

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

For the three-month and nine-month periods ended 30 September 2021  
with  
**INDEPENDENT AUDITOR'S REPORT**

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three-month and nine-month periods ended 30 September 2021

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Commercial Registration No 4030290792

## كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال  
شارع الأمير سلطان  
ص.ب. 55078  
جده 21534  
المملكة العربية السعودية  
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Emaar The Economic City

## Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of review

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

## Basis for Qualified Conclusion

As described in Note 15 to the accompanying interim condensed consolidated financial statements, the impact of the fair value of shares issued, at face value, for a debt-to-equity swap ('Swap') transaction executed during the period was not recognized as the management is in the process of determining the fair value of shares issued at the date of the Swap. We were unable to determine whether any adjustments were required to be made in the statement of financial position as at 30 September 2021, the statements of profit or loss and other comprehensive income and statement of changes in equity for the period then ended in relation to the Swap transaction.



# Independent auditors' report on review of condensed consolidated interim financial statements

To the Shareholders of Emaar The Economic City (continued)

## Material Uncertainty related to Going Concern

We draw attention to Note 3 of the condensed consolidated interim financial statements, which indicates that the Group reported a net loss of SR 516.8 million during the period ended 30 September 2021 and, as of that date, the Group's current liabilities exceeded its current assets by SR 3,763 million. These events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our Conclusion is not modified in respect of this matter.

## Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed consolidated interim financial statements of Emaar The Economic City and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

Ebrahim Oboud Baeshen  
License No. 382

Jeddah, 11 November 2021  
Corresponding to 6 Rabi Al Thani 1443H



**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

	Notes	Three-month period ended September 30		Nine-month period ended September 30	
		2021 ("000")	2020 ("000")	2021 ("000")	2020 ("000")
Revenue	6	86,026	132,675	257,686	481,171
Cost of revenue	7	(90,840)	(122,158)	(299,260)	(492,978)
<b>GROSS (LOSS) / PROFIT</b>		<b>(4,814)</b>	10,517	<b>(41,574)</b>	(11,807)
<b>EXPENSES</b>					
Selling and marketing		(14,768)	(19,228)	(40,503)	(61,267)
General and administrative		(61,868)	(70,702)	(179,353)	(205,235)
Impairment loss		(801)	(15,827)	(33,793)	(58,975)
Depreciation		(44,861)	(47,076)	(136,849)	(146,093)
Amortisation		(2,664)	(1,864)	(5,865)	(5,859)
<b>LOSS FROM MAIN OPERATIONS</b>		<b>(129,776)</b>	(144,180)	<b>(437,937)</b>	(489,236)
<b>OTHER INCOME / (EXPENSES)</b>					
Murabaha deposit income		182	373	648	2,275
Financial charges, net		(65,059)	(67,470)	(195,663)	(247,699)
Share of results of equity accounted investees	12	12,043	9,634	42,418	26,033
Other income	8	21,250	28,054	77,196	76,109
<b>LOSS FOR THE PERIOD BEFORE ZAKAT</b>		<b>(161,360)</b>	(173,589)	<b>(513,338)</b>	(632,518)
Zakat	18	(11,406)	(13,750)	(31,500)	(41,250)
<b>NET LOSS FOR THE PERIOD</b>		<b>(172,766)</b>	(187,339)	<b>(544,838)</b>	(673,768)
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>					
<i>Items that will be reclassified to condensed consolidated interim statement of profit or loss in subsequent periods:</i>					
Share of other comprehensive income / (loss) from equity accounted investee	12	14,638	9,984	27,970	(12,127)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(158,128)</b>	(177,355)	<b>(516,868)</b>	(685,895)
<b>Loss per share:</b>					
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	9	(0.20)	(0.22)	(0.64)	(0.79)

The attached notes 1 to 25 form integral part of these condensed consolidated interim financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 September 2021

(Expressed in Saudi Arabian Riyals)

