Revenue from hotel operations comprises revenue from rooms, food and beverages and other associated services provided by the hotel to its customers. The revenue is recognized net of discounts, applicable taxes, and municipality fees on an accrual basis as and when the services are rendered. Performance obligations are satisfied over time, and revenue from hotel services is recognized daily, as the rooms are occupied, and services are rendered, while revenue from sale of food and beverages (and other amenities or guest services) are recorded at a point in time.

4.14 Borrowings costs

Borrowing costs directly attributable to the acquisition or construction of assets that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Capitalization commences when: (1) the Group incurs expenditures for the asset; (2) the Group incurs borrowing costs; and (3) the Group undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.



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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.14 Borrowings costs (continued)

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Borrowing cost is capitalized from the commencement of the development work until the date of practical completion, i.e., when substantially all of the development work is completed. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalized on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

4.15 Finance income and finance costs

Finance income and finance costs are recognized in the Statement of profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

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

4.16 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chairman and CEO, (together chief operating decision maker, "CODM"). The CODM assesses the financial performance and position of the Group and accordingly makes strategic decisions.

An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment;
- Segment results that are reported to the CODM and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis; and
- whose financial information is separately available.

4.17 Operating profit / loss

Operating profit / loss is the result generated from the continuing principal revenue-producing activities of the Group as well as other income expenses related to operating activities. Operating profit / loss excludes items such as net finance cost, share of profit of equity accounted investees, zakat, net gain / loss on modification / derecognition of loans leases. Gain or loss on disposals of non-current assets that are outside the normal course of business and are not part of pre-approved business plans (i.e., disposals made on exceptional basis) are classified under non-operating income / expenses.



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5. PROPERTY, PLANT AND EQUIPMENT

	Lands (d) SR'000	Buildings SR'000	Central District Cooling System (a) SR'000	Equipment SR'000	Furniture and fixtures and other assets SR'000	Infra-structure assets SR'000	Capital work in progress SR'000	Total SR'000
Cost:								
Balance at 01 January 2022	3,018,543	4,207,847	1,019,022	1,970,255	742,323	429,057	9,113,375	20,500,422
Additions during the year (note 5 (e))	--	--	--	1,555	5,195	--	1,315,132	1,321,882
Disposals / write-off during the year	--	--	--	--	(252,869)	--	--	(252,869)
Transfer to asset held for sale (note 5(b))	(130,749)	--	--	--	--	--	--	(130,749)
Transfer to investment properties and properties for sale and development (note 6 and 11)	--	--	--	--	(2,638)	--	(37,557)	(40,195)
Balance at 31 December 2022	2,887,794	4,207,847	1,019,022	1,971,810	492,011	429,057	10,390,950	21,398,491
Additions during the year (note 5 (e))	--	39	18,861	692	6,159	--	1,485,669	1,511,420
Disposals during the year	--	--	--	--	(466)	--	--	(466)
Transfer from CWIP (note 5 (g))	--	3,244,879	--	1,440,543	453,337	--	(5,138,759)	--
Transfer to assets held for sale (note 5 (b))	(923,356)	--	--	--	--	--	--	--
Transfer to properties for development and sale (note 11)	--	--	--	--	--	--	--	(923,356)
Transfer from investment properties (note 5 (c))	--	394,237	--	188,961	--	38,371	(6,845)	(6,845)
Balance at 31 December 2023	1,964,438	7,847,002	1,037,883	3,602,006	951,041	467,428	7,814,297	23,684,095
Accumulated depreciation and impairment:								
Balance at 1 January 2022, as previously reported	--	234,661	153,681	332,535	364,207	45,822	--	1,130,906
Impairment adjustment (note 29)	--	150,261	--	29,549	7,603	8,553	504,034	700,000
Balance at 1 January 2022 (Restated)	--	384,922	153,681	362,084	371,810	54,375	504,034	1,830,906
Depreciation for the year (note 21 and 22)	--	49,873	34,227	81,597	59,130	7,984	--	232,811
Disposals / write-off during the year	--	--	--	--	(165,652)	--	--	(165,652)
Transfer to investment properties (note 6)	--	--	--	--	(1,113)	--	--	(1,113)
Balance at 31 December 2022	--	434,795	187,908	443,681	264,175	62,359	504,034	1,896,952
Impairment (reversal) / charge on property, plant and equipment (note 22)	--	(7,294)	--	(1,357)	(349)	--	80,166	71,166
Depreciation for the year (note 21 and 22)	--	66,031	34,856	96,744	56,713	8,423	--	262,767
Disposals during the year	--	--	--	--	(457)	--	--	(457)
Transfer from investment properties (note 5 (c))	--	31,581	--	57,936	--	7,518	--	97,035
Balance at 31 December 2023	--	525,113	222,764	597,004	320,082	78,300	584,200	2,327,463
Net book value:								
At 31 December 2023	1,964,438	7,321,889	815,119	3,005,002	630,959	389,128	7,230,097	21,356,632
At 31 December 2022 (Restated)	2,887,794	3,773,052	831,114	1,528,129	227,836	366,698	9,886,916	19,501,539
At 31 December 2022, as previously reported	2,887,794	3,923,313	831,114	1,557,678	235,439	375,251	10,390,950	20,201,539



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

- a. The Group signed an agreement ("the Agreement") with the Central District Cooling Company ("CDCC") a joint venture for the construction, operation and maintenance of the District Cooling System ("DCS") for 26.5 years from the date of final commissioning of DCS which became effective on 31 December 2014. The DCS is pledged against a loan obtained by CDCC. The Group is entitled to obtain all economic benefits from the DCS during its entire life and therefore recognizes the DCS from the commencement of construction by CDCC.
- b. As at the reporting date, certain plots of land meeting the criteria for being classified as asset held for sale under IFRS 5 have been presented as assets held for sale in these consolidated financial statements (note 2.4 (i)). Movement in assets held for sale is as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Opening balance of assets held for sale	130,749	--
Transferred from property, plant and equipment (note 5)	923,356	130,749
Sold during the year (note 23 (a))	<u>(130,749)</u>	<u>--</u>
Closing balance of assets held for sale	<u>923,356</u>	<u>130,749</u>

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

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

- In respect of the Owners who could not submit their legal title deeds, pursuant to the transfer arrangement, Makkah Construction and Development Company ("MCDC") subscribed for shares in the Company on behalf of those Owners. This mechanism was ratified by the Decree (note 1) and therefore legal ownership of the land is with the Group; and
- During 2020, the competent authorities issued a unified title deed in the name of the Company for the entire area of the Group's Project which amounts to 235,869.11 square meters.

Moreover, in lieu of the fact that MCDC subscribed for the shares on behalf of Owners who could not submit their legal title deeds, a corresponding payable to MCDC was recognized. The amount payable to MCDC was initially planned to be settled as and when Owners who could not submit their title deeds earlier, would do so, with a corresponding re-allocation in shareholding between MCDC and such Owner.



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2023, the Board of Directors of the Company resolved to settle the remaining amount payable to MCDC amounting to SR 309 million by way of share capital issuance. The management expects the transaction to get executed within the year ending 31 December 2024.

- e. During the year ended 31 December 2023, an amount of SR 523.9 million (31 December 2022: SR 106.1 million) was capitalized as borrowing cost for the construction of property, plant and equipment included in capital work in progress. Further, the capitalization rate used to determine the amount of borrowing cost to be capitalized is the weighted average interest rate applicable to the Group's general borrowing during the year, which in this case is 8% per annum (2022: 5% per annum).
- f. As of 31 December 2023, the Group's property, plant and equipment have a carrying value amounting to SR 15,372 million were collateralised against loans and borrowings.
- g. During the year ended 31 December 2023, Jabal Omar Jumeirah Hotel and Jabal Omar Address Al Bawaba Makkah have commenced operations. As a result, the assets have been transferred from Capital Work in Progress (CWIP) to the appropriate asset categories.
- h. In lieu to the matters set out in note 2.4, the management had identified the existence of indicators of impairment and has carried out an impairment testing exercise for its properties held as part of property, plant and equipment and investment properties, in current as well as in prior periods. As part of this assessment, management has engaged valuation experts accredited by the Saudi Authority for Accredited Valuers (TAQEEM) for the determination of the value in use and fair value less cost to disposal ("fair values") of the relevant CGUs to which its properties correspond. Management has considered such fair values and value-in-use for assessing the recoverable amounts of the properties which have then been compared with the respective carrying amounts of the CGUs (represented by different zones in case of fair value less cost to disposal and in case of value in use, hotels and commercial centers). In the determination of fair values, management has taken into account a market participant's ability to generate economic benefits by using the properties in their highest and best use or by selling it to another market participant that would use the properties in its highest and best use'. Such highest and best use assessment considers possible uses of the properties that are physically possible, legally permissible and financially feasible. Moreover, any costs ancillary to or associated with the possible uses are also estimated and considered in the valuation assessment.

As such, as at the reporting date, management has determined that the fair values of certain properties/CGUs are maximized in the event of the sale of associated land less any associated cost of demolition of adjacent structures. Accordingly, while different zones (note 1) may include one or more properties that are capable of generating largely independent cashflows, however, from the perspective of the highest and best use, it has been determined that the relevant CGUs are represented by each distinct zones, whereby such distinct zones represents specific parcel / plot of land (over which construction may or may not have been carried out) and such zones are distinctly physically separated by surrounding infrastructure such roads, pathways, etc. This is because any structures constructed over such zones that include developments such as hotels and commercial centers are physically interconnected. Moreover, management has identified that the infrastructure assets constructed and located across all phases/zones are not reasonably allocable to any specific zone since these provide benefits pervasively to all the zones of the Company. As such, for impairment testing purposes such infrastructure has been assessed on an aggregate basis.

The fair value measurement for all of the property, plant and equipment has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.



