KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REPORT

KNOWLEDGE ECONOMIC CITY COMPANY
(A Saudi joint stock company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditor's report to the shareholders of Knowledge Economic City Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Knowledge Economic City Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the code of professional 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.

Our audit approach

Overview

Key audit matter	• Control assessment of the Group's investment in Riyadh Real Estate Development Fund – Madinah Gate

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

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

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Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

Our audit approach (continued)

Key audit matter

Key audit matters is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Key audit matter	How our audit addressed the key audit matter
Control assessment of the Group's investment in Riyadh Real Estate Development Fund – Madinah Gate During the year 2021, the Group invested in the Riyadh Real Estate Development Fund – Madinah Gate (the "Fund"). The Group performed an assessment of the criteria to determine whether the Group has control over the Fund taking into consideration its power over the Fund arising from its rights, its exposure to variable returns, and the link between power and returns. The assessment of the Group's control over the Fund involves significant judgement on factors such as the purpose and design of the structured entities, the Group's ability to direct the structured entities' relevant activities, determination of variable returns from the structured entity and how the group uses the power over the relevant activity to direct the variable returns from the structured entities. We considered this as a key audit matter because the assessment of control over the Fund required significant judgment by management and the impact of consolidation of the Fund is material to the Group's consolidated financial statements. Refer to Note 3.1.4 of the accompanying consolidated financial statements for significant accounting judgements, estimates and assumptions and basis of consolidation in connection with such control assessment.	We performed the following procedures in relation to the Group's control assessment of investment in the Fund: • Considered management's assessment of control to determine whether the Group is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the Fund in accordance with the criteria mentioned in *International Financial Reporting Standard 10 - Consolidation* (IFRS 10). • Evaluated management's assessment of the relevant activities of the Fund as to whether the Group has the ability to direct the relevant activities, by virtue of contractual arrangements, in accordance with the criteria set out in the Group's accounting policies. We also assessed the adequacy and appropriateness of the disclosures included in Note 3.1.4 to the accompanying consolidated financial statements with respect to significant accounting judgements, estimates and assumptions and basis of consolidation in connection with such control assessment.

Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group, 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 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, 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Independent auditor's report to the shareholders of Knowledge Economic City Company (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 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.

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License Number 379

March 31, 2022

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31 2021	2020
Assets			
Non-current assets			
Property and equipment	7	**48,796,461**	49,798,155
Investment properties	9	**2,608,768,661**	2,565,716,142
Right-of-use asset	28	**2,307,671**	3,511,674
Intangible assets	8	**461,458**	907,981
Trade receivable	13	**98,208,785**	116,704,883
Investment held at amortised cost	12	**124,772,392**	124,772,392
Total non-current assets		**2,883,315,428**	2,861,411,227
Current assets			
Development properties	10	**67,151,326**	85,808,790
Trade receivables	13	**63,126,630**	68,048,860
Contract assets	14	**4,537,667**	-
Prepayments and other current assets	15	**25,738,125**	21,657,990
Financial assets at fair value through profit or loss	16	**150,676,588**	-
Short-term investments	17	**-**	46,088,167
Cash and cash equivalents	18	**99,652,420**	180,043,033
Total current assets		**410,882,756**	401,646,840
Total assets		**3,294,198,184**	3,263,058,067
Equity and liabilities			
Equity			
Share capital	24	**3,393,000,000**	3,393,000,000
Accumulated losses		**(316,877,718)**	(294,654,961)
Equity attributable to equity holders of the parent		**3,076,122,282**	3,098,345,039
Non-controlling interests	11	**92,893,309**	93,333,504
Total equity		**3,169,015,591**	3,191,678,543
Liabilities			
Non-current liabilities			
Employee benefits	22	**8,062,405**	7,406,722
Payable to other unitholders of Fund	19	**53,589,325**	-
Lease liabilities	28	**1,340,901**	1,925,521
Total non-current liabilities		**62,992,631**	9,332,243
Current liabilities			
Lease liabilities	28	**1,264,363**	1,861,179
Trade payables		**8,128,857**	2,095,636
Accruals and other current liabilities	20	**44,286,055**	46,162,974
Zakat	23	**8,510,687**	11,927,492
Total current liabilities		**62,189,962**	62,047,281
Total liabilities		**125,182,593**	71,379,524
Total equity and liabilities		**3,294,198,184**	3,263,058,067

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

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

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

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2021	2020
Continuing operations			
Revenue	25.1	**42,454,283**	112,936,069
Cost of revenue	25.2	**(31,983,740)**	(88,399,271)
Gross profit		**10,470,543**	24,536,798
Selling and marketing expenses	26	**(9,759,864)**	(9,607,725)
General and administrative expenses	27	**(46,838,196)**	(31,185,347)
Other income, net	29	**31,748,868**	4,486,085
Operating loss		**(14,378,649)**	(11,770,189)
Finance income		**2,471,629**	5,391,096
Unrealized gain from investments at fair value through profit or loss		**676,588**	-
Finance cost	28	**(163,847)**	(190,202)
Loss before zakat from continuing operations		**(11,394,279)**	(6,569,295)
Zakat expense	23	**(11,134,463)**	(17,267,018)
Net loss for the year from continuing operations		**(22,528,742)**	(23,836,313)
Discontinued operations			
Loss after zakat for the year from discontinued operations	36	**-**	(2,001,272)
Net loss for the year		**(22,528,742)**	(25,837,585)
Other comprehensive loss			
Items that will not be reclassified to statement of profit or loss:			
Re-measurement loss on defined benefit plans	22	**(134,210)**	(389,672)
Total comprehensive loss for the year		**(22,662,952)**	(26,227,257)
Net loss attributable to:			
Equity holders of the parent		**(22,088,547)**	(25,722,898)
Non-controlling interests		**(440,195)**	(114,687)
		(22,528,742)	(25,837,585)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(22,222,757)**	(26,112,570)
Non-controlling interests		**(440,195)**	(114,687)
		(22,662,952)	(26,227,257)
Losses per share attributable to equity holders of the Company:			
Basic and diluted losses per share (Saudi Riyals)	30	**(0.065)**	(0.076)
Losses per share from continuing operations attributable to equity holders of the Company:			
Basic and diluted losses per share (Saudi Riyals)	30	**(0.065)**	(0.070)

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

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

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

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Attributable to the equity holders of the parent				
	Share capital	Accumulated losses	Total	Non-controlling interest	Total equity
Balance as at 1 January 2020	3,393,000,000	(269,722,506)	3,123,277,494	93,448,191	3,216,725,685
Net loss for the year	-	(25,722,898)	(25,722,898)	(114,687)	(25,837,585)
Other comprehensive loss for the year	-	(389,672)	(389,672)	-	(389,672)
Total comprehensive loss for the year	-	(26,112,570)	(26,112,570)	(114,687)	(26,227,257)
Discontinued operation (note 36)	-	1,180,115	1,180,115	-	1,180,115
Balance as at 31 December 2020	3,393,000,000	(294,654,961)	3,098,345,039	93,333,504	3,191,678,543
Net loss for the year	-	**(22,088,547)**	**(22,088,547)**	**(440,195)**	**(22,528,742)**
Other comprehensive loss for the year	-	**(134,210)**	**(134,210)**	-	**(134,210)**
Total comprehensive loss for the year	-	**(22,222,757)**	**(22,222,757)**	**(440,195)**	**(22,662,952)**
Balance as at 31 December 2021	**3,393,000,000**	**(316,877,718)**	**3,076,122,282**	**92,893,309**	**3,169,015,591**