	Notes	30 September 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	5,448,243	5,609,660
Right-of-use assets		71,838	84,250
Investment properties	11	4,850,087	4,906,277
Unbilled revenue		128,191	300,848
Development properties		1,339,351	1,315,494
Intangible assets		5,440	7,877
Investment in equity accounted investees	12	2,516,210	2,445,822
Employees' receivable - Home Ownership Scheme		105,854	117,848
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,465,214</b>	<b>14,788,076</b>
<b>CURRENT ASSETS</b>			
Current portion of employees' receivable - Home Ownership Scheme		7,372	7,785
Unbilled revenue		356,563	467,354
Development properties		131,204	145,153
Accounts receivable and other current assets		596,632	654,776
Murabaha term deposits with banks		100,000	101,358
Cash and cash equivalents		176,056	174,904
<b>TOTAL CURRENT ASSETS</b>		<b>1,367,827</b>	<b>1,551,330</b>
<b>TOTAL ASSETS</b>		<b>15,833,041</b>	<b>16,339,406</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	11,314,555	8,500,000
Statutory reserve		11,536	11,536
Accumulated losses		(3,185,131)	(2,668,263)
<b>TOTAL EQUITY</b>		<b>8,140,960</b>	<b>5,843,273</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	13	2,376,503	5,475,161
Lease liabilities		35,829	51,319
Employees' terminal benefits	16	52,628	61,937
Unearned financing component on long-term receivables		69,095	93,906
Unearned interest income - Home Ownership Scheme		27,423	31,977
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,561,478</b>	<b>5,714,300</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accruals	17	1,682,707	1,533,164
Accrued Zakat	18	70,308	108,687
Current portion of long-term loans	13	3,111,848	2,626,250
Short-term loans	14	210,432	472,933
Lease liabilities		55,308	40,799
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,130,603</b>	<b>4,781,833</b>
<b>TOTAL LIABILITIES</b>		<b>7,692,081</b>	<b>10,496,133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,833,041</b>	<b>16,339,406</b>

The attached notes 1 to 25 form integral part of these condensed consolidated interim financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine-month periods ended 30 September 2021

(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>2021</u> (Unaudited) ("000")	<u>2020</u> (Unaudited) ("000")
<b>OPERATING ACTIVITIES</b>			
Loss for the period after Zakat		(544,838)	(673,768)
<i>Adjustments to reconcile loss for the period before Zakat to net cash flows:</i>			
Depreciation		229,664	257,410
Impairment loss		33,793	58,975
Provision for development properties		-	64,566
Amortisation		5,865	5,859
Financial charges		195,663	247,699
Share of results of equity accounted investees	12	(42,419)	(26,033)
Murabaha deposit income		(648)	(2,274)
Unwinding of unearned interest income		2,197	(2,320)
Gain on disposal of investment properties		(12,875)	(5,178)
Employees' benefit expense – Home Ownership Scheme		2,684	5,009
Zakat charge for the current period		31,500	41,250
Provision for employees' terminal benefits	16	10,518	11,285
		<u>(88,896)</u>	<u>(17,520)</u>
<i>Working capital adjustments</i>			
Employees' receivable – Home Ownership Scheme		9,723	(11,587)
Unbilled revenue, net		283,448	204,454
Development properties		(9,908)	93,457
Accounts receivable and other current assets		5,574	(174,551)
Accounts payable and accruals		40,632	(24,447)
<b>Net cash from operations</b>		<u>240,573</u>	<u>69,806</u>
Financial charges paid		(84,572)	(138,706)
Finance charges on lease liabilities		(2,180)	(1,057)
Zakat paid	18	(69,879)	(45,401)
Employees' terminal benefits paid	16	(19,827)	(11,093)
<b>Net cash generated from / (used in) operating activities</b>		<u>64,115</u>	<u>(126,451)</u>
<b>INVESTING ACTIVITIES</b>			
Investment in Murabaha term deposits		643,052	(1,312,443)
Murabaha term deposit encashment		(641,694)	1,212,443
Murabaha deposit income		648	2,767
Additions to property and equipment		(6,268)	(70,375)
Additions to investment properties		-	(9,087)
Proceeds from sale of investment properties		19,498	7,578
Additions to intangible assets		(3,428)	(1,900)
<b>Net cash used in investing activities</b>		<u>11,808</u>	<u>(171,017)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans		-	248,452
Repayments of loans		(42,228)	(150,000)
Movement in unearned interest income		(31,562)	(18,530)
Repayment of lease liabilities		(981)	(14,306)
<b>Net cash (used in) / generated from financing activities</b>		<u>(74,771)</u>	<u>65,616</u>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>1,152</u>	<u>(231,852)</u>
Cash and cash equivalents at the beginning of the period		<u>174,904</u>	<u>404,393</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<u>176,056</u>	<u>172,541</u>

The attached notes 1 to 25 form integral part of these condensed consolidated interim financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