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5. PROPERTY, PLANT AND EQUIPMENT (continued)

S.No.	CGU description	Carrying amount 2023 SR '000	Accumulated impairment 2023 SR '000	Valuation approach	Key assumption
1	Operating hotel and	1,862,015	153,370	Market approach - Recoverable amount based on immediate sale of lands under fair value less cost of disposal method.	- Relevant comparable transactions - Adjustments applied and weightages allocated to comparable transaction - Overall market situation and growth - Demolition Cost
2	commercial center	6,112,788	320,191		
3	Operating hotel	3,526,927	350,890		
				Income Approach - Recoverable amount based on income approach Discounted Cash Flow model (DCF).	- Discount rate - Average occupancy rate - Average daily rate - Budgeted EBITDA - Cost to complete - Commercial lease rate per square meter - Growth rate of cashflows including terminal growth rate

Valuation approach	Input/assumption description	Value	Sensitivity
Market approach	Demolition cost rate per square meter (in SR) Relevant comparable transactions (actual transactions) * Adjustments applied to comparable transaction	130 SR 170,000 per square meter to SR 323,000 per square meter Various adjustments applied based on the similarity / dissimilarity of the subject property with the comparable	+/- 0.5% N/A +/- 5%
Income approach	Discount rate * Average occupancy rate * Average daily rate (in SR) * EBITDA * Commercial lease rate per square meter (in SR) Growth rate of cashflows and land value at disposal Overall market situation and growth	8.11% 10% - 91.7% 642 - 3,003 44% - 54% 39,546 - 147,658 2% 0 - 15%	+/- 1% +/- 1% +/- 5% +/- 1% +/- 1% +/- 1% +/- 5%

*Represents sensitive assumptions



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6. INVESTMENT PROPERTIES

	Land SR'000	Buildings SR'000	Equipment SR'000	Infrastructure assets SR'000	Capital work in progress SR'000	Total SR'000
Cost:						
Balance at 1 January 2022	1,339,673	879,983	367,215	92,335	2,504,585	5,183,791
Transfer from property, plant and equipment (note 5)	--	--	2,638	--	--	2,638
Additions during the year	--	--	483	--	51,431	51,914
Balance at 31 December 2022	1,339,673	879,983	370,336	92,335	2,556,016	5,238,343
Transfer to property, plant and equipment (note 5 (c))	--	(394,237)	(188,961)	(38,371)	(1,083,282)	(1,704,851)
Additions during the year	--	--	--	--	88,443	88,443
Balance at 31 December 2023	1,339,673	485,746	181,375	53,964	1,561,177	3,621,935
Accumulated depreciation:						
Balance at 1 January 2022	--	49,965	89,774	20,024	--	159,763
Transfer from property, plant and equipment (note 5)	--	--	1,113	--	--	1,113
Depreciation for the year (note 21 and 22)	--	10,613	17,088	1,925	--	29,626
Balance at 31 December 2022	--	60,578	107,975	21,949	--	190,502
Transfer to property, plant and equipment (note 5 (c))	--	(31,581)	(57,936)	(7,518)	--	(97,035)
Depreciation for the year (note 21 and 22)	--	7,788	11,406	1,487	--	20,681
Balance at 31 December 2023	--	36,785	61,445	15,918	--	114,148
Net book value:						
At 31 December 2023	1,339,673	448,961	119,930	38,046	1,561,177	3,507,787
At 31 December 2022	1,339,673	819,405	262,361	70,386	2,556,016	5,047,841



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6. INVESTMENT PROPERTIES (continued)

- a. Investment properties comprise of commercial centers. Developed commercial centers generate income through lease agreements. During the year ended 31 December 2023, there was SR 88.4 million capitalized as borrowing costs for the construction of investment properties included in capital work in progress (2022: SR 51.4 million). Further, the capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Group's general borrowings during the period, which in this case is 8% per annum (31 December 2022: 5% per annum).
- b. Capital work in progress represents assets under construction relating to commercial centers and infrastructure development work on the land.
- c. Depreciation charged for the year has been allocated to cost of revenue.
- d. As of 31 December 2023, the Group's property, plant and equipment have a carrying value amounting to SR 1,546 million were mortgaged as collateral against loans and borrowings.
- e. Refer Note 5(h) for information about valuation assessment of investment properties.
- f. Amounts recognized in Statement of profit or loss for investment properties are as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Rental income from operating leases	<u>121,101</u>	<u>89,284</u>
Direct operating expenses on property that generated rental income	<u>(68,221)</u>	<u>(38,787)</u>

There were no direct operating expenses on investment properties that did not generate rental income (under development) during 2023 and 2022.

- g. Following is the fair value of investment properties, held by the Group:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Fair value	<u>4,447,890</u>	<u>10,513,336</u>

The fair value of investment property was determined by external, independent, Saudi Authority of Accredited Valuer (TAQEEM), having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.



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6. INVESTMENT PROPERTIES (continued)

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique and inputs used (see note 2.5 and note 5 (h) respectively). For all investment properties the current use of the property is considered the highest and best use.

- h. All the investment properties held by the Group are for the purpose of generating rental income and it does not hold any investment properties with undetermined future use.
- i. Revenues are derived from a large number of tenants and no single tenant represents more than 10% of the Group's revenues.
- j. As at 31 December 2023, the Group has Nil contractual obligation for future repairs and maintenance which are not recognized as liability.

7. EQUITY-ACCOUNTED INVESTEE

This represents Group's 40% investment in a joint venture arrangement in Central District Cooling Company ("CDCC"), which is principally engaged in the business of providing central district cooling system services. CDCC has share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interest is the same as the proportion of voting rights held. CDCC is not publicly listed and the Group has entered into an agreement with CDCC, for the construction, operation and maintenance of District Cooling System ("DCS") (note 5 (a)). The principal place of business of the joint venture is Makkah, Kingdom of Saudi Arabia ("KSA"). The Group's interest in CDCC is accounted for using the equity method in the consolidated financial statements. The information disclosed reflects the amounts presented in the consolidated financial statements of the joint venture. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy. Summarized financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows.

Summarized statement of financial position of CDCC:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Current assets (including cash and cash equivalents - 2023:1,987, 2022:377)	276,681	259,747
Non-current assets	757,906	764,877
Current liabilities (including current financial liabilities - 2023:6,040, 2022: 5,146)	(250,495)	(226,057)
Non-current liabilities (including current financial liabilities - 2023: Nil, 2022: Nil)	(411,908)	(429,707)
Net assets (100%)	372,184	368,860



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7. EQUITY-ACCOUNTED INVESTEE (continued)

Reconciliation to carrying amounts:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Group's share of net assets (40%)	148,874	147,544
Eliminations	(20,892)	(20,892)
Carrying amount	127,982	126,652

Summarized Statement of profit or loss of CDCC:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Revenue	94,625	85,401
Depreciation and amortisation	(1,862)	(1,862)
Finance costs	(40,950)	(27,362)
Zakat and income tax expense	(6,220)	(5,146)
Other expenses	(33,092)	(38,805)
Prior year profit adjustment in current year	(9,177)	--
Profit for the year	3,324	12,226
Total comprehensive income for the year	3,324	12,226
Group's share of total comprehensive income (40%)	1,330	4,890

8. FINANCIAL INVESTMENTS

This represents investment in Al Bilad Makkah Hospitality Fund carried at Fair Value through profit or loss.

		<u>Carrying value</u>		<u>Unrealized (loss)</u>	
	<u>Note</u>	<u>2023</u> SR'000	<u>2022</u> SR'000	<u>2023</u> SR'000	<u>2022</u> SR'000
Non-current assets					
Al Bilad Makkah Hospitality Fund	a	--	283,762	--	(20,360)
Current assets					
Al Bilad Makkah Hospitality Fund	a	267,259	--	(16,503)	--



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8. FINANCIAL INVESTMENTS (continued)

- a) This represents investment in 20 million units (31 December 2022: 20 million units) of Al Bilad Makkah Hospitality Fund ("the investee") which is a private placement closed ended real estate investment fund domiciled in KSA and managed by Al Bilad Investment Company. The objective of the investee is to acquire interest in properties situated in Makkah in order to generate income and capital growth. The main assets of the investee are represented by investment properties. The investee prepares and publishes financial statements on semi-annual basis under which it reports net asset value of the fund based on the fair value of these investment properties, as determined by two independent valuers (referred to as 'Indicative NAV'), fair valued using level 3 unobservable inputs. Since the units of the fund are traded with reference to such Indicative NAV, management believes that it is a reasonable approximation of the fair value of the investee since such indicative NAV is based on the fair value of the core assets of the investee. As per the management financial statements of the investee for the year ended 31 December 2023, the Indicative NAV per unit amounts to SR 13.4 / unit (31 December 2022: SR 14.2 / unit), which has accordingly been used as a valuation basis of the Group's investment as at 31 December 2023.

Refer note 27 for information about the methods and assumptions used in determining fair value including the valuation techniques used in measuring fair values for financial instruments.

There were no transfers in the fair value levels during the year ended 31 December 2023.

9. CASH AND CASH EQUIVALENTS

	<u>2023</u> SR'000	<u>2022</u> SR'000
Cash on hand	1,545	2,710
Cash at banks	593,899	695,127
Term deposits (note (a))	109,950	231,425
	<u>705,394</u>	<u>929,262</u>
Less: Restricted cash - non - current (note (a and b))	(109,950)	(242,590)
Less: Restricted cash - current (note (b))	(296,596)	(346,288)
	<u><u>298,848</u></u>	<u><u>340,384</u></u>

- a) These represent deposits placed in Murabaha deposits with commercial banks having original maturity of three months and yielding finance income amounting to SR 14.5 million (31 December 2022: SR 5.1 million). Further, these Murabaha deposits are restricted under reserve accounts as per the agreements under corresponding arrangements with commercial banks.
- b) The cash is held in accounts with banks having sound credit ratings. The fair value of cash and cash equivalents and restricted cash approximates the carrying value at 31 December 2023 and 31 December 2022.



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10. OTHER ASSETS

	<u>2023</u> SR'000	<u>2022</u> SR'000
Other non-current assets		
Accrued rent	<u>16,509</u>	<u>17,453</u>
Other current assets		
Prepaid expenses	12,114	10,315
Other hotel related receivables	--	4,027
Other	<u>1,629</u>	<u>49,595</u>
Total	<u>13,743</u>	<u>63,937</u>

11. PROPERTIES FOR DEVELOPMENT AND SALE

These represent properties being developed for sale as residential units which determined by management to be used for future sale in the ordinary course of Group's operations. Movement during the year ended is as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Opening balance	21,069	24,806
Transfers from property, plant and equipment (note 5)	<u>6,845</u>	<u>37,557</u>
	27,914	62,363
Less: Charged to cost of revenue (11.1)	<u>(6,845)</u>	<u>(41,294)</u>
	<u>21,069</u>	<u>21,069</u>

11.1 Properties for development and sale charge to statement of profit or loss during the year ended 31 December 2023 amounts to SR 6.8 million (31 December 2022: SR 41.3) are charged to cost of revenue under "cost of property for development and sale".

11.2 The management of the Group has carried out an exercise to determine the net realizable value of their residential units. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. At 31 December 2023 and 31 December 2022, the net realizable value of the properties for development and sale is assessed to be higher than their carrying value.



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12. TRADE AND OTHER RECEIVABLES

	<u>2023</u> SR'000	<u>2022</u> SR'000
Receivables from contract with customers	26,874	36,956
Receivables from rental income and land sale (12.1)	106,061	205,985
Contract assets (12.3)	24,683	12,519
Advances to suppliers	75,538	132,565
Other receivables	156,848	101,410
Less: allowance for expected credit loss (12.2)	(47,396)	(99,801)
	<u>342,608</u>	<u>389,634</u>

12.1 This includes an amount of SR Nil (2022: SR 48 million) in respect of the sale of certain property in prior periods.