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

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

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

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31 2021	2020
Operating activities			
Loss before zakat from continuing operations		**(11,394,279)**	(6,569,295)
Loss before zakat from discontinued operations		-	(2,001,272)
		(11,394,279)	(8,570,567)
Adjustments to reconcile profit before zakat to net cash flows:			
Finance income		**(2,471,629)**	(5,391,096)
Unrealized gain from investments at fair value through profit or loss		**(676,588)**	-
Revaluation of payable to other unitholders of Fund	29	**(1,410,675)**	-
Income from lawsuits won and related legal fees	29	**(28,246,939)**	-
Provision for employee benefits	22	**1,759,131**	1,557,815
Discontinued operation – employee benefits		-	(1,262,984)
Finance cost for lease liabilities	28	**163,847**	190,202
Write off of property and equipment		**32,266**	-
Depreciation of property and equipment	7	**1,445,572**	1,505,048
Depreciation of right-of-use assets	28	**1,204,003**	1,204,001
Amortization of intangible assets	8	**466,211**	382,567
		(39,129,080)	(10,385,014)
Working capital adjustments:			
Development properties		**18,657,464**	78,816,296
Trade receivables		**23,418,328**	(44,000,628)
Contract assets		**(4,537,667)**	-
Prepayments and other current assets		**(4,080,135)**	(17,319,854)
Trade payable		**6,033,221**	(2,216,739)
Deferred gain		-	(233,633)
Contract liabilities		-	(504,300)
Accruals and other current liabilities		**2,661,436**	(50,279,250)
Cash generated from/ (used in) operations		**3,023,567**	(46,123,122)
Cash received on liquidation of bank guarantees	29	**40,667,238**	-
Employees' benefits paid	22	**(1,237,658)**	(302,094)
Zakat paid	23	**(14,551,268)**	(16,126,067)
Net cash from/(used in) operating activities		**27,901,879**	(62,551,283)
Investing activities			
Short-term investments made	17	-	(227,000,000)
Proceeds from short-term investments		**46,000,000**	446,000,000
Finance income received		**2,559,796**	6,292,818
Investment in financial assets at fair value through profit or loss		**(150,000,000)**	-
Investment in financial instrument		-	(124,772,392)
Additions to investment properties	9	**(60,011,173)**	(52,735,423)
Additions to property and equipment	7	**(476,144)**	(1,003,933)
Additions to intangible assets	8	**(19,688)**	(377,438)
Net cash flows (used in)/from investing activities		**(161,947,209)**	46,403,632
Financing activities			
Contribution by other unitholders of the Fund		**55,000,000**	-
Lease payment	28	**(1,345,283)**	(673,533)
Net cash flows from/(used in) financing activities		**53,654,717**	(673,533)

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flow (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2021	2020
Decrease in cash and cash equivalents		**(80,390,613)**	(16,821,184)
Cash and cash equivalents at the beginning of the year		180,043,033	196,864,217
Cash and cash equivalents at the end of the year from continuing operations	18	**99,652,420**	180,043,033
Supplementary non-cash information			
Adjustment to investment properties on settlement of claims	29	**26,773,966**	-
Adjustment of accruals and other payables on settlement of claims	29	**14,353,667**	-
Additions in investment properties through accrued expenses		**9,815,312**	-
Accumulated losses derecognised upon disposal of discontinued operation		-	1,180,115

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

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

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

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

The Company had a branch under the name of Madinah Institute for Leadership and Entrepreneurship ("MILE") which conducts programs for executive education and training and is based in Madinah Al Munawarah under the license number 4650053318 dated 21 Shawwal 1432H (corresponding to 19 September 2011) issued by Technical and Vocational Training Corporation Saudi Arabia. During the period ended September 2020 the Board of Directors of the Group resolved to convert MILE to a non-profit charitable endowment and independent entity. All the legal formalities of such conversion have been completed by 19 July 2020, and accordingly the operations of the Branch were classified as a disposal group discontinued operation as of 30 September 2020.

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

Subsidiaries	**Country of incorporation**	**Paid up capital**	**Effective ownership** **2021**	**2020**
Mounshaat Al Maarifa Al Akaria Company Limited ("Mounshaat")	Saudi Arabia	1,000,000	**100%**	100%
Mashariaa Al Maarifa Al Akaria Company Limited ("Mashariaa")	Saudi Arabia	633,000,000	**100%**	100%
Al Garra International Company for Real Estate ("Al Garra")	Saudi Arabia	467,765,000	**80%**	80%
Al Maarifa Al Akaria Company Limited ("Amaak") (refer note below)	Saudi Arabia	50,000,000	**100%**	100%
Makarem Al Maarifa for Hospitality Company Limited ("Makarem for Hospitality")	Saudi Arabia	56,400,000	**100%**	100%
Bawabat Al-Madinah Real Estate Company ("Madinah Gate") (refer note below)	Saudi Arabia	20,000	**-**	80%
Riyadh Real Estate Development Fund - Madinah Gate	Saudi Arabia	220,000,000	**68.82%**	-

Subsequent to the year end, the shareholder of Amaak have resolved to decrease the share capital of Amaak from SR 50 million to SR 10 million and such formalities have been completed and effective subsequent to year ended December 31, 2021.

On 24 June 2020, the Company set up a subsidiary, namely; Madinah Gate (the subsidiary company). The land and related infrastructure cost were transferred from Al Garra during year 2020.

During the year, the Group invested in a newly established private real estate fund namely Riyadh Real Estate Development Fund - Madinah Gate (the "Fund"). The Group transferred the entire ownership of Madinah Gate that owned the real estate asset in favor of the Fund amounting to SR 68 million in exchange of units in the Fund. Moreover, the Group also invested SR 97 million in cash to subscribe units in the Fund. This total investment of SR 165 million represents 75% ownership of the Fund (44.1% is direct ownership, and 30.9% indirect ownership through the subsidiary Al Garra company as the Group owns 80% of it). The Group signed an agreement with Riyad Capital for the management of the Fund. Please see Note 3.

1 General information (continued)

Mounshaat and Mashariaa have not commenced their operations as at 31 December 2021.

The Group signed an agreement with the Saudi Tourism Development Fund and Riyadh Bank to provide financing facility to an extent of SR 782 million for development execution of the KEC Hub project. According to the agreement, the Saudi Tourism Development Fund and Riyad Bank will provide financing to the Group for the cost of developing the first phase of the KEC Hub project. The Group provided collateral in the form of plots of KEC Hub land (refer to Note 9). As of 31 December 2021, the Group has not availed aforementioned facility.

Furthermore, the Group signed an agreement with MOBCO Group to develop an international school on a parcel of land that will be allocated for this investment through a long-term lease contract. As of issuance date of these financial statement, construction of the international school has not yet started.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on March 24, 2022.