	<u>Share capital</u> ("000")	<u>Statutory reserve</u> ("000")	<u>Accumulated losses</u> ("000")	<u>Total Equity</u> ("000")
Balance as at 31 December 2020 (Audited)	8,500,000	11,536	(2,668,263)	5,843,273
Net loss for the period	-	-	(544,838)	(544,838)
Other comprehensive income for the period	-	-	27,970	27,970
Total comprehensive loss for the period	-	-	(516,868)	(516,868)
Increase in share capital from converting long-term loan to equity (Note 15)	2,833,333	-	-	2,833,333
Transaction costs arising from conversion of long-term loan to equity (Note 15)	(18,778)	-	-	(18,778)
<b>Balance as at 30 September 2021 (Unaudited)</b>	<b>11,314,555</b>	<b>11,536</b>	<b>(3,185,131)</b>	<b>8,140,960</b>
Balance as at 31 December 2019 (Audited)	8,500,000	11,536	(1,157,305)	7,354,231
Adjustment on application of IAS 23 – Agenda decision	-	-	(251,976)	(251,976)
Balance as at 01 January 2020 (Restated)	8,500,000	11,536	(1,409,281)	7,102,255
Net loss for the period	-	-	(673,768)	(673,768)
Other comprehensive loss for the period	-	-	(12,127)	(12,127)
Total comprehensive loss for the period	-	-	(685,895)	(685,895)
Balance as at 30 September 2020 (Unaudited)	<b>8,500,000</b>	<b>11,536</b>	<b>(2,095,176)</b>	<b>6,416,360</b>

The attached notes 1 to 25 form integral part of these condensed consolidated interim financial statements.



**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

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**1. CORPORATE INFORMATION**

Emaar The Economic City (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia (“KSA”) under Ministerial Decision No. 2533, dated 03 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration No. 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006. The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

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

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

<u>Branch</u>	<u>Commercial Registration Number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

The Company has investments in the following subsidiaries, which are primarily involved in development, investments, marketing, sale/lease, operations and maintenance of properties, providing higher education and establishment of companies:

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>% of capital held (directly or indirectly)</u>	
			<u>30 September 2021</u>	<u>31 December 2020</u>
Economic City Investments Company Limited (“ECIC”)	Saudi Arabia	2010	100%	100%
Industrial Zones Development Company Limited (“IZDCL”)	Saudi Arabia	2011	100%	100%
Economic City Real Estate Operation and Management Company Limited (“REOM”)	Saudi Arabia	2013	100%	100%
Economic City Pioneer Real Estate Management Company Limited (“REM”)	Saudi Arabia	2013	100%	100%
Economic City Real Estate Development Company Limited (“RED”)	Saudi Arabia	2013	100%	100%
Emaar Knowledge Company Limited (“EKC”)	Saudi Arabia	2015	100%	100%

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

Refer to note 12 for information related to equity accounted investees.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) (continued)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

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**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required for the full set of annual financial statements. They should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements. In addition, results for the interim period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

**2.2 Basis of measurement**

These condensed consolidated interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

Certain comparative amounts have been reclassified to conform to the current period’s presentation.

**2.3 Functional and presentation currency**

The Group’s condensed consolidated interim financial statements are presented in Saudi Arabian Riyals, which is also the Parent Company’s functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands except when otherwise indicated.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group’s condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The significant judgements made by management in applying the Group’s accounting policies and the methods of computation and the key sources of estimation are the same as those applied to the financial statements for the year ended 31 December 2020.

The Group continues to assess the impact of COVID -19 on its operations on regular basis. However, the outbreak is continuously evolving, due to which there is uncertainty around the expected duration and potential impact on the overall economy and also on the operations of the Group. Consequently, it is challenging to assess the full impact of such an evolving condition with certainty at this stage, considering the limited economic information available to determine the impact of the outbreak on the wider economy and the real estate sector.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) (continued)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(continued)**

The Group has assessed that the current situation impacts key estimates used in determining the net realisable value of development properties, expected credit loss from accounts receivables and contract assets, cost to complete the projects and the fair value of property and equipment and investment properties. This is predominantly on account of decline in demand and sale price of development properties. The Group has exercised significant judgment in evaluating the impact of the outbreak and shall consider reassessing such judgments and estimates in subsequent periods as the situation evolves.

The COVID-19 impact in the Kingdom of Saudi Arabia is being managed by the Government and the wider economic situation is expected to continue to improve in coming periods.

However, in the view of the current ongoing uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is continuously evolving with future uncertainties, management will continue to assess the impact based on prospective developments (refer note 24).

***GOING CONCERN***

The Group incurred a net loss of SR 516.8 million during the period ended 30 September 2021, and, as of that date, the Group's accumulated losses are SR 3,185 million. In addition to this, the current liabilities exceeded its current assets by SR 3,763 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

This was further exacerbated by the outbreak of novel coronavirus (COVID-19), classified as a pandemic in March 2020, causing significant macro-economic uncertainty and disruptions to economic activities. The extent to which the COVID-19 pandemic will affect the Company's financial position, results of operations and cash flows is difficult to predict with certainty and depends on numerous evolving factors, including the duration and scope of the pandemic; government, social, business and other actions that have been and will be taken in response to the pandemic; and the effect of the pandemic on short and long-term general economic conditions.