Trade receivables are non-derivative financial assets carried at amortized cost and are generally on terms of 90 to 180 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2023, five largest customers accounted for 68% (31 December 2022: 54%) of the outstanding receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

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

The allowance for expected credit loss of trade and other receivables is as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Receivables from contract with customers	15,326	10,651
Receivables from rental income	32,070	78,649
Receivables in respect of properties for development and sale	--	8,478
Contract assets (12.3)	--	2,023
	<u>47,396</u>	<u>99,801</u>

12.2 Movement in allowance for credit losses against trade and other receivables are as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Opening balance	99,801	60,689
(Reversal) / charge for the year	(47,790)	49,079
Write off during the year	(4,615)	(9,967)
Closing balance	<u>47,396</u>	<u>99,801</u>



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12. TRADE AND OTHER RECEIVABLES (continued)

12.3 Contract assets relate to off-plan sales of properties for development and sale yet to be billed to customers, and unbilled rentals from commercial center. Upon billing of invoice, the amounts recognized as contract assets are reclassified to trade receivables. The Group also recognized a loss allowance for contract assets in accordance with IFRS 9.

13. CAPITAL AND RESERVES

13.1 Share capital

	<u>2023</u> SR'000	<u>2022</u> SR'000
Number of shares, unless otherwise stated (In thousand of shares)		
In issue at 1 January-Fully paid/contributed	1,154,534	929,400
Issue of shares against swap agreement	--	225,134
	<u>1,154,534</u>	<u>1,154,534</u>
In issue at 31 December-Fully paid/contributed	1,154,534	1,154,534
Authorised-par value SR 10	<u>11,545,342</u>	<u>11,545,342</u>

13.2 Share premium

Pursuant to the debt-to-equity conversion during year ended 31 December 2022, share premium reserve amounting to SR 2,918 million was recorded. Below is the movement to share premium reserve:

	<u>SR'000</u>
Share premium recognized pursuant under swap agreement in 2022	2,917,739
Accumulated losses adjusted 2022 (note 2.4)	<u>(1,590,143)</u>
Share premium balance as of 31 December 2022	1,327,596
Further accumulated loss adjusted (note 29)	<u>(700,000)</u>
	<u>627,596</u>

13.3 Statutory reserve

In accordance with Company's By-Laws, the shareholders may resolve to form reserves to the extent that serves the Company's interest or ensures, as far as possible, consistent distribution of dividends to the shareholders. The reserve is not available for distribution except for where the shareholder resolve via a General Assembly to distribute them or transfer back to the retained earnings. Currently the statutory reserve is a reserve created under the requirement of the previous regulations.

13.4 Reserve for advances to certain founding shareholders

This represents amounts advanced to certain founding shareholders ("the founders") in prior years, duly approved by the shareholders and stipulated in the By-laws of the Company, and subsequently ceased via shareholder resolution in their extraordinary general assembly meeting dated 28 March 2016 (corresponding to 19 Jumada Al Thani 1437H). The advances are adjustable against future dividend distributions by the Company to the founders and / or against the proceeds from disposal of Company's shares held by the founders. During the year ended 31 December 2023, the Company received SR 0.3 million against advances from certain founders.



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14. LOANS AND BORROWINGS

The following notes provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For information about the Group's exposure to interest rate and liquidity risk, refer note 27.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Loans and borrowings	11,433,470	10,682,433
Accrued commission	345,238	361,623
Less: Deferred financial charges	(52,198)	(63,011)
	<u>11,726,510</u>	<u>10,981,045</u>
Current portion	(678,503)	(478,621)
	<u>11,048,007</u>	<u>10,502,424</u>



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14. LOANS AND BORROWINGS (continued)

Below is the summary of the loans and borrowings arrangement of the Company along with details of any associated collateral:

31 December 2023	Non-current portion*	Current portion*	Facility limit SR '000	Last restructuring date	Repayment period	Repayment term	Collateral	Carrying amount of the Collateral SR '000
Secured bank loans								
Government loan (note (a))	1,500,057	--	1,500,057	14-Nov-21	31-Mar-31	Bullet payment	Refer note (a)	6,451,474
Syndicate loan (note (b))	5,891,811	225,988	5,898,890	23-Oct-21	31-Dec-24 to 30-Sep-30	Quarterly	Refer note (b)	8,323,016
Facility from a local bank (note (c))	785,800	176,234	1,000,000	--	23-Jan-23 to 27-Jan-30	Semi-Annual	Refer note (c)	304,139
Facility from a local bank (note (d))	1,463,000	216,077	1,600,000	28-Aug-22	28-Feb-24 to 28-Aug-27	Semi-Annual	Refer note (d)	1,839,872
Unsecured bank loans								
Facility from a local bank (note (g))	1,451,361	68,380	1,600,000	--	3-Nov-24 to 3-May-36	Semi-Annual	--	--
Less: Deferred financial charges	11,092,029	686,679						
	(44,022)	(8,176)						
	11,048,007	678,503						
31 December 2022	Non-current portion*	Current portion*	Facility limit SR '000	Last restructuring date	Repayment period	Repayment term	Collateral	Carrying amount of the Collateral SR '000
Secured bank loans								
Government loan (note (a))	1,378,951	--	1,500,057	14-Nov-21	31-Mar-31	Bullet payment	Refer note (a)	6,300,625
Syndicate loan (note (b))	5,613,196	--	5,898,890	23-Oct-21	31-Dec-24 to 30-Sep-30	Quarterly	Refer note (b)	8,431,345
Facility from a local bank (note (c))	928,600	95,616	1,000,000	--	23-Jan-23 to 27-Jan-30	Semi-Annual	Refer note (c)	299,453
Facility from a local bank (note (d))	1,600,000	95,920	1,600,000	28-Aug-22	28-Feb-24 to 28-Aug-27	Semi-Annual	Refer note (d)	1,902,133
Unsecured bank loans								
Facility from a local bank (note (e))	29,150	27,160	55,385	--	5-Oct-23	Bullet payment	--	--
Subordinated Sukuk (note (f))	--	257,473	253,125	--	15-Nov-23	Bullet payment	--	--
Facility from a local bank (note (g))	1,007,477	10,513	1,600,000	--	3-Nov-24 to 3-May-36	Semi-Annual	--	--
Less: Deferred financial charges	10,557,374	486,682						
	(54,950)	(8,061)						
	10,502,424	478,621						

*these balances include accrued commission



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14. LOANS AND BORROWINGS (continued)

- a) During 2021, the Group entered into a loan restructuring agreement with MoF that involved significant modifications of the loan terms, including waiver of the accrued commission, capitalization of commission for certain period before commencing repayments, revision in commission rates and conversion of SR 1.5 billion of the total existing loan amount into a new unsecured Shariah-compliant subordinated perpetual instrument ("Perpetual instrument"), and maturity extension of the remaining secured SR 1.5 billion to 31 March 2031, with bullet payment ("Bullet Loan").

The SR 1.5 billion Perpetual instrument includes the following main features:

1. Waiver of the entire accrued and unpaid profit amounting to SR 457 million.
2. The Perpetual instrument do not carry a contractual maturity nor does the government entity hold a contractual right to redemption or repayment in the ordinary course of Group's business.

Moreover, the Group may elect not to make any of the profit payments, except in the event of distribution of dividend to ordinary shareholders, and such non-payment of profit shall neither accumulate nor be considered an event of default.

The Group has analysed the Perpetual Instrument having features of an equity instrument under IAS-32 and hence classified the instrument under equity at its fair value on the date of debt conversion.

Pursuant to receipt of binding term sheets from MoF, confirmation from the facility agent and approval of Board of Directors (BoD) of acceptance of term sheets, the Group derecognized the old facility and recognized new facilities during 2021.

The Group has pledged its properties in phase 3 and phase 7 to the lender as mortgage against the loan. There are no financial debt covenants related to the facility.

- b) The Group has pledged its properties in phase 2, phase 4 and phase 5 to the lender as mortgage against the loan. Furthermore, the Group has also issued a promissory note in favor of the syndicate amounting to SR 6.1 billion.

The above facility contains certain financial covenants; however, the Group is in compliance with these covenants as at 31 December 2023.

- c) The Group has pledged plots of land in phase 7 to the lender as mortgage against the loan. The above facility contains certain financial covenants; however, the Group is in compliance with these covenants as at 31 December 2023.
- d) During the year ended 31 December 2022, the Group has restructured its facilities with a local bank amounting to SR 1,000 million and SR 600 million, respectively, and pursuant to this restructuring, the Group entered into a new facility agreement amounting to SR 1,600 million through modification of the previously obtained facilities. The Group has recognized modification losses amounting to SR 79.2 million, as a result of facilities rescheduled during the year ended 31 December 2022.

The Group has pledged one property in phase 1 to the lender as mortgage against the loan.

The above facility contains certain financial covenants; however, the Group is in compliance with these covenants as at 31 December 2023.



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14. LOANS AND BORROWINGS (continued)

- e) During the year ended 31 December 2023, the Group has repaid the loan amount in full.
- f) On 12 November 2018, the Group issued sharia compliant unsecured and subordinated private Sukuk amounting to SR 506 million, with a maturity date of 15 November 2023. The sukuku were issued under wholly owned subsidiary 'Jabal Omar Sukuk Company Limited' (note 1) in United States Dollars. During the year ended 31 December 2023, the Group has repaid the Sukuk amount in full.
- g) This loan is secured against the guarantee provided by the Government to the lender. There are no financial debt covenants related to the facility.
- h) During the year ended 31 December 2023, total drawdowns against loans and borrowings amounted to SR 751 million (2022: SR 1,993 million), repayments amounted to SR 380 million (2022: SR 969 million), while total finance cost amounted to SR 954 million (2022: SR 545 million).

15. EMPLOYEES' TERMINAL BENEFITS

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. The following table summarizes the components of the net benefit expense recognized in the Statement of profit or loss and amounts recognized in the consolidated statement of financial position.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Balance at 1 January	32,675	27,309
<i>Included in profit or loss</i>		
Current service cost	8,956	7,124
Interest cost	1,272	601
Curtailement loss / (gain)	11	(888)
	10,239	6,837
<i>Included in other comprehensive income</i>		
Re-measurement (gain) / loss:		
- Actuarial (gain) / loss arising from:		
• demographic assumptions	(495)	310
• financial assumptions	--	341
• experience adjustment	2,153	2,505
	1,658	3,156
<i>Other</i>		
Benefits paid	(3,613)	(4,627)
	(3,613)	(4,627)
Balance at 31 December	40,959	32,675



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15. EMPLOYEES' TERMINAL BENEFITS (continued)

Actuarial assumptions

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

	<u>2023</u>	<u>2022</u>
Discount rate (%)	4.61%	4.13%
Future salary growth (%)	4.41%	4.12%

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 6.44 years (31 December 2022: 6.58 years).