2 Basis of preparation

2.1 Statement of compliance

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

The Capital Market Authority ("CMA") announced on 30 December 2019 that obligates the listed entities to continue to use the cost model to measure property (IAS 16) and investment properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which starts before the year of 2022. CMA also obligates listed entities to continue to use the cost model to measure equipment and intangible assets for five years starting from 1 January 2017. The Group has complied with the requirements in the accompanying consolidated financial statements.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 Significant accounting judgements, estimates and assumptions

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

3 Significant accounting judgements, estimates and assumptions (continued)

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

- Sensitivity analyses disclosures (notes 9, 22 and 33)
- Financial instruments risk management (note 33)
- Capital management (note 34)

3.1 Judgements

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

- Valuation of investment properties
- Net realizable value for development property
- Going concern

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

3.1.1 Revenue recognition

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

3.1.2 Going concern

The Group's management has made a cash flow assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the business for the foreseeable future. The Group current assets increase its current liabilities by SR 348,692,794. The Group has also obtained loan facilities amounting to SR 782 million to finance the Group for the cost of developing the first phase of the KEC Hub project. See Note 1. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are continued to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in note 38.

3.1.3 Classification of investments

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

For assessing control, the Group has considered power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. Management's assessment considered the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group has considered potential voting rights.

3 Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements (continued)

3.1.4 Consolidation of a Riyadh Real Estate Development Fund - Madinah Gate

As noted above, the Group invested in the Riyadh Real Estate Development Fund – Madinah Gate (the "Fund") by way of contributing in kind the full shares of its wholly owned subsidiary (Madinah Gate Co.) and cash contribution. Due to these contributions to the Fund, the Group holds 75% of the units and accordingly such voting rights of the Fund. As part of the arrangement, the Group is appointed as the development manager of the Fund. On this basis, management assessed if the Fund should be consolidated by the Group.

In performing the assessment whether the Group controls the fund consideration was given to the purpose and design of the Fund, the level of predetermined activities, the substantive rights held by the Group over the relevant activities of the Fund and the Group's exposure to the variable returns of the Fund.

The key objective of the Fund is to achieve capital growth through direct investment in the real estate sector of Madinah Al Munawarah in the Kingdom of Saudi Arabia and the Fund was designed to ensure the property is developed as per the budget and business plans and agreed with the Group prior to the establishment of the Fund to achieve maximum return for the unitholders. The Group was involved in the purpose and design of the Fund, selecting the appropriate Fund structure, preparing the budget and business plans in collaboration with the advisors, securing key contracts (contractors, tenants and preliminary financing terms) and ensuring sufficient substantive rights were retained to continue to have power over the Fund.

The most relevant activity was determined as development of the project and leasing the properties to facilitate the sale of the properties to achieve an internal rate of return for the unitholders. As part of the Fund structure, the Fund has appointed the Group as the development manager to develop the properties and secure the tenants to achieve a high selling price. Furthermore, the Group retained special voting rights which further provided the Group with substantive rights. As such, it was concluded that the Group has power over the Fund.

Currently, the Group holds 75% of the units in the Fund as at 31 December 2021 and is also entitled to fees on the services performed as the development manager. As a result, the Group has the most substantial exposures to the variable returns.

Given, the Group has its power to direct the relevant activities of the Fund, has the most significant variable returns and has the ability to use the power to affect the variable returns, management is of the view, the Group should consolidate the Fund. Accordingly, the Fund is consolidated in these consolidated financial statements.

The impact of not consolidating the Fund would result in a reduction of total assets by SR 43.5 million, reduction of total liabilities by SR 59.9 million and recognitions of gain on disposal of land of SR 11.9 million.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the 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:

3.2.1 Valuation of investment properties

Investment properties are stated at cost and an assessment of fair value of investment properties and the land held for sale classified as development properties is carried out at each reporting date by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the investment property bring valued. In determining the valuation, the valuer used the market valuation and residual value methodologies that are based on significant assumptions and estimates. These approaches entail significant judgement and estimates like comparable sale prices, growth rate, disposal period, discount rate, capitalization rate and infrastructure cost, including economic fluctuations and the effects of the Covid-19 pandemic on the Group's business. The valuation methodologies, key assumptions and their sensitivity analysis are explained in note 9.

3 Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.2 Net realizable value of development property

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

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

Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality by an independent professionally qualified valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the land parcel being valued. Estimated costs to complete the development are deducted from estimated selling price to arrive at NRV.

3.2.3 Useful lives of property and equipment

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

3.2.4 Provision for expected credit losses (ECL) of trade receivables

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

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about ECL of trade receivables is disclosed in note 33.

3.2.5 Defined benefit plan

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

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 22.

3 Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.6 Provisions

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

3.2.7 Recognition of cost of revenue

The Group has a project "Dar Aljewar II" and started a new project during the year "Town house" for selling the villas and townhouses. In order to determine cost of revenues related to each villa and townhouse sold during the period, management estimates the infrastructure costs of the entire development. These costs are then allocated to each plot. These estimates are reviewed regularly and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognized in a prior period.

3.2.8 Cost to complete the projects

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

4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements:

4.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 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 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.

4 Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

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

Transactions eliminated on consolidation

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

4.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of 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.

4.3 Current versus non-current classification

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

Assets

An asset is current when:

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

4 Summary of significant accounting policies (continued)

4.3 Current versus non-current classification (continued)

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.4 Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

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

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

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

4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

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

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

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 at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

Financial assets at fair value through profit or loss

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

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

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

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

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors and the economic environment where there is correlation between these factors and customers default rate.

The Group considers 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 collateral or credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at amortised cost

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

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

Derecognition

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

4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

iii) Offsetting of financial instruments

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

4.5 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The management uses fair value less cost to sell approach for its investment properties and development properties and as the recoverable amount using fair value approach is higher than the carrying amount the management does not determine value in use.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

4.6 Property and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Capital work in progress

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

4 Summary of significant accounting policies (continued)

4.6 Property 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 the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 3.2.3.

The estimated useful lives are as follows:

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

4.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets. Intangible assets for the Group comprises software. The estimated useful lives is 5 years.

4.8 Investment properties

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

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

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

4 Summary of significant accounting policies (continued)

4.8 Investment properties (continued)

If an investment property becomes owner-occupied, it is reclassified as property and equipment.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

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

4.9 Development properties

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

4.10 Leases

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

Group as a lessee

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

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.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets is 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 3.2.3.

4 Summary of significant accounting policies (continued)

4.10 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

4.11 Cash and cash equivalents

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

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

4.12 Discontinued operations

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 36. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

4 Summary of significant accounting policies (continued)

4.13 Liability to the unitholders

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognised at the fair value of the units. All subsequent changes in liability are recognised in the consolidated statement of comprehensive income. The liability represents a pro-rata share of net assets, entitled to other unitholders, in the event of liquidation of the fund. This is determined by way of division of the fund's net assets by the number of units held by unitholders.

4.14 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (refer to note 22).

4.15 Provisions

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

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

4.16 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of comprehensive income (refer note 23).

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

4 Summary of significant accounting policies (continued)

4.17 Segment reporting

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

(i) Engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
(ii) The results of its operations are continuously analyzed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
(iii) For which financial information is discretely available.

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

4.18 Contract balances

Contract assets

Contract assets relate to off-plan sales of development properties where the properties are not handed over to the customers and the Group has outstanding performance obligation. The contract assets represent Group's right to receive the payments from the customers based on the revenue recognized over time based on the stage of completion of the properties sold to the customers less any amounts that are due from the customers under the contractual terms. Contract assets are subject to impairment assessment.

Trade receivables

A trade receivable is initially recognised for revenue earned from sales transaction. Trade receivable is the Group's right to consideration in exchange for sale of the plots, villas, properties or other related maintenance services to the customers. When the Group satisfies a performance obligation by delivering the promised properties or services, it transfers the amounts from contract asset to trade receivables (unbilled). When the amounts are due from the customers as per the agreed terms and invoices are sent to the customers, the amounts are reclassified from trade receivables (unbilled) to trade receivables (billed). Trade receivables are subject to impairment assessment.

Contract liabilities

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

4.19 Revenue from contracts with customers

Sale of properties and maintenance services

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.

4 Summary of significant accounting policies (continued)

4.19 Revenue from contracts with customers (continued)

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

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

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

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

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

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

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

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

Significant financing component

The Group receives payments from customers in arrears for the sale of residential villas with a timeline of three years to seven years after signing the contract and receipt of payment. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the villas, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Leases revenues (revenue of real estate leases)

The leases revenues from investment property are recognized in the statement of profit or loss on a straight-line-basis over the lease period. Rental incentives granted are included as part of total rental payments over the lease period.

4.20 Cost of revenue

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

4.21 Expenses

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

(All amounts in Saudi Riyals unless otherwise stated)

4 Summary of significant accounting policies (continued)

4.22 Finance income, dividend income and finance cost

Finance income comprises interest income on funds invested that are recognized in consolidated statement of profit and loss and other comprehensive income. Interest income is recognized as it accrues in consolidated statement of profit and loss and other comprehensive income, using the effective interest method.

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

4.23 Earnings per share

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

5 New and amended standards adopted by the group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Title	Key requirements	Effective date	Impact
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	January 1, 2021	The amendment did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals unless otherwise stated)

5 New and amended standards adopted by the group (continued)

Title	Key requirements	Effective date	Impact
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	June 1, 2020/April 1 2021.	The Group did not take or provided any rent concessions. Therefore, the amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals unless otherwise stated)

6 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Title	Key requirements	Effective date	Impact
IFRS 17 *Insurance Contracts*	IFRS 17 was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.	1 January 2023 (deferred from 1 January 2021)	The amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals unless otherwise stated)

6 New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective date	Impact
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 *Property, Plant and Equipment* (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022	The Group does not have any proceeds from properties before their intended use. Therefore, the amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	1 January 2022	The Group did not acquire any businesses during the year, therefore, the amendment does not have any impact on the amounts recognised in the current and prior periods. The Group will consider the guidance in future if such case occurs.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizes a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022	The Group does not have any onerous contracts, therefore, the amendment does not have any impact on the amounts recognised in the current or prior periods. The Group will consider the guidance in future if such case occurs.
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022	The amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

Knowledge Economic City Company
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7 Property and equipment

	Land	Buildings	Furniture and fixtures	Computer and office equipment	Leasehold improvements	Motor vehicles	Capital work in progress	Total
Cost:								
At 1 January 2020	8,883,511	39,174,514	5,578,145	3,733,159	743,176	554,732	8,802,713	67,469,950
Additions during the year	-	-	-	-	-	-	1,003,933	1,003,933
Transfers	-	-	383,445	128,833	-	-	(512,278)	-
At 31 December 2020	8,883,511	39,174,514	5,961,590	3,861,992	743,176	554,732	9,294,368	68,473,883
Additions during the year	-	-	**276,304**	**122,999**	-	-	**76,841**	**476,144**
Write-off	-	-	**(32,266)**	-	-	-	-	**(32,266)**
At 31 December 2021	**8,883,511**	**39,174,514**	**6,205,628**	**3,984,991**	**743,176**	**554,732**	**9,371,209**	**68,917,761**
Depreciation:								
At 1 January 2020	-	8,133,122	5,176,013	2,806,261	501,158	554,126	-	17,170,680
Charge for the year	-	1,018,509	98,024	314,777	73,738	-	-	1,505,048
At 31 December 2020	-	9,151,631	5,274,037	3,121,038	574,896	554,126	-	18,675,728
Charge for the year	-	**1,018,509**	**153,676**	**199,649**	**73,738**	-	-	**1,445,572**
At 31 December 2021	-	**10,170,140**	**5,427,713**	**3,320,687**	**648,634**	**554,126**	-	**20,121,300**
Net book amounts:								
At 31 December 2021	**8,883,511**	**29,004,374**	**777,915**	**664,304**	**94,542**	**606**	**9,371,209**	**48,796,461**
At 31 December 2020	8,883,511	30,022,883	687,553	740,954	168,280	606	9,294,368	49,798,155

Capital work in progress at 31 December 2021 mainly represent cost incurred by the Group for constructing a fence and concrete walls around its owned land.

During the year, depreciation of SR 100,981 (2020: SR 58,960) was allocated to the investment properties, which represents depreciation of property and equipment used by investment property project management team of the Group.

There were no impairment charges in 2021 and 2020. The property and equipment are not under lien or pledged.

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment (continued)

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

	2021	2020
General and administrative expenses	**1,303,435**	1,446,088
Investment properties	**100,981**	58,960
Selling and distribution expenses	**41,156**	-
	1,445,572	1,505,048

8 Intangible assets

	2021	2020
Cost		
Balance at the start of the year	**4,308,695**	3,931,257
Additions	**19,688**	377,438
Balance at the end of the year	**4,328,383**	4,308,695
Amortization		
Balance at start of the year	**3,400,714**	3,018,147
Charge for the year	**466,211**	382,567
Balance at the end of the year	**3,866,925**	3,400,714
Net book value at the end of the year	**461,458**	907,981

9 Investment properties

The Group investment properties are measured at cost.

	2021	2020
At the beginning of the year	**2,565,716,142**	2,512,980,719
Additions during the year	**69,826,485**	52,735,423
Adjustments on settlement of claim (Note 29)	**(26,773,966)**	-
At the end of the year	**2,608,768,661**	2,565,716,142

The Group's investment properties consist of properties in Madinah, Kingdom of Saudi Arabia. The balances above are split into these categories as follows:

	2021	2020
Lands with infrastructures	**2,565,045,767**	2,565,716,142
Properties under development	**43,722,894**	-
	2,608,768,661	2,565,716,142

The Group determined that the investment properties consist of three classes of assets, land amounting to SR 1.3 billion (31 December 2020: SR 1.3 billion), infrastructure cost amounting to SR 1.3 billion (31 December 2020: SR 1.2 billion), and properties under development amounting to SR 44 million (31 December 2020: nil) based on the nature, characteristics and risks of each property.

The additional details are as follows:

Description	**Location**	**Carrying value**	**Fair value**
KEC	Madinah, Saudi Arabia	**1,694,016,624**	**4,632,799,111**
Al Gharra	Madinah, Saudi Arabia	**705,540,955**	**760,000,000**
Makarem	Madinah, Saudi Arabia	**188,998,161**	**348,313,590**
Madinah Gate	Madinah, Saudi Arabia	**20,212,921**	**70,006,844**
		2,608,768,661	**5,811,119,545**

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment properties (continued)

At 31 December 2021, the Group's investment properties related to land plots of the project "KEC Hub" amounting to SR 265 million were mortgaged as collateral to the Saudi Tourism Development Fund and Riyadh Bank.