Expected future payments are discounted using market yields at the end of the reporting period of high-quality government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Sensitivity analysis

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

	<u>2023</u>		<u>2022</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Discount rate (1% movement)	(2,428)	2,819	(2,196)	2,072
Future salary growth (1% movement)	2,961	(2,600)	2,181	(2,331)

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

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

	<u>2023</u>	<u>2022</u>
	<u>SR'000</u>	<u>SR'000</u>
Within the next 12 months (next annual reporting period)	6,199	4,899
Between 1 to 5 years	17,862	13,909
More than 5 years	33,910	25,811



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16. OTHER NON-CURRENT LIABILITIES

	<u>2023</u> SR'000	<u>2022</u> SR'000
Payable to CDCC (note (a))	734,412	716,232
Retention payable-non-current (note 17 (a))	83,694	193,501
Refundable deposits (note (b))	6,367	7,979
Others	10,309	16,366
	<u>834,782</u>	<u>934,078</u>

- a) This represents payable to CDCC in lieu of construction and operation of cooling plant (for provision of cooling facilities) to the Group at pre-agreed rates.
- b) Refundable deposits are received in connection with lease of commercial centers which are to be settled at the end of the corresponding lease contract.

17. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	<u>2023</u> SR'000	<u>2022</u> SR'000
Contractors accrued balances, accrued expenses and other liabilities	1,011,271	1,037,789
Retention payable - current (note (a))	148,126	197,839
Advances from customers (note (b))	162,007	236,022
Trade payable	150,537	121,253
	<u>1,471,941</u>	<u>1,592,903</u>

- a) Retention payables consist of amount due to be settled to contractors based on agreed terms. The amount has been classified as under current and non-current based on expected date of settlement.
- b) Advance from customer includes amount received in advance against sale of residential units and advance rent from commercial centers.

18. ZAKAT PAYABLE

During the year ended 31 December 2023, the Group has recorded Zakat charge of SR 221 million for the current and prior periods (31 December 2022: SR Nil).



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18. ZAKAT PAYABLE (continued)

The movement in the Zakat provision for the year is as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Opening balance	285,058	301,768
Charge for the year		
Zakat charge - current year	33,005	--
Change in estimates related to prior period	188,378	--
	221,383	--
Advance settlement	(20,755)	--
Payments made during the year	--	(16,710)
Closing balance	485,686	285,058

Significant components of Zakat base are as follows:

		<u>2023</u> SR'000	<u>2022</u> SR'000
Equity		12,971,112	14,081,762
Opening provisions and other adjustments		13,582,859	12,603,340
Book value of long-term assets		(25,545,692)	(26,720,067)
Adjusted income	A	272,914	(208,317)
Zakat base	B	1,281,193	(243,282)
Zakat base higher of A and B		1,281,193	--
Zakat for the current year @2.5%		32,813	--
Zakat on investment in fund		192	--

Certain items have been adjusted in accordance with the applicable regulations to arrive at the Zakat base. Zakat is computed at a rate of 2.5% applied to the amount that is the higher of adjusted net income and kat base.

Status of assessments

The Group has filed Zakat returns for all periods / year's up to and including 31 December 2022.

In prior periods, ZATCA had raised an additional Zakat demand of SR 421 million in respect of the years ended 30 Dhul Hijjah 1434H (corresponding to 4 November 2013) to 1437H (corresponding to 2016) along with the periods ended 15 Rajab 1438H (corresponding to 12 April 2017) and 31 December 2018. The Group filed an appeal against the additional demand based on which during the year ended 31 December 2022 the Tax Violation and Dispute Appellate Committee (TVDAC) issued a notification in respect of the appeal revising the Zakat demand to SR 354 million. The Group submitted a request for reconsideration with TVDAC. During the year ended 31 December 2023, TVDAC rejected the subject matter of the reconsideration appeal, which resulted in the Company's commitment to pay the amount of Zakat assessed for the aforementioned years, accordingly, Zakat assessments for the years from 1434H (corresponding to 2013) to 2018G have been finalized and the Group has booked the required provision during the year ended 31 December 2023.



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18. ZAKAT PAYABLE (continued)

Status of assessments (continued)

During the year ended 31 December 2021, ZATCA issued assessments for the years 2019 and 2020 raising an additional Zakat demand of SR 209 million. The Group submitted an appeal in respect of the foregoing assessments based on which the Tax Violation and Dispute Resolution Committee (TVDRC) rendered its decision on the Group's appeal revising the additional Zakat demand to SR 189 million. Later, ZATCA cancelled the assessment for the year 2019, and the Group agreed on ZATCA cancellation and sent an acceptance letter to TVDAC during the year ended 31 December 2023. For the year 2020, the Group has filed an appeal with the TVDAC against TVDRC's decision. As at the reporting date, TVDAC's response is awaited in this respect. During the year ended 31 December 2023, the Company has presented a settlement offer to the Settlement Committee at ZATCA, hearing was conducted on December 2023. Subsequent to year ended 31 December 2023, the Company has submitted the information requested by Settlement Committee and the case is currently under review.

Furthermore, in lieu of the above developments, while TVDAC through its decision on zakat assessments for the years from 1434H (corresponding to 2013) to 2018G has disallowed deductions pertaining to certain balances including restricted cash balance and investment in the funds along with other similar matters, however, management believes that considering the basis / reasons for rejections, the Company has sufficient grounds to successfully contest any Zakat contingencies arising out of the years currently under review with TVDAC as well as for the unassessed years. Nonetheless based on management best estimate any non-contestable exposures have been adequately provided for.

Accordingly, as at 31 December 2023, management has recognized a provision representing its best estimate of the amount required to settle all Zakat exposures, including pending assessments and appeals thereagainst, up to and including the year ended 31 December 2023. However, the assessment pending with TVDAC for year 2019 and 2020 as well as for unassessed years, continue to represent Zakat contingencies due to the uncertainty associated with the timing and / or amount of eventual settlement.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's Board of Directors and transactions with related parties are carried out at agreed terms. Following is the list of certain key related party transactions and balances of the Group.

Key management personnel comprise chief executive officer and heads of departments. Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined Benefit plan.

<u>Related party</u>	<u>Relationship</u>
Central District Cooling Company	Joint venture
Key management personnel	Responsible for planning, directing and controlling the activities of the entity

In addition to related party transactions disclosed in notes to these consolidated financial statements, significant transactions with related parties in the ordinary course of business included in the consolidated financial statements for the year ended 31 December and balances arising there from are summarized below:



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19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Nature of transaction</u>	<u>2023</u> SR'000	<u>2022</u> SR'000
Key Management Personnel			
Compensation	- Short term employee benefits	17,751	16,552
	- Post-employment benefits	418	376
Central District Cooling Company			
	Cooling charges	41,062	22,798
	Concession payable related finance Charges	44,410	38,474
	Rental income	4,057	4,057

Balances arising from transactions with related parties are as follows:

<u>Related party</u>	<u>Nature of balance</u>	<u>2023</u> SR'000	<u>2022</u> SR'000
Central District Cooling Company	Other non-current liabilities (note 16)	734,412	716,232
	Other non-current assets (note 10)	16,509	17,453
	Trade and other receivables (note 12)	27,763	15,868
	Trade payable and other current liabilities (note 17) *	259,848	272,395

* During the year ended 31 December 2023, the Board of Directors of the Company resolved to settle the amount payable to CDCC amounting to SR 237 million by way of share capital issuance. The management expects the transaction to be completed during the year ended 31 December 2024.

<u>Description</u>	<u>Nature of transaction</u>	<u>2023</u> SR'000	<u>2022</u> SR'000
Board of Directors	Meeting attendance fee (note 22)	2,432	1,724

20. REVENUE

	<u>2023</u> SR'000	<u>2022</u> SR'000
Revenue from contract with customers	1,205,622	760,217
Revenue from rental income	121,101	89,284
	<u>1,326,723</u>	<u>849,501</u>



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20. REVENUE (continued)

20.1 Disaggregation of revenue

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

	For the year ended 31 December					
	Operating Hotels		Commercial centers		Properties for development and sale	
	2023 SR'000	2022 SR'000	2023 SR'000	2022 SR'000	2023 SR'000	2022 SR'000
Revenue from contract with customers:						
Sale of properties for development and sale	--	--	--	--	63,815	62,680
Hotel's operations:						
- Room rent	884,392	542,157	--	--	--	--
- Other services	257,415	155,380	--	--	--	--
Revenue from rental income:						
Lease of commercial center	--	--	121,101	89,284	--	--
	1,141,807	697,537	121,101	89,284	63,815	62,680
					1,326,723	849,501
Timing of revenue recognition:						
Point-in-time	257,415	155,380	--	--	--	--
Over time	884,392	542,157	121,101	89,284	63,815	62,680
	1,141,807	697,537	121,101	89,284	63,815	62,680
Total revenue					1,326,723	849,501

20.2 The customers for operating hotels are represented by various diversified members of general public from all over the world. The customers for commercial centers are represented by shop owners in KSA. While the customer for properties for development and sale are largely represented by members of general public. There is no significant concentration of revenue to specific customers in any of the segments.



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21. COST OF REVENUE

	<u>2023</u> SR'000	<u>2022</u> SR'000
Cost of property for development and sale	11,183	74,231
Commercial center operating costs	54,418	22,392
Hotel operating cost	592,729	468,068
Depreciation and amortization	267,343	247,632
Other costs	--	7,711
	<u>925,673</u>	<u>820,034</u>

22. GENERAL AND ADMINISTRATION EXPENSES

	<u>Note</u>	<u>2023</u> SR'000	<u>2022</u> SR'000
Employee related costs and travelling expenses		59,608	53,456
Depreciation and amortization		16,629	19,043
Impairment of property, plant and equipment, net	5	71,166	--
Withholding taxes		3,812	3,364
Professional and consultancy fees		18,887	38,071
Attendance fee for board meetings		2,432	1,724
Hotels pre-operating expenses		19,989	3,323
Others		25,665	36,085
		<u>218,188</u>	<u>155,066</u>

23. OTHER OPERATING INCOME

	<u>2023</u> SR'000	<u>2022</u> SR'000
Gain on disposal of asset held for sale (refer note (a))	390,427	--
Others	7,286	13,984
	<u>397,713</u>	<u>13,984</u>

- a) During the year ended 31 December 2023, the group has sold a plot of land with an area of 3,066 square meter located in phase 5 for a consideration of SR 521 million, which had a carrying amount of SR 131 million.