The investment properties amounting to SR 8.9 million are leased to tenants under operating leases with rentals payable annually. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

Amounts recognized in statement of comprehensive income for investment properties are as follows:

	For the year ended 31 December	
	2021	**2020**
Rental income from operating leases	**258,370**	-

There are no direct operating expenses during the year on properties that generated rental income.

Minimum lease payments receivable on leases of investment properties are as follows:

	2021	**2020**
Within the next 12 months	**371,280**	-
Between 1 and 5 years	**1,485,120**	-
Above 5 years	**7,167,230**	-
	9,023,630	-

The fair value of the Group's investment properties as at 31 December 2021 was valued at SR 5.8 billion (31 December 2020: SR 5.5 billion) by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach and have recent experience in the locations and segments of the investment properties valued. A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers has been applied. The Group has assessed the impact caused by COVID-19 and concluded that there is no material impact on the Group's strategic projects. Further, considering the significant headroom between the book value and fair value of investment properties determined by independent valuer as 31 December 2021 as mentioned above, there is no indication of impairment.

Valuation processes

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

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques underlying management's estimation of fair value

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

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment properties (continued)

Valuation techniques underlying management's estimation of fair value (continued)

These significant unobservable inputs include:

Discount rate	Reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.
Price of comparable plots	Reflecting the price of comparable residential and commercial land plots.
Disposal period	Reflecting the assumed period of time it would take in order to dispose of an asset.
Infrastructure costs	Reflecting costs associated with road infrastructure, sewage, water, electricity networks and drainage systems.

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

Valuation technique	Significant unobservable input	Rate	Sensitivity of the input to fair value
Market approach and residual value approach	Discount rate	0.5%	0.5% increase (decrease) would result in an (decrease) increase in fair value by SR (113) million and SR 123 million respectively.
	Price of comparable plots	10%	10% increase (decrease) would result in an increase (decrease) in fair value by SR 662 million and SR (659) million respectively.
	Disposal period	1 year	1 year increase (decrease) would result in an (decrease) increase in fair value by SR (19) million and SR 16 million respectively.
	Infrastructure costs	10%	10% increase (decrease) would result in an (decrease) increase in fair value by SR (126) million and SR 129 million respectively.

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

10 Development properties

	2021	2020
At the beginning of the year	**85,808,790**	164,625,086
Additions during the year	**7,766,847**	3,475,745
Transfer to cost of revenue relating to properties sold	**(26,424,311)**	(82,292,041)
At the end of the year	**67,151,326**	85,808,790

The additions during 2020 and 2021 mainly relate to advances and progress payments to a contractor for construction work on the Group's projects. The fair value of the Group's development properties as per Century21 Saudi Arabia ("Century21") valuation report at 31 December 2021 is approximately SR 93.9 million. The Group has considered any impairment indicators to show that the estimated net realizable value (NRV) for development properties are less than the carrying values and concluded that there is no material impact.

The development properties are not under lien or pledged.

The balances above are split into these categories as follows:

	2021	2020
Parcels of land	**46,585,932**	46,585,932
Properties under development	**20,565,394**	39,222,858
	67,151,326	85,808,790

(All amounts in Saudi Riyals unless otherwise stated)

11 Non-controlling interests

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

Summarised Statement of Financial Position

	2021	2020
Current assets	2,792,668	2,775,267
Current liabilities	(52,956,974)	(36,101,263)
Current net assets	(50,164,306)	(33,325,996)
Non-current assets	514,630,853	499,993,514
Non-current liabilities	-	-
Non-current net assets	514,630,853	499,993,514
Net assets	464,466,547	466,667,518
Accumulated non-controlling interest	92,893,309	93,333,504

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

	2021	2020
Revenue	-	-
Loss for the year	(2,200,972)	(573,434)
Other comprehensive income	-	-
Total comprehensive loss	(2,200,972)	(573,434)
Loss allocated to non-controlling interest	(440,195)	(114,687)
Total comprehensive loss allocated to non-controlling interest	(440,195)	(114,687)

12 Investment held at amortised cost

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

Note 33 sets out information about the impairment of financial assets and the group's exposure to credit risk. The investment held at amortised cost is denominated in SR. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

13 Trade receivables

Trade receivables – billed (current)

	2021	2020
Trade customers for sale of residential villas	9,813,359	15,289,352
Trade customers for services	5,132,276	2,788,430
	14,945,635	18,077,782

Trade receivables – unbilled

	2021	2020
Trade customers for sale of residential villas	146,389,780	166,675,961
Less: current portion	(48,180,995)	(49,971,078)
Trade customers for sale of residential villas (non-current)	98,208,785	116,704,883

The Group accounted for significant financing component for all residential contracts discounted at a rate of 5% that reflects the financing component in contracts between the Group and the customers.

(All amounts in Saudi Riyals unless otherwise stated)

13 Trade receivables (continued)

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 33.

The following is the contractual undiscounted maturity analysis of the trade receivables of the Group:

	Within 1 year	1 to 5 years	More than 5 years	Total
2021	**66,799,856**	**92,120,848**	**13,044,703**	**171,965,407**
2020	71,306,932	115,663,246	9,928,646	196,898,824

In the previous years the Group was classifying certain trade receivables as contract assets where the Group completed the performance obligations. Details of such reclassification are shown below:

	Previously reported as of December 31, 2020	Reclassification	December 31, 2021
Non-current assets			
Trade receivables	-	116,704,883	**116,704,883**
Contract assets	116,704,883	(116,704,883)	-
Current assets			
Trade receivables	18,077,782	49,971,078	**68,048,860**
Contract assets	49,971,078	(49,971,078)	-

14 Contract assets

	2021	2020
Contract assets	4,537,667	-

The Group accounted for significant financing component for all residential contracts discounted at a rate of 5% that reflects the financing component in contracts between the Group and the customers.

Information about the impairment of contact assets and the Group's exposure to credit risk can be found in note 33.

The Group has reclassified certain amounts and balances included in the prior year financial statements. Refer note 13 for details.

15 Prepayments and other current assets

	2021	2020
VAT refundable	**23,543,020**	17,745,596
Advances to suppliers	**852,985**	2,462,822
Advances to employees	**760,474**	831,100
Prepayments	**162,145**	91,194
Others	**419,501**	527,278
	25,738,125	21,657,990

(All amounts in Saudi Riyals unless otherwise stated)

16 Financial assets at fair value through profit or loss

	Carrying value as at 31 December		Unrealized (loss) gain as at 31 December	
	2021	**2020**	**2021**	**2020**
Riyad Saudi Riyal Trade Fund	**150,676,588**	-	**676,588**	-

This represents 67,428 units investment in Riyad Saudi Riyal Trade Fund which is a public investment fund domiciled in KSA and managed by Riyad Capital. The objective of the investee is to invest in Murabaha Contracts which complies with Islamic Shari'a.

The investment in Riyad Saudi Riyal Trade Fund is denominated in SR. As a result, there is no exposure to foreign currency risk. More information about the group's exposure to price risk is provided in note 33. For information about the methods and assumptions used in determining fair value see note 35.