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24. FINANCE COSTS

	<u>2023</u> SR'000	<u>2022</u> SR'000
Finance cost on loan arrangement (note 14)	953,828	545,051
Finance cost on other non-current liabilities (note 16)	44,410	38,483
	<u>998,238</u>	<u>583,534</u>
Finance cost capitalised (note 5 and 6)	(612,296)	(157,564)
	<u>385,942</u>	<u>425,970</u>

25. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share for the year ended 31 December 2023 and for the year ended 31 December 2022, have been computed by dividing the profit / (loss) for the year attributable to the shareholders of the Parent Company by weighted average the number of shares outstanding during such year. As there are no dilutive shares outstanding, basic and diluted losses per share are identical.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Profit / (loss) for the year attributable to shareholders of the Parent Company	37,480	(352,373)
Weighted average number of outstanding shares (number in thousand) (note 25.1)	1,154,534	1,004,445
Earnings / (loss) per share (Saudi Riyals) - Basic and diluted	0.03	(0.35)

25.1 Weighted-average number of shares

	<u>2023</u> SR'000	<u>2022</u> SR'000
<i>In thousand of shares</i>		
Issued shares at 1 January	1,154,534	929,400
Effect of shares issued during the year	--	75,045
Weighted-average number of shares at 31 December	<u>1,154,534</u>	<u>1,004,445</u>



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26. SEGMENT REPORTING

The Group has the following three strategic divisions which are its reportable operating segments. These divisions offer different products and/or services and are managed separately as they require different operational and marketing strategies. The Group's Chairman and Group Chief Executive Officer (CEO) monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the Chief Operating Decision Makers (CODM) for the Group. The following summary describes the operations of each reportable segment.

<u>Reportable segments</u>	<u>Operations</u>
Operating hotels	Includes leasing of rooms, parking facilities and selling food and beverages ("the Hotels").
Commercial centers	Includes operating and leasing of commercial shopping malls ("the Commercial Centers").
Properties for development and sale	Includes construction and development of property and sale of completed dwellings.

Non-current assets of the Group are based in Saudi Arabia.

The following table represent the segment information for the year ended 31 December:

<u>Particulars</u>	<i>As at the year ended 31 December 2023</i>					
	<u>Operating hotels</u>	<u>Commercial centers</u>	<u>Properties for development and sale</u>	<u>Total for reportable segments</u>	<u>Other unallocated amounts</u>	<u>Consolidated total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Property, plant and equipment	21,224,600	45,161	--	21,269,761	86,871	21,356,632
Investment properties	--	3,507,787	--	3,507,787	--	3,507,787
Asset held for sale	--	--	--	--	923,356	923,356
Other non current assets (total)	257	--	--	257	254,543	254,800
Other current assets (total)	446,235	43,487	17,806	507,528	732,595	1,240,123
Segment assets	21,671,092	3,596,435	17,806	25,285,333	1,997,365	27,282,698
Segment liabilities	216,856	27,483	170,965	415,304	14,144,574	14,559,878

The Statement of profit or loss items for the year ended 31 December 2023 are as follows:

<u>Particulars</u>	<i>As at the year ended 31 December 2023</i>					
	<u>Operating hotels</u>	<u>Commercial centers</u>	<u>Properties for development and sale</u>	<u>Total for reportable segments</u>	<u>Other unallocated amounts</u>	<u>Consolidated total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue – external customers	1,141,807	121,101	63,815	1,326,723	--	1,326,723
Cost of revenue	(846,269)	(68,221)	(11,183)	(925,673)	--	(925,673)
Segment profit / (loss)	666,936	53,889	52,762	773,587	(737,765)	35,822



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26. SEGMENT REPORTING (continued)

<u>Particulars</u>	<u>As at the year ended 31 December 2022 (Restated)</u>					
	<u>Operating hotels</u>	<u>Commercial centers</u>	<u>Properties for development and sale</u>	<u>Total for reportable segments</u>	<u>Other unallocated amounts</u>	<u>Consolidated total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Property, plant and equipment	19,451,206	44,930	--	19,496,136	5,403	19,501,539
Investment properties	1,614,696	3,433,145	--	5,047,841	--	5,047,841
Asset held for sale	130,749	--	--	130,749	--	130,749
Other non-current assets (total)	220	--	--	220	670,810	671,030
Other current assets (total)	404,563	71,455	33,589	509,607	651,705	1,161,312
Segment assets	<u>21,601,434</u>	<u>3,549,530</u>	<u>33,589</u>	<u>25,184,553</u>	<u>1,327,918</u>	<u>26,512,471</u>
Segment liabilities	<u>142,478</u>	<u>38,982</u>	<u>119,331</u>	<u>300,791</u>	<u>13,524,968</u>	<u>13,825,759</u>

The Statement of profit or loss items for the year ended 31 December 2022 are as follows:

<u>Particulars</u>	<u>Operating hotels</u>	<u>Commercial centers</u>	<u>Properties for development and sale</u>	<u>Total for reportable segments</u>	<u>Other unallocated amounts</u>	<u>Consolidated total</u>
	SR'000	SR'000	SR'000	SR'000	SR'000	SR'000
Revenue – external customers	697,537	89,284	62,680	849,501	--	849,501
Cost of Revenue	(706,998)	(38,787)	(74,249)	(820,034)	--	(820,034)
Segment / (loss) / profit	<u>(18,993)</u>	<u>46,444</u>	<u>(11,551)</u>	<u>15,900</u>	<u>(371,429)</u>	<u>(355,529)</u>

Revenue from operating business segment is generated from Kingdom of Saudi Arabia only.

27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

27.1 The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The Group also holds investments in equity instruments.

The Group has exposure to the following risks arising from financial instruments:

- market risk;
- credit risk; and
- liquidity risk



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Risk management framework

The Group 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 Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. Audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. The Group is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

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 price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are significant. Interest bearing financial assets comprises of short term Murabaha deposits which are at floating interest rates; and caused exposure to cash flow interest rate risk and fair value interest rate risk.

The interest rate profile of the Group's variable interest-bearing financial instruments as reported to the management of the Group is as follows:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Financial liabilities	<u>11,433,470</u>	<u>10,374,463</u>

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Group's profit before zakat, through the impact of floating rate borrowings with all other variables held constant:

	<u>2023</u> SR'000	<u>2022</u> SR'000
Interest rate-increases by 100 basis points	111,020	99,262
Interest rate-decreases by 100 basis points	(111,020)	(99,262)



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (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 transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Group's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from special commission rate risk (also referred to as interest rate risk or commission rate risk) or currency risk, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's exposure to unit price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. The Group closely monitors price in order to manage price risk arising from investments in fund.

The table below summarizes the impact of increases/decreases of the NAV of units on the Group's equity. The analysis is based on the assumption that the NAV of units had increased or decreased by 5% with all other variables held constant, and that all the Group's units moved in line with the market price.

	Impact on profit or loss as at 31 December	
	<u>2023</u>	<u>2022</u>
	SR'000	SR'000
NAV of the units-increases by 5%	13,363	14,188
NAV of the units-decreases by 5%	(13,363)	(14,188)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, leading to a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, restricted cash, credit exposures to customers, including outstanding receivables, accrued rental income and contract assets.

Credit risk is managed on a Group basis. For trade receivables, accrued rental income and contract assets, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 and 31 December 2022 is equal to the respective carrying amounts as disclosed in notes 9 and 12.



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Credit risk (continued)

Cash at banks are placed with banks with sound credit ratings. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables and contract assets, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables, accrued rental income and contract assets based on a provision matrix. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress. Further, the expected credit losses also incorporate forward-looking information.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP growth rate to be the most relevant macro-economic factors of forward looking information and accordingly adjusts the historical loss rates based on expected changes in these factors.

Tenant Receivables

Tenants are assessed according to Group criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals and services to tenants in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Receivables resulting from the sale of inventory property, property under development and contract assets

Customer credit risk is managed by requiring customers to pay advances before the transfer of ownership, therefore, substantially eliminating the Group's credit risk in this respect.

The following table provides information about the exposure to credit risk and ECLs for receivables and contract assets:

31 December 2023	<u>Current</u> SR'000	<u>More than 30</u> <u>days past due</u> SR'000	<u>More than 90</u> <u>days past due</u> SR'000	<u>More than 120</u> <u>days past due</u> SR'000	<u>Total</u> SR'000
Expected loss rate	0.12%	4.74%	6.65%	62.95%	5.65%
Gross carrying amount	747,052	14,951	4,907	72,183	839,093
Loss allowance	926	708	327	45,435	47,396



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Credit risk (continued)

31 December 2022	<u>Current</u> SR'000	<u>More than 30</u> <u>days past due</u> SR'000	<u>More than 90</u> <u>days past due</u> SR'000	<u>More than 120</u> <u>days past due</u> SR'000	<u>Total</u> SR'000
Expected loss rate	2%	2%	2%	2%	36%
Gross carrying amount	52,541	28,663	4,337	187,919	273,460
Loss allowance	792	545	84	95,914	97,335

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group's management has developed a plan to enable the Group to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern (refer note 2.4).

Expected maturity of undiscounted cash flows of financial liabilities are as follows:

	<u>Carrying</u> <u>values</u> SR'000	<u>Gross</u> <u>undiscounted</u> <u>value</u> SR'000	<u>up to 1</u> <u>year</u> SR'000	<u>1 - 2 years</u> SR'000	<u>2- 5 years</u> SR'000	<u>More than</u> <u>5 years</u> SR'000
31 December 2023						
Loans and borrowings	11,726,510	17,368,103	1,196,756	1,252,448	4,913,085	10,005,814
Trade payable and other current liabilities	1,198,869	1,198,869	1,198,869	--	--	--
Other non-current liabilities	834,782	1,354,853	--	96,151	277,567	981,135
	<u>13,760,161</u>	<u>19,921,825</u>	<u>2,395,625</u>	<u>1,348,599</u>	<u>5,190,652</u>	<u>10,986,949</u>
31 December 2022						
Loans and borrowings	10,981,045	11,584,343	540,161	1,515,618	2,732,285	6,796,279
Trade payable and other current liabilities	1,356,881	1,357,327	1,357,327	--	--	--
Other non-current liabilities	933,670	1,388,886	37,266	261,714	186,717	903,189
	<u>13,271,596</u>	<u>14,330,556</u>	<u>1,934,754</u>	<u>1,777,332</u>	<u>2,919,002</u>	<u>7,699,468</u>



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Liquidity Risk (continued)

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. Refer to Note 14 for unused credit facilities and Note 9 for closing cash position of the Group.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Financial assets		
Financial investments	267,259	--
Other current assets	1,629	53,622
Trade and other receivables	132,935	344,351
Cash and cash equivalents	298,848	340,384
Restricted cash	296,596	346,288
	<u>2023</u> SR'000	<u>2022</u> SR'000
Financial liabilities		
Loans and borrowings-current portion	678,503	478,621
Trade payable and other current liabilities	1,198,869	1,356,881

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Financial assets		
Financial investments	--	283,762
Restricted cash	109,950	242,590
Other non-current assets	16,509	17,453
Financial liabilities		
Loans and borrowings	11,048,007	10,502,424
Other non-current liabilities	834,782	933,670



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Liquidity Risk (continued)

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, maintain a strong base so as to maintain investor and creditor confidence and to sustain future development of the business; to provide returns for shareholders; and to optimize the capital structure to reduce cost of capital. The capital structure includes all components of shareholders' equity totaling SR 12,723 million at 31 December 2023 (31 December 2022: SR 13,387 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Management is monitoring the cash capital position of the Company and is the process of considering the overall capital structure. Some of these initiatives have been set out in the note on going concern (note 2.4).

The Group's treasury department monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	<u>2023</u> SR'000	<u>2022</u> SR'000
Borrowings	11,726,510	10,981,045
Less: cash and cash equivalents	(298,848)	(340,384)
Less: restricted cash	(406,546)	(588,878)
Net debt (A)	11,021,116	10,051,783
Shareholders' equity (B)	12,722,820	13,386,712
Total capital (A+B)	23,743,936	23,438,495
Gearing ratio (A / (A+B))	0.46	0.43



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

Liquidity Risk (continued)

Capital management (continued)

(a) Net debt reconciliation

	Cash and cash equivalents SR'000	Restricted cash SR'000	Loans and Borrowings SR'000	Payable to Unitholders SR'000	Total SR'000
1 January 2022	328,427	959,110	(9,808,930)	(5,370,442)	(13,891,835)
Finance cost / others	--	--	(538,191)	5,370,442	4,832,251
Cash flows, net	11,957	(370,232)	(633,924)	--	(992,199)
31 December 2022	340,384	588,878	(10,981,045)	--	(10,051,783)
Finance cost / others	--	--	(900,386)	--	(900,386)
Cash flows, net	(41,536)	(182,332)	154,921	--	(68,947)
31 December 2023	298,848	406,546	(11,726,510)	--	(11,021,116)

27.2 Fair value measurement of financial instruments

Recognized fair value measurements

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.



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

27.2 Fair value measurement of financial instruments (continued)

Recognized fair value measurements (continued)

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As at 31 December 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

Fair value hierarchy

For the year ended 31 December 2023						
	<u>FVTPL</u>	<u>Amortized</u>				
	<u>SR'000</u>	<u>Cost</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Financial assets						
Cash and cash equivalents	--	298,848	--	--	--	--
Restricted cash	--	406,546	--	--	--	--
Trade and other receivables	--	132,935	--	--	--	--
Other current assets	--	1,629	--	--	--	--
Financial investments at fair value through profit or loss	267,259	--	267,259	--	--	267,259
	<u>267,259</u>	<u>839,958</u>	<u>267,259</u>	<u>--</u>	<u>--</u>	<u>267,259</u>



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27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

27.2 Fair value measurement of financial instruments (continued)

Fair value hierarchy (continued)

	For the year ended 31 December 2022					
	<u>FVTPL</u>	<u>Amortized</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>SR'000</u>	<u>Cost</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>	<u>SR'000</u>
Financial assets						
Cash and cash equivalents	--	340,384	--	--	--	--
Restricted cash	--	588,878	--	--	--	--
Trade and other receivables	--	344,351	--	--	--	--
Other current assets	--	53,622	--	--	--	--
Financial investments at fair value through profit or loss	283,762	--	283,762	--	--	283,762
	<u>283,762</u>	<u>1,327,235</u>	<u>283,762</u>	<u>--</u>	<u>--</u>	<u>283,762</u>

There are no transfers in the fair value levels during the year ended 31 December 2023.

Financial assets at FVTPL comprise investments in funds. The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique
Funds Investment in non-public funds	Indicative NAV of the Fund based on the fair value of the underlying assets of the Fund

Fair value measurements using significant unobservable inputs (level 3)

	<u>2023</u>	<u>2022</u>
	<u>SR'000</u>	<u>SR'000</u>
Opening balance	283,762	304,122
Loss recognised in profit or loss	(16,503)	(20,360)
Closing balance	<u>267,259</u>	<u>283,762</u>



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

27. RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

27.2 Fair value measurement of financial instruments (continued)

Valuation process

In line with the Group's reporting dates, the Group's finance department determines fair value of the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Refer note 8 for details on main level 3 inputs used by the Group.

28. COMMITMENTS AND CONTINGENCIES

- a) As at 31 December 2023, the outstanding capital commitments in respect of development of the Project amounted to SR 2,533 million (31 December 2022: SR 3,607 million).
- b) Refer note 18 for Zakat related contingencies.
- c) As at 31 December 2023, the Group has bank letter of credits amounting to SR Nil (31 December 2022: SR 5.5 million) issued from local bank in the Kingdom of Saudi Arabia.
- d) As at 31 December 2023, the contingencies against banks' letter of guarantees issued on behalf of the Group amounted to SR 50 million (31 December 2022: SR 50 million).
- e) During the year ended 31 December 2023, a lawsuit has been filled by a customer against the Company with a demand amounting to SR 101 million in Makkah High Court (the "authority"), relating to off plan sale for unit sold in year 2014. The authority has moved this case to arbitration settlement.

The customer has initiated arbitration proceedings against the Company in which it has filed for full recovery of the purchase price along with other claims in the capacity of opportunity cost. The Company has challenged the claim and raised counter claims against the counterparty. The financial impact of the dispute, if any, cannot be reliability estimated at present. The Company, after reviewing the claims made against it and consulting its legal counsel, is reasonably confident of an outcome in its favor.

29. ADJUSTMENT TO PRIOR PERIODS

- 29.1 Further to the matters disclosed in note 5, management carried out a detailed assessment of the operating results of its properties (hotels and commercial centers) as well as an analysis of the trend in market value of its lands over the last 12 months, subsequent to the lifting of the COVID-19 restrictions that were imposed locally and globally and that were impacting the Group's operations. Based on the foregoing assessment and analysis, management identified that certain properties required an impairment adjustment of SR 0.7 billion as at 1 January 2022. Accordingly, management recognized such adjustment by restating the corresponding balances of Property, Plant and Equipment and Accumulated Losses as of that date, without any corresponding impact in the statement of profit or loss for the year ended 31 December 2022.
- 29.2 Moreover, management also adjusted the previously reported balance of Share Premium as of 31 December 2022 by an amount of SR 0.7 billion (representing the amount by which the accumulated losses would increase due to the effect of the aforementioned impairment adjustment in note 29.1). This is on account of the Board of Directors (BoD) resolution issued during the year ended 31 December 2022, whereby the BoD had resolved to set-off the available balance of Share Premium against the Accumulated Losses as of 31 December 2022 (note 13.2). The extension/reconfirmation of the foregoing resolution with respect to the set-off of accumulated losses against share premium due to the effect of the aforementioned impairment adjustment (note 29.1) has been resolved by the BoD via meeting dated 22 May 2023. Accordingly, the balance of share premium as at 31 December 2022 has been restated by SR 0.7 billion.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

29. ADJUSTMENT TO PRIOR PERIODS (continued)

29.3 The below table summarizes the impact of the above adjustments:

	1 January 2022 (As previously reported)	Adjustment (note 29.1)	1 January 2022 (Restated)
	SR'000	SR'000	SR'000
<i>Statement of financial position:</i>			
Property, plant and equipment	19,369,516	(700,000)	18,669,516
Total non-current assets	25,085,060	(700,000)	24,385,060
Total assets	26,822,578	(700,000)	26,122,578
Accumulated losses	(1,179,491)	(700,000)	(1,879,491)
Total equity	8,628,226	(700,000)	7,928,226
Total equity and liabilities	26,822,578	(700,000)	26,122,578

	31 December 2022 (As previously reported)	Adjustment (note 29.1)	Adjustment (note 29.2)	31 December 2022 (Restated)
	SR'000	SR'000	SR'000	SR'000
<i>Statement of financial position:</i>				
Property, plant and equipment	20,201,539	(700,000)	--	19,501,539
Total non-current assets	25,920,410	(700,000)	--	25,220,410
Total assets	27,212,471	(700,000)	--	26,512,471
Share premium	1,327,596	--	(700,000)	627,596
Accumulated losses	--	(700,000)	700,000	--
Total equity	13,386,712	(700,000)	--	12,686,712
Total equity and liabilities	27,212,471	(700,000)	--	26,512,471

30. SUBSEQUENT EVENTS

During the year ended 31 December 2023, the Board of Directors of the Company resolved to settle the amount payable to CDCC and MCDC amounting to SR 237 million and SR 309 million respectively, by way of share capital issuance. The management expects the transaction to get executed subsequent to the year ended 31 December 2023 as disclosed further in note 5 (d) and note 19, respectively, of these consolidated financial statements.

Furthermore, subsequent to the year ended 31 December 2023, the Group has entered into Murabaha facility arrangement amounting to SR 1.9 billion with a local bank as disclosed further in note 2.4 of these consolidated financial statements.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

31. RECLASSIFICATION IN PRIOR YEAR

During the year ended 31 December 2023, the Group reclassified certain comparative amounts to conform to the current year classification. The table below summarizes the impacts on the Group's financial statements:

Consolidated statement of financial position:

<u>As at 31 December 2022</u>	<u>Note</u>	<u>Impact of reclassification</u>		
		<u>As previously reported</u> <u>SR'000</u>	<u>Adjustments</u> <u>SR'000</u>	<u>As reclassified</u> <u>SR'000</u>
Cash and cash equivalents	31.1	340,384	--	340,384

Since the reclassification was with in the cash and cash equivalents therefore, there is not impact of total current assets and total assets.

Consolidated statement of profit or loss and other comprehensive income:

<u>For the year ended 31 December 2022</u>	<u>Note</u>	<u>Impact of reclassification</u>		
		<u>As previously reported</u> <u>SR'000</u>	<u>Adjustments</u> <u>SR'000</u>	<u>As reclassified</u> <u>SR'000</u>
Cost of revenue	31.2	(797,740)	(22,294)	(820,034)
Gross profit		51,761	(22,294)	29,467
General and administration expenses	31.2	(177,360)	22,294	(155,066)
Other operating income	31.3	19,090	(5,106)	13,984
Other operating expense	31.4	(33,224)	20,360	(12,864)
Operating loss		(190,911)	15,254	(175,657)
Finance income	31.3	--	5,106	5,106
Net change in fair value of financial investments	31.4	--	(20,360)	(20,360)
Loss for the year before Zakat		(352,373)	--	(352,373)
Loss for the year		(352,373)	--	(352,373)
Total comprehensive loss for the year		(352,529)	--	(352,529)

The reclassification do not have an impact on the net profit of the Group, hence, there is no impact on basic or diluted earnings per share and total operating, investing, or financing cashflows for the year ended 31 December 2022.