17 Short-term investments

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

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

	2021	**2020**
At the beginning of the year	**46,088,167**	265,989,889
Additions	-	227,000,000
Unrealised profit	-	901,722
Withdrawals	**(46,088,167)**	(447,803,444)
At the end of the year	-	46,088,167

18 Cash and cash equivalents

	2021	**2020**
Cash at banks	**54,431,801**	64,852,081
Murabaha deposits*	**45,220,619**	115,190,952
	99,652,420	180,043,033

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

The Group is required to maintain escrow accounts for off plan sales of development properties as authorized by Economic Cities and Special Zones Authority ("ECZA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence it is considered as cash and cash equivalents. The balance as at 31 December 2021 amounted to 4.48 million (31 December 2020: SR 47.95 million). These deposits are not under lien.

19 Payable to other unitholders of the Fund

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognised at the fair value of the units. All subsequent changes in liability are recognised in the consolidated statement of comprehensive income. The liability represents a pro-rata share of net assets, entitled to the unitholders, in the event of liquidation of the fund. This is determined by way of division of the fund's net assets by the number of units held by other unitholders.

(All amounts in Saudi Riyals unless otherwise stated)

19 Payable to other unitholders of the Fund (continued)

Set out below is summarised financial information of Riyadh Real Estate Development Fund – Madinah Gate that has non-controlling interests and which are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised Statement of Financial Position

	2021
Current assets	**220,664,796**
Current liabilities	**(6,307,496)**
Current net assets	**214,357,300**
Net assets	**214,357,300**
Payable to other unitholders of Fund	**53,589,325**

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

	2021
Revenue	**676,588**
Loss for the year	**(5,642,700)**
Other comprehensive income	**-**
Total comprehensive loss	**(5,642,700)**
Loss allocated to other unitholders	**(1,410,675)**
Total comprehensive loss allocated to other unitholders	**(1,410,675)**

20 Accruals and other current liabilities

	2021	**2020**
Accrued expenses	**38,252,267**	17,436,968
Retention payable	**4,786,310**	27,091,190
Others	**1,247,478**	1,634,816
	44,286,055	46,162,974

21 Related parties transactions and balances

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

21.1 Related party transactions

There were no material transactions with related parties during the year ended 31 December 2021 and 31 December 2020. Further, all transactions within the Group are eliminated for consolidation purposes. Pricing policies and terms of these transactions are approved by the Board of Directors of the Group.

21.2 Key management compensation

	2021	**2020**
Directors' remuneration and related expenses	**3,726,000**	3,078,000
Remuneration to the key management personnel – current	**6,247,498**	6,867,000
End of service benefits of key management personnel – long term	**654,337**	579,440

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

21.3 Due to balances with key management are summarized below:

	2021	**2020**
Directors' remuneration	**1,833,000**	2,200,000

(All amounts in Saudi Riyals unless otherwise stated)

22 Employee benefits

General description of the plan

The Group operates a defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they fall due upon termination of employment.

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

	2021	2020
Defined benefits plan at beginning of the year	7,406,722	7,024,313
Included in statement of income		
Current service cost	1,609,797	1,417,077
Interest cost on defined benefits plan	149,334	140,738
	1,759,131	1,557,815
Included in statement of other comprehensive income		
Actuarial loss on the plan	134,210	389,672
Payments during the year	(1,237,658)	(302,094)
Discontinued operation (refer note 36)	-	(1,262,984)
Defined benefits plan at the end of the year	8,062,405	7,406,722

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

	2021	2020
General and administrative expenses	1,367,858	1,169,499
Selling and marketing expenses	391,273	388,316
	1,759,131	1,557,815

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

	2021	2020
Discount rate	2.30%	2.2%
Future salary growth	5.00%	5.00%
Mortality rate	0.27%	0.27%
Employee turnover	11.69%	15.12%
Retirement age	60 years	60 years

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

	Increase/(decrease) in defined benefit obligation at 31 December	
	2021	2020
Discount rate:		
1% increase	(415,056)	(408,510)
1% decrease	465,344	457,122
Future salary growth rate:		
1% increase	472,980	463,146
1% decrease	(431,157)	(422,981)
Mortality rate:		
1 year increase	4,561	71,175
1 year decrease	(5,052)	60,715
Employee turnover rate		
10% increase	(158,509)	(78,762)
10% decrease	178,717	228,694

(All amounts in Saudi Riyals unless otherwise stated)

22 Employee benefits (continued)

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

The weighted average duration of the defined benefit plan is 5 years (2020: 6 years).

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

	2021	2020
Experience adjustment	**178,354**	262,335
Financial assumptions	**(44,144)**	127,337
	134,210	389,672

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

	2021	2020
Within the next 12 months (next annual reporting period)	**1,973,588**	1,675,380
Between 1 and 5 years	**4,168,032**	4,837,217
Above 5 years	**15,172,791**	15,270,477
Total expected payments	**21,314,411**	21,783,074

23 Zakat

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

The movement in zakat provision is as follows:

	2021	2020
Balance at the beginning of the year	**11,927,492**	10,786,541
Provision for:		
Current year	**7,929,090**	11,980,259
Prior years	**3,205,373**	5,286,759
Payments for:		
Current year	**(11,345,895)**	(10,839,309)
Prior years	**(3,205,373)**	(5,286,758)
Balance at the end of the year	**8,510,687**	11,927,492

Status of assessments

The Company and its 100% subsidiaries

The Company and its subsidiaries have filed the zakat returns for the years up to 2020. For 2017 to 2020, the Company has filed a consolidated zakat returns for the Company and its 100% owned subsidiaries and has obtained a zakat certificate valid till 30 April 2022.

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat (continued)

During 2020, the Zakat, Tax and Customs Authority ("ZATCA") issued an assessment for the years 2015 to 2018 claiming additional zakat liability of SR 27.76 million and the Company settled SR 1.17 million and objected against the remaining amount. The ZATCA revised the assessment to SR 25.43 million. The Company decided to escalate the case through the General Secretariat of the Tax Committees ("GSTC") to assign a hearing session to discuss the Company s objection. Moreover, ZATCA has also issued an assessment for the years 2019 and 2020 claiming additional Zakat liability of SR 11.5 million the Company settled SR 1,794 and objected against the remaining amounts for which the Company has paid 25% of the claims amounting to SR 2.9 million. The management believes that the Company has a strong position and the Company's view should prevail.

Al Garra

The Company filed its zakat return till 2020 and obtained the necessary zakat certificate valid till 30 April 2022. The Company has finalised its Zakat assessments till the year 2018.

Amaak

Amaak filed its zakat return for the year 2011 till 2016 and informational returns for the years 2017 to 2020. The Company obtained zakat certificate valid till 30 April 2022.

During 2017, the ZATCA issued an assessment for the years 2015 and 2016 for Amaak separately from the consolidated group assessment because it was not part of the approved consolidated zakat arrangement prior to 2017. The ZATCA claimed additional amount of SR 1.56 million for 2015 and SR 0.33 million for 2016. The assessment for the year 2015 was reduced to SR 0.99 million during 2017. Amaak has filed an appeal against ZATCA for assessments for the years 2015 and 2016 with the GSTC. Amaak's management is confident that the decision of the above assessments will be finalized in Amaak's favour.

Makarem

Makarem filed its zakat return till 2020 and obtained the necessary zakat certificate valid till 30 April 2022. During 2021, ZATCA has issued an assessment claiming additional zakat liability of SR 8,847 for the year 2016 and 2018 which the Company has already settled during 2021.

24 Share capital

Following are the major shareholders of the Group:

Name	Place of incorporation	Ownership interest%	
		2021	**2020**
King Abdullah Foundation for his Parents	Saudi Arabia	**29.47**	29.47
Knowledge Economic City Developers Company Limited	Saudi Arabia	**24.46**	24.46

As at 31 December 2021 and 2020, the Company's share capital of SR 3,393,000,000 consists of 339,300,000 fully paid shares of SR10 each.

25 Revenue and cost of revenue

25.1 Revenue

	For the year ended December 31	
	2021	**2020**
Sale of residential villas	**36,916,146**	108,559,521
Revenue from facility maintenance services	**5,279,767**	4,376,548
Revenue from operating lease	**258,370**	-
	42,454,283	112,936,069

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is SR 7,560,054 (2020: Nil).

(All amounts in Saudi Riyals unless otherwise stated)

25 Revenue and cost of revenue (continued)

25.2 Cost of revenue

	For the year ended December 31	
	2021	**2020**
Cost of residential villas	**26,420,311**	83,774,381
Cost of facility maintenance services	**5,563,429**	4,504,811
Others	-	120,079
	31,983,740	88,399,271

26 Selling and marketing expenses

	For the year ended December 31	
	2021	**2020**
Employee costs	**6,047,828**	5,519,925
Advertising and marketing related expenses	**3,342,876**	3,232,348
Professional fee	**93,074**	475,148
Business travel	**144,351**	290,327
Other	**131,735**	89,977
	9,759,864	9,607,725

27 General and administrative expenses

	For the year ended December 31	
	2021	**2020**
Employee costs	**21,142,731**	16,654,940
Professional fees	**11,723,232**	2,878,022
Subscription fees	**4,259,188**	3,009,418
Board of directors' remuneration (note 21)	**3,726,000**	3,078,000
Depreciation and amortization	**1,796,394**	1,828,655
Depreciation expense of right-of-use assets (note 28)	**1,204,003**	1,204,001
Business travel	**30,630**	142,472
Others	**2,956,018**	2,389,839
	46,838,196	31,185,347

28 Leases

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

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

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

	2021	**2020**
As at 1 January	**3,511,674**	4,715,675
Depreciation expense	**(1,204,003)**	(1,204,001)
As at 31 December	**2,307,671**	3,511,674

(All amounts in Saudi Riyals unless otherwise stated)

28 Leases (continued)

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

	2021	**2020**
As at 1 January	**3,786,700**	4,270,031
Accretion of interest	**163,847**	190,202
Payments	**(1,345,283)**	(673,533)
As at 31 December	**2,605,264**	3,786,700
Less: Current portion	**1,264,363**	1,861,179
Non-current	**1,340,901**	1,925,521

The maturity analysis of lease liabilities are disclosed in note 33.

The following are the amounts recognised in statement of income:

	2021	**2020**
Depreciation expense of right-of-use assets	**1,204,003**	1,204,001
Interest expense on lease liabilities	**163,847**	190,202
Total amount recognised in statement of income	**1,367,850**	1,394,203

During the year, the Group had total cash outflows for leases of SR 1.35 million (2020: SR 0.7 million).

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

29 Other income, net

	For the year ended December 31	
	2021	**2020**
Income from lawsuits won (Note 29 (a))	**25,695,375**	-
Revaluation of payable to other unitholders of Fund	**1,410,675**	-
Others, net	**4,642,818**	4,486,085
	31,748,868	4,486,085

(a) During the year 2021, the Group won a lawsuit in respect to liquidation of a performance guarantee amounting to SR 30.4 million and an advance payment guarantee amounting to SR 10.3 million for the advance payments made by the Group to the contractor. The contractor did not complete the project as per the contract in the previous years and the Group liquidated the above guarantees. A related party of the contractor filed cases to restrict KEC from liquidating the above mentioned guarantees. During the year 2021, the court issued its decision and dismissed these cases filed by the related party of the contractor. The court ruling became final and not challengeable by the related party of the contractor in any competent court; accordingly, the Group liquidated the performance guarantee and received the amounts of the above guarantees in its bank account. The Group recognised an income of SR 25.7 million after certain adjustments as follows:

Guarantees liquidated	**40,667,238**
Less: Related legal fee	**(2,551,564)**
Less: Investment properties adjustments (including advance payments)	**(26,773,966)**
Add: Retention payable adjusted	**14,353,667**
Residual amount recognized as other income	**25,695,375**

(All amounts in Saudi Riyals unless otherwise stated)

30 Losses per share

Basic loss per share for the year ended 31 December 2021 and for the year ended 31 December 2020, have been computed by dividing the 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.

The losses per share calculation is given below:

	2021	2020
Losses per share:		
Net loss attributable to equity holders of the Company	**(22,088,547)**	(25,722,898)
Weighted average number of shares	**339,300,000**	339,300,000
Basic and Diluted losses per share (SR per share)	**(0.065)**	(0.076)
Losses per share from continuing operations:		
Net loss profit from continuing operations attributable to equity holders of the Company	**(22,088,547)**	(23,721,626)
Weighted average number of shares	**339,300,000**	339,300,000
Basic and Diluted losses earnings per share (SR per share)	**(0.065)**	(0.070)

31 Operating segment

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

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

- Investment segment represents Group's investing activities such as short-term investments, investments held at amortised cost including short-term investment less than three months classified within cash and cash equivalents.

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

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

Information regarding the results of each reportable segment is included in the note. Performance is measured based on segment revenues and net (loss) income, as included in the internal management reports that are reviewed by the top management. Selected financial information as at 31 December 2021 and 31 December 2020 and for the year ended on 31 December 2021 and 31 December 2020, summarized by segment, is as follows:

	Real estate development	Investment	Discontinued operation	Total
Consolidated Statement of Financial Position				
As at 31 December 2021				
Investment properties	**2,608,768,661**	**-**	**-**	**2,608,768,661**
Development properties	**67,151,326**	**-**	**-**	**67,151,326**
Cash and cash equivalents	**-**	**45,220,619**	**-**	**45,220,619**
Investment held at amortised cost	**-**	**124,772,392**	**-**	**124,772,392**
Total assets	**3,124,205,173**	**169,993,011**	**-**	**3,294,198,184**
Total liabilities	**125,182,593**	**-**	**-**	**125,182,593**

(All amounts in Saudi Riyals unless otherwise stated)