- 31.1 This represents reclassification amounting to SR 2.6 million from cash at bank to cash on hand.
- 31.2 This represents reclassification of depreciation expense amounting to SR 22.3 million from general and administration expenses to cost of revenue.
- 31.3 This represents reclassification of an amount of SR 5.1 million for the year ended 31 December 2022 representing finance income from other operating income to a separate line item titled Finance income.
- 31.4 This represents reclassification of SR 20.4 million representing loss on financial investments at fair value through profit and loss for the year ended 31 December 2022 from other operating expenses to a separate line item titled net change in fair value of financial investments.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved and authorized to issue by the Board of Directors on 24 March 2024, corresponding to 14 Ramadan 1445h.



Annex No. 2

The Company's unaudited condensed consolidated pro forma financial information for the nine-month period ended 30 September 2023G



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL INFORMATION**

with

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT
For the nine-month period ended 30 September 2023



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
For the nine-month period ended 30 September 2023

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**KPMG Professional Services**

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Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent Practitioner's Assurance Report on the Compilation of Pro forma Financial Information Included in a Shareholders' Circular To the Shareholders of Jabal Omar Development Company

Introduction

We have completed our assurance engagement to report on the compilation of Pro forma financial information (hereinafter referred to as the "Pro forma financial information") of Jabal Omar Development Company (the "Company"), its subsidiaries and its branches (collectively the "Group") by the management. The Pro forma financial information consists of the Pro forma statement of financial position ("financial position") as at 30 September 2023 and the Pro forma statements of profit or loss and other comprehensive income ("financial performance"), and cash flows for the nine-months period ended 30 September 2023 and related notes as set out in Appendix 2 of the Shareholders' circular issued by the Group. The applicable criteria and the requirements on the basis of which the management has compiled the Pro forma financial information are specified in Annex 17 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia and described in note 2.1.

The Pro forma financial information has been compiled by the management to illustrate the impact of Transaction set out in note 2.1 of the Pro forma financial information (the "transaction") on the Group's financial position as at 30 September 2023 and its financial performance and cash flows for the nine-months period ended 30 September 2023 as if the transaction had taken place at 28 September 2023. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the management from the Group's unaudited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2023, on which our review report with a modified conclusion and an emphasis of matter paragraph related to going concern has been published. Appendix 1 of the Shareholders' circular contains additional information on the nature of the modification and emphasis of matter, and the effect on the Group's financial statements.

Management's Responsibility for the Pro Forma Financial Information

The management is responsible for compiling the Pro forma financial information on the basis of Annex 17 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia and as described in note 2.1.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مبنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي للقران وشركاء محاسبين ومراجعين قانونيين". و هي عضو

غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة إنجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent Practitioner's Assurance Report on the Compilation of Pro forma Financial Information Included in a Shareholders' Circular To the Shareholders of Jabal Omar Development Company (continued)

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibilities

Our responsibility is to express an opinion, as required by Annex 17 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia, about whether the Pro forma financial information has been compiled, in all material respects, by the management on the basis of the applicable criteria described in note 2.1 'Basis of Preparation' to the Pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the Pro forma financial information on the basis of the applicable criteria described in note 2.1.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro forma financial information.

The purpose of the Pro forma financial information included in a Shareholders' circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event has occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the Pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Group, the event or transaction in respect of which the Pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro forma financial information.

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



Independent Practitioner's Assurance Report on the Compilation of Pro forma Financial Information Included in a Shareholders' Circular To the Shareholders of Jabal Omar Development Company (continued)

Opinion

In our opinion, the Pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria as set out in note 2.1.

Restriction on Use

Our report is provided to the Shareholders of the Group for inclusion in the Shareholders' circular and prepared upon the request of the Group's management in fulfilling the requirements of the Rules issued by Capital Markets Authority in accordance with the Applicable Criteria and should not be used or relied upon by any third parties without our prior written consent.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382



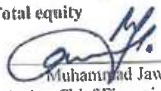
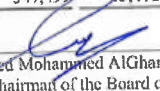
Jeddah, 1 April 2024
Corresponding to: 22 Ramadan 1445H



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Note	30 September 2023 SR'000 (Unaudited)	Pro Forma Adjustments SR'000	30 September 2023 SR'000 (Pro Forma)
ASSETS				
Non-current assets				
Property, plant and equipment		21,425,460	--	21,425,460
Intangible assets		411	--	411
Investment properties		3,491,106	--	3,491,106
Equity-accounted investee		122,237	--	122,237
Financial investment at fair value through profit or loss		275,372	--	275,372
Restricted cash – non-current portion		165,417	--	165,417
Other non-current assets		15,495	--	15,495
Total non-current assets		25,495,498	--	25,495,498
Current assets				
Properties for development and sale		21,069	--	21,069
Other current assets		37,312	--	37,312
Trade and other receivables		314,397	--	314,397
Restricted cash – current portion		744,843	--	744,843
Cash and cash equivalents		267,943	--	267,943
Assets held for sale		923,356	--	923,356
Total current assets		2,308,920	--	2,308,920
Total assets		27,804,418	--	27,804,418
EQUITY AND LIABILITIES				
Equity				
Share capital	3	11,545,342	233,974	11,779,316
Share premium	3	627,596	313,525	941,121
Statutory reserve		108,506	--	108,506
Retained earnings		237,546	--	237,546
Reserve for advances to certain founding shareholders		(285,674)	--	(285,674)
Equity attributable to the equity holders of the Parent before subordinated perpetual instrument		12,233,316	547,499	12,780,815
Subordinated perpetual instrument		689,668	--	689,668
Net equity attributable to the equity holders of the Parent after subordinated perpetual instrument		12,922,984	547,499	13,470,483
Non-controlling interest		1,560	--	1,560
Total equity		12,924,544	547,499	13,472,043
 Muhammad Jawad Acting Chief Financial Officer  Khaled Mohammed Al Amoudi Chief Executive Officer  Saged Mohammed AlGhamdi Chairman of the Board of Directors				

The accompanying notes from 1 to 5 form an integral part of this
unaudited pro forma condensed consolidated financial information



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 September 2023

	<u>Note</u>	<u>30 September</u> <u>2023</u> <u>SR'000</u> <u>(Unaudited)</u>	<u>Pro Forma</u> <u>Adjustments</u> <u>SR'000</u>	<u>30 September</u> <u>2023</u> <u>SR'000</u> <u>(Pro Forma)</u>
Liabilities				
Non-current liabilities				
Loans and borrowings-non-current portion		11,199,848	--	11,199,848
Provision for employees' terminal benefits		38,295	--	38,295
Other non-current liabilities		769,177	--	769,177
Total non-current liabilities		<u>12,007,320</u>	<u>--</u>	<u>12,007,320</u>
Current liabilities				
Loans and borrowings-current portion		702,759	--	702,759
Trade payables and other current liabilities	3	1,683,493	(547,499)	1,135,994
Zakat payable		486,302	--	486,302
Total current liabilities		<u>2,872,554</u>	<u>(547,499)</u>	<u>2,325,055</u>
Total liabilities		<u>14,879,874</u>	<u>(547,499)</u>	<u>14,332,375</u>
Total equity and liabilities		<u>27,804,418</u>	<u>--</u>	<u>27,804,418</u>


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of
Directors

The accompanying notes from 1 to 5 form an integral part of this
unaudited pro forma condensed consolidated financial information



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the nine-month period ended 30 September 2023

	30 September 2023 SR'000 (Unaudited)	Pro Forma Adjustments SR'000	30 September 2023 SR'000 (Pro Forma)
Revenue	1,006,165	--	1,006,165
Cost of revenue	(599,710)	--	(599,710)
Gross profit	406,455	--	406,455
Selling and marketing expenses	(3,076)	--	(3,076)
General and administration expenses	(114,972)	--	(114,972)
Reversal of financial loss on financial assets	41,963	--	41,963
Other operating income	14,236	--	14,236
Other operating expense	(8,390)	--	(8,390)
Operating profit	336,216	--	336,216
Finance costs	(305,437)	--	(305,437)
Share of results from equity-accounted investee	(4,416)	--	(4,416)
Net gain on extinguishment of loan	--	--	--
Other income	22,000	--	22,000
Gain on disposal of asset held for sale	390,427	--	390,427
Profit for the period before Zakat	438,790	--	438,790
Zakat	(201,244)	--	(201,244)
Profit for the period	237,546	--	237,546
Other comprehensive income	--	--	--
Total comprehensive income for the period	237,546	--	237,546
<i>Attributable to:</i>			
Shareholders of the Parent Company	237,546	--	237,546
Non-controlling interests	--	--	--
	237,546	--	237,546
Earnings per share (Saudi Riyals):			
Weighted average number of ordinary shares (number in thousand)	1,154,534	--	1,154,534
Earnings per share attributable to ordinary equity holders of the Parent Company (basic and diluted)	0.21	--	0.21


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Directors

The accompanying notes from 1 to 5 form an integral part of this
unaudited pro forma condensed consolidated financial information

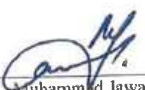


JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	30 September 2023 SR' 000 (Unaudited)	Pro Forma Adjustments SR' 000	30 September 2023 SR' 000 (Pro Forma)
Cash flows from operating activities			
Profit for the period before Zakat	438,790	--	438,790
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment	160,658	--	160,658
Depreciation on investment properties	17,032	--	17,032
Amortization of intangible assets	471	--	471
Provision for employees' terminal benefits	6,080	--	6,080
Reversal for expected credit losses	(41,963)	--	(41,963)
Share of results of investment in an equity-accounted investee	4,416	--	4,416
Finance costs	305,437	--	305,437
Change in fair value of financial investment – at fair value through profit or loss	8,390	--	8,390
Gain from disposal of property, plant and equipment	(152)	--	(152)
Other income	(22,000)	--	(22,000)
Gain on disposal of asset held for sale	(390,427)	--	(390,427)
	486,732	--	486,732
<u>Working capital adjustments:</u>			
Other non-current assets	1,958	--	1,958
Other current assets	26,625	--	26,625
Trade and other receivables	(283,091)	--	(283,091)
Other non-current liabilities	(164,901)	--	(164,901)
Trade payables and other current liabilities	68,272	--	68,272
Cash generated from operations	135,595	--	135,595
Finance costs paid	(316,494)	--	(316,494)
Employees' termination benefits paid	(460)	--	(460)
Net cash used in operating activities	(181,359)	--	(181,359)
Cash flows from investing activities			
Additions to property, plant and equipment	(640,052)	--	(640,052)
Purchase of intangible assets	(309)	--	(309)
Net change in restricted cash balances	(321,382)	--	(321,382)
Proceeds from disposal of property, plant and equipment	161	--	161
Proceeds from disposal of asset held for sale	521,176	--	521,176
Net cash used in investing activities	(440,406)	--	(440,406)