31 Operating segment (continued)

	Real estate development	Investment	Discontinued operation	Total
As at 31 December 2020				
Investment properties	2,565,716,142	-	-	2,565,716,142
Development properties	85,808,790	-	-	85,808,790
Short term investment	-	46,088,167	-	46,088,167
Cash and cash equivalents	-	115,190,952	-	115,190,952
Investment held at amortised cost	-	124,772,392	-	124,772,392
Total assets	2,977,006,556	286,051,511	-	3,263,058,067
Total liabilities	71,379,524	-	-	71,379,524
Consolidated statement of comprehensive income				
Year ended 31 December 2021				
Revenues derived from external customers:				
Revenue - At point in time	**29,513,419**	**-**	**-**	**29,513,419**
Revenue – Overtime	**12,940,864**	**-**	**-**	**12,940,864**
Finance income	**-**	**2,471,629**	**-**	**2,471,629**
Depreciation and amortization	**(3,115,786)**	**-**	**-**	**(3,115,786)**
Zakat expense	**11,134,463**	**-**	**-**	**11,134,463**
Net loss	**(25,000,371)**	**2,471,629**	**-**	**(22,528,742)**
Year ended 31 December 2020				
Revenues derived from external customers:				
Revenue - At point in time	108,613,839	-	-	108,613,839
Revenue – Overtime	4,322,230	-	759,870	5,082,100
Finance income	-	5,391,096	-	5,391,096
Depreciation and amortization	(3,091,616)	-	-	(3,091,616)
Zakat expense	(17,267,018)	-	-	(17,267,018)
Net loss	(29,227,409)	5,391,096	(2,001,272)	(25,837,585)

32 Contingencies and commitments

At 31 December 2021, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 350.37 million (31 December 2020: SR 80.6 million).

33 Financial instruments risk management

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

- Market risk
- Credit risk
- Liquidity risk

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

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

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial instruments risk management (continued)

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

Market risk

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

Interest rate risk

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

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

	2021	**2020**
Cash and cash equivalents	**1%**	0.33%
Short term investments	**-**	2.70%
Investment held at amortised cost	**1.73%**	1.73%

Profit or loss is sensitive to higher/lower finance income on murabaha deposits classified under cash and cash equivalents 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 with all other variables held constant:

	2021	**2020**
Interest rate-increases by 100 basis points	**24,716**	53,911
Interest rate-decreases by 100 basis points	**(24,716)**	(53,911)

Currency risk

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

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 it's 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.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial instruments risk management (continued)

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 2021	**31 December 2020**
NAV of the units – increases by 5%	**7,533,845**	-
NAV of the units – decreases by 5%	**(7,533,845)**	-

Credit risk

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

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

	31 December 2021	**31 December 2020**
Cash and cash equivalents	**99,652,420**	180,043,033
Trade receivables	**161,335,415**	184,753,743
Investment held at amortised cost	**124,772,392**	124,772,392
Contract assets	**4,537,667**	-
	390,297,894	489,569,168

Cash is placed with banks with sound credit ratings and the investment held at amortised cost is with the Saudi Arabian government that has A+ credit rating. There is no significant increase in the credit risk for cash at bank balances and investments held at amortised cost as there is no deterioration in the credit ratings of the counterparties. Due to the positive ratings and no significant increase in the credit risk the credit loss remains at Stage-1 and accordingly, 12 months expected credit loss on cash and cash equivalent and investment held at amortised cost is considered insignificant to the Group.

Trade receivables and contract assets are due from customers who have been assessed for credit worthiness prior to the execution of relevant contracts and they do not have history of default. The Group holds title to the properties sold to these customers and these titles will be transferred to the customers on payment of all the balances from the customers. As per the contractual terms, the Group has right to sell these properties to other parties and collect outstanding balances in case of default by the customers. Accordingly, trade receivables and contract assets are fully secured against these properties. The value of these properties is substantially higher than the outstanding trade receivable and contract assets. Therefore, the loss given default (LGD) is insignificant and hence the credit risk exposure of the Group on trade receivables and contract assets is insignificant.

There is no significant concentration of credit risk with respect to trade receivables and contract assets and the risk is mitigated due to the factors mentioned above.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial instruments risk management (continued)

Credit risk (continued)

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

	2021				
	Current	Upto 180 days	181-365 days	>1 year	Total
Estimated total gross carrying amount at default	150,927,447	3,833,011	3,753,500	7,359,124	165,873,082
Loss given default	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-

	2020				
	Current	Upto 180 days	181-365 days	>1 year	Total
Estimated total gross carrying amount at default	172,493,885	4,910,988	2,503,199	4,845,671	184,753,743
Loss given default	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

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

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

2021	Within 1 year	1 to 5 years	More than 5 years	Total
Payable to other unitholders of Fund	-	-	53,589,325	53,589,325
Trade payable	8,128,857	-	-	8,128,857
Other current liabilities	38,252,267	-	-	38,252,267
Lease liabilities	1,346,125	1,346,125	-	2,692,250
	47,727,249	1,346,125	53,589,325	102,662,699

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

34 Capital management

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

The Group considers share capital, accumulated losses and other reserves as the Group's capital. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

35 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the year.

(All amounts in Saudi Riyals unless otherwise stated)

35 Fair value measurement (continued)

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

	31 December 2021					
	FVTPL	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Cash and cash equivalents	-	**99,652,420**	**99,652,420**	-	-	**99,652,420**
Trade receivables	-	**161,335,415**	**161,335,415**	-	-	**161,335,415**
Contract assets	-	**4,537,667**	**4,537,667**	-	-	**4,537,667**
Investment held at amortised cost	-	**124,772,392**	**124,772,392**	-	-	**124,772,392**
Financial assets at fair value through profit or loss	**150,676,588**	-	**150,676,588**	**150,676,588**	-	-
Total financial assets	**150,676,588**	**390,297,894**	**540,97,482**	**150,676,588**	-	**390,297,894**

	31 December 2020					
	FVTPL	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Cash and cash equivalents	-	180,043,033	180,043,033	-	-	180,043,033
Trade receivables	-	184,753,743	184,753,743	-	-	184,753,743
Investment held at amortised cost	-	124,772,392	124,772,392	-	-	124,772,392
Total financial assets	-	489,569,168	489,569,168	-	-	489,569,168

There are no transfers in the fair value levels during the year ended 31 December 2021. Financial assets at FVTPL comprise investments in fund that are fair valued at the quoted market prices at the reporting date.

Trade payables and other current liabilities are measured at amortised cost. Payable to other unitholders of the Fund are measured at fair value.

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

36 Discontinued operation

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

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

	2020
Revenues	759,870
Cost of revenues	(2,761,142)
Gross and net loss for the year	(2,001,272)

(All amounts in Saudi Riyals unless otherwise stated)

36 Discontinued operation (continued)

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

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

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

	2021	**2020**
Net cash used in operating activities	-	(1,403,083)

37 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities:

	1 January 2021	**Cash flows**	**Additions**	**Other**	**31 December 2021**
Lease liabilities	**3,786,700**	**(1,345,283)**	**-**	**163,847**	**2,605,264**

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

38 COVID-19 update

In response to the spread of the Covid-19 in Saudi Arabia and its resulting disruptions to the social and economic activities over the last two years, the management continues to proactively assess its impacts on its operations. The preventive measures taken by the Group are still in effect including social distancing and rigorous cleaning of workplaces, limiting non-essential travel, self-health declarations and access of fully vaccinated individuals to office facilities to ensure the health and safety of its employees, customers and the wider community. All the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is encouraging for booster shots. Based on the financial position, the management does not believe any significant issues in relation to the going concern aspect. Please also refer to notes 9 for the impact of COVID-19 on the valuation of investment properties.