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Directors

The accompanying notes from 1 to 5 form an integral part of this
unaudited pro forma condensed consolidated financial information

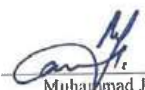


JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the nine-month period ended 30 September 2023

	Note	30 September 2023 SR' 000 (Unaudited)	Pro Forma Adjustments SR' 000	30 September 2023 SR' 000 (Pro Forma)
Cash flows from financing activities				
Payments received against advance to certain founding shareholders		286	--	286
Proceeds from loans and borrowings		646,673	--	646,673
Repayment of loans and borrowings		(97,635)	--	(97,635)
Net cash generated from financing activities		<u>549,324</u>	<u>--</u>	<u>549,324</u>
Net decrease in cash and cash equivalents		(72,441)	--	(72,441)
Cash and cash equivalents at beginning of the period		<u>340,384</u>	<u>--</u>	<u>340,384</u>
Cash and cash equivalents at end of the period		<u>267,943</u>	<u>--</u>	<u>267,943</u>
Major non-cash supplemental information:				
Capitalization of borrowing costs on property, plant and equipment		<u>405,756</u>	<u>--</u>	<u>405,756</u>
Capitalization of borrowing costs on investment properties		<u>68,113</u>	<u>--</u>	<u>68,113</u>
Transfer from property, plant and equipment to properties for development and sale		<u>6,845</u>	<u>--</u>	<u>6,845</u>
Transfer to property, plant and equipment from investment properties		<u>1,607,816</u>	<u>--</u>	<u>1,607,816</u>
Issue of share capital at a premium under debt-to-equity conversion of trade and payables and other current liabilities	3	<u>--</u>	<u>547,499</u>	<u>547,499</u>


Muhammad Jawad
Acting Chief Financial Officer


Khaled Mohammed Al Amoudi
Chief Executive Officer


Saeed Mohammed AlGhamdi
Chairman of the Board of Directors

The accompanying notes from 1 to 5 form an integral part of this
unaudited pro forma condensed consolidated financial information



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2023

1. CORPORATE INFORMATION

Jabal Omar Development Company (the “Company” or the “Parent Company”), a Saudi Joint Stock Company, was established under the Regulations for Companies in the Kingdom of Saudi Arabia (“KSA”) as per Royal Decree No. M/63, dated 18 October 2006 (corresponding to 25 Ramadan 1427H). The Ministerial Resolution No. 253/S dated 29 October 2007 (corresponding to 17 Shawal 1428H) declared the incorporation of the Company. The Company is registered in Makkah Al Mukkaramah City under Commercial Registration number 4031051838 dated 25 November 2007 (corresponding to 15 Dhul Qida 1428H).

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

The Company has branch commercial registrations to engage in hospitality activities as per the Saudi Commission for Tourism and National Heritage’s (“SCTA”) letters. This unaudited pro forma condensed consolidated financial information (the “Pro forma financial information”) includes the results of the operating activities relating to its hospitality activities (the “Hotels”) in addition to its non-operational branches.

2. BASIS OF ACCOUNTING

2.1. Basis of preparation

The purpose of these Pro forma financial information prepared by the management is to illustrate the impact of the proposed settlement of certain balances owed to Central District Cooling Company and Makkah Construction and Development Company, amounting to SR 237,933,259 and SR 309,564,950, respectively, via the issuance of Company’s shares (each the “Transaction” and collectively the “Transactions”) on the Pro forma financial information, in accordance with the Board of Directors resolution dated 22 May 2023 (corresponding to 2 Dhul Qadah 1444h) described in note 3.

The Pro forma financial information has been prepared on the basis as if the Transactions had occurred on 28 September 2023. The share price used for the purpose of illustrating the impact of the Transactions in this Pro forma financial information is SR 23.4 per share, whereas the par value of the Company’s shares is SR 10 per share.

The management has used the Group’s unaudited interim condensed consolidated financial statements for the nine-months period ended 30 September 2023 prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (the “unaudited historical financial statements”) to prepare the accompanying Pro forma financial information. Accordingly, all the adjustments to the related financial captions are made on the assumption that all the legal formalities related to the Transactions, including the approval of and the agreements with the counterparties and regulatory clearances, were completed and effective on 28 September 2023.

The unaudited pro forma adjustments are based upon available information and certain assumptions that we believe to be reasonable and as applicable for the nine-month period ended 30 September 2023.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2023

2. BASIS OF ACCOUNTING (continued)

2.1. Basis of preparation (continued)

The historical unaudited interim condensed consolidated financial statements have been adjusted in the Pro forma financial information to give effect to pro forma events that are (1) directly attributable to the Transactions and, (2) factually supportable.

This Pro forma financial information has been prepared on the basis of various assumptions, estimates, uncertainties, and currently available information, and are provided for illustrative purposes only. Consequently, the accompanying Pro forma financial information may not reflect the true picture of the actual financial position or results of the Group's operations, as it is dependent on the completion of all the legal formalities and regulatory clearances related to the Transactions, planned to occur at a future date. The Pro forma financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the Transactions been consummated on the date indicated herein and do not purport to indicate future consolidated results of operations or financial position of the Company or the Group.

The Group's Pro forma financial information is compiled and prepared under the requirements of Annex-17 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority in the Kingdom of Saudi Arabia.

The assumptions and estimates underlying the unaudited adjustments to the Pro forma financial information are described in the accompanying notes, which should be read together with the unaudited historical financial statements.

2.2. Going concern basis of accounting

The Pro forma financial information has been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the mandatory repayment terms of the banking facilities.

Management has exercised judgement in the determination of the Group's going concern status owing to which, management believes that the Group continues to be a going concern and the Pro forma financial information has been prepared on that basis. Please refer to the unaudited historical financial statements for details of management's assessment.

3. PRO FORMA ADJUSTMENTS

On 22 May 2023 (corresponding to 2 Dhul Qadah 1444h), the Board of Directors of Jabal Omar Development Company resolved to settle certain balances to Central District Cooling Company ("First Creditor") and Makkah Central Development Company ("Second Creditor") (collectively referred to as the "Creditors") by way of issuance of new ordinary shares in the Company.

Consequent to the agreement of the terms and conditions of the debt-equity conversion with the Creditors, on 18 December 2023 (corresponding to 5 Jumada Al-Akhirah 1445h), the Board of Directors authorized the conversion of debt owed to the First Creditor and Second Creditor amounting to SR 237,933,259 and SR 309,564,950, respectively, by way of debt conversion via issuance of new ordinary shares in the Company to the Creditors.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2023

3. PRO FORMA ADJUSTMENTS (continued)

On 20 December 2023 (corresponding to 7 Jumada Al-Akhirah 1445h), the Company entered into debt settlement agreement with the Creditors, details of which are as follows:

- (i) Pursuant to the Company's debt settlement agreement with the First Creditor, both parties agreed to settle the outstanding debt owed by the Company to the First Creditor as at 30 September 2023 amounting to SR 237,933,259, which relates to the outstanding liabilities under the Contract for the use of District Cooling Plant entered into between the First Creditor and Company dated 17 July 2012, in exchange of the issuance of new shares in the Company for the benefit to the First Creditor.
- (ii) Pursuant to the Company's debt settlement agreement with the Second Creditor, both parties agreed to settle the outstanding debt owed by the Company to the Second Creditor as at 30 September 2023 amounting to SR 309,564,950, which relates to the remaining historic liability owed by the Company towards the Second Creditor resulting from the Company's purchase of the Second Creditor's cash shares in the Company which was held on behalf of the land owners who were not able to complete their ownership documentation, and as further stipulated in Section 1(b) of Article 7 of the Company's By-Laws in exchange of the issuance of new shares for the benefit of the Second Creditor in the Company.

For the purpose of this Pro Forma financial information, it is assumed that the following main terms and conditions stands satisfied on 28 September 2023:

- (i) Obtained all required regulatory approvals (particularly the approvals from the Capital Market Authority and the Saudi Stock Exchange (Tadawul) with respect to the issuance and listing of the newly issued shares);
- (ii) Obtained the approval of any third party whose consent is required to implement the contemplated Transactions; and
- (iii) Obtained the Company's general assembly approval with respect to the contemplated Transactions.

The management has prepared this Pro forma financial information based on the assumption that the amounts owed to the Creditors, are derecognized by issuance of Company's ordinary shares at an assumed fair value equal to the closing share price published on 27 September 2023 i.e. SR 23.4 per share. Consequently, all the pro forma adjustments ("Pro forma adjustments") in respect of the related financial statement captions are made on the assumption that all the legal formalities related to the Transactions, as assumed above, were completed and effective on 28 September 2023.



JABAL OMAR DEVELOPMENT COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine-month period ended 30 September 2023

3. PRO FORMA ADJUSTMENTS (continued)

Details of the computations in relation to the Pro forma adjustments are as follows:

	<u>Amount In SR</u>
Amounts owed to Central District Cooling Company as at 30 September 2023 (A)	237,933,259
Amounts owed to Makkah Central Development Company as at 30 September 2023 (B)	309,564,950
Total Amount owed as at 30 September 2023 (C)	<u>547,498,209</u>
Closing share price as at 27 September 2023 (D)	<u>23.4</u>
Total number of ordinary shares to be issued on the basis of the contemplated Transactions (C/D)	<u>23,397,359</u>
Increase in share capital based on contemplated Transactions at par value of SR 10 per share (E)	<u>233,973,594</u>
Increase in share premium based on contemplated Transactions (C-E)	<u>313,524,615</u>

Accordingly, the effect of the Transactions, resulted in following Pro forma adjustments:

- increase in the issued share capital of the Company by SR 234 million.
- increase in share premium by SR 313.5 million.
- decrease in trade payables and other current liabilities by SR 547.5 million.
- no impact on the unaudited pro forma condensed consolidated statement of profit or loss and other comprehensive income, and unaudited pro forma condensed consolidated statement of cash flows.

4. SUBSEQUENT EVENTS

Subsequent to the nine-month period ended 30 September 2023, no significant event or transaction has occurred that may require reference to, or disclosure in, this Pro forma financial information.

5. APPROVAL OF THE PRO FORMA FINANCIAL INFORMATION

This Pro forma financial information has been approved and authorized to issue by the Board of Directors on 1 April 2024, corresponding to 22 Ramadan 1445H.