The Management and those charged with Governance (TCWG) have actively responded to changes in market demand and timely adjusted its operating strategy. Since the outbreak of COVID-19, the Group's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel. The COVID-19 outbreak has impacted the Group across certain segments which is reflected in its financial results for the period ended 30 September 2021.

Furthermore, the Management performed a comprehensive assessment of the directional impact of COVID 19 on the Group's core operations (see note 24) and undertook various measures aimed at addressing the anticipated operational challenges and liquidity gaps. The Management is currently exploring number of options available to them to obtain sufficient finance to meet the funding requirements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) (continued)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(continued)**

These include, among others, restructuring of current debt obligations and obtaining additional financing facilities. Furthermore, discussions regarding the restructuring of the loans, repayment plans and debt conversion are as follows:

<b>Aspect</b>	<b>Description</b>	<b>Measures taken</b>
Debt restructuring	Loan due to Ministry of Finance (“MoF”) – note 13(a). <i>(Principal amount: SR 2,167 million, amount included under current liabilities: SR 2,100 million)</i>	<p>During January 2020, the MoF had rescheduled the first instalment, which was due in June 2020, to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, and the accrued commission payable on an annual basis.</p> <p>On 20 January 2021, the Group has received communication from MoF for deferral of instalment due on 01 January 2021 and accrued commission total amounting to SR 1,000 million on 31 January 2021.</p> <p>Subsequently, a partial novation agreement was signed between the Company, Public Investment fund “PIF” &amp; MOF wherein they agreed on the novation of part of the loan due to MOF, amounting to SAR 2.8 billion (the novation amount) from MOF to PIF on 20 March 2021. Further, this novation agreement has been approved by the Company’s board of directors on 30 March 2021. Later on, the Company received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement on 17 June 2021, wherein MoF has approved the;</p> <ul style="list-style-type: none"> <li>- capitalisation of accrued commission as of 01 June 2021 amounting to SR 363.9 million.</li> <li>- restructuring of the total remaining MoF loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million.</li> </ul> <p>The Company is under discussion with the MOF to finalise the restructuring plan.</p>
Debt restructuring	Loan due to commercial bank – note 13(b) <i>(Principal amount: SR 1.7 billion, amount included under current liabilities: SR Nil)</i>	<p>During the year ended 31 December 2020, the Company had signed revised facility agreement with the commercial bank for the outstanding facility amounting to SR 1,700 million. Consequently, the principal amount is now repayable, after a grace period of 3 years from 2020 to 2022, in multiple semi-annual unequal instalments from 2023 to 2030.</p>
	Loan due to Commercial bank – note 13(b) <i>(Principal amount: SR 525.4 million, amount included under current liabilities: SR Nil)</i>	<p>On 29 June, 2021, the Company has signed the revised facility agreement with the commercial bank for the outstanding facility amounting to SR 537.5 million. Consequently, the principal amount is now repayable, after a grace period of 3 years in fourteen semi-annual instalments from 30 April 2023 to 30 April 2029.</p>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED) (continued)**

For the three-month and nine-month periods ended 30 September 2021  
(Expressed in Saudi Arabian Riyals)

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(continued)**

<b>Aspect</b>	<b>Description</b>	<b>Measures taken</b>
	Loan due to commercial bank – note 13(b) <i>(Principal amount: SR 976.25 million, amount included under current liabilities: SR 976.25 million.)</i>	During the year ended 31 December 2020, the Group has requested the lender to restructure its borrowing by deferring the repayments falling due within the next 12 month and rescheduling the repayment of the remaining balances over ten years, structured as 3 years grace period from 2020 to 2022 and repayment over 7 years in semi-annual instalments from 2023 to 2030. On 27 July 2021, the Company received an indicative term sheet approving the restructuring of the loan whereby the outstanding loan balance will be repayable in fourteen semi-annual instalments from June 2023 to Dec 2029. The Company is under discussion with the bank of restructuring plan.
	Loan due to commercial bank – note 13. (Principal amount: SR 131.4 million, amount included under current liabilities: SR 35.59 million.)	During the year ended 31 December 2020, the Group has signed a revised facility agreement for working capital facility amounting to SR 170 million, restructured to a medium term loan. After the down payment of SR 21 million in February 2021, the remaining outstanding balance of SR 148.75 million is to be repaid in 8 equal semi-annual instalments over 4 years starting 28 August 2021.
Debt to equity conversion	Conversion of a portion of MOF loan to equity	In addition to the partial novation agreement mentioned above, the Group has entered in to a subscription agreement dated 31 August 2020 among the Group, its warrantors, and Public Investment Fund (“PIF”), for capital increase by way of capitalizing the novation amount in accordance with the terms and provisions of the subscription agreement.  Subsequently, the Company’s Board of Directors recommended the approval of the increase of the share capital of the Company to the extraordinary general assembly on 05 May 2021. Later on, the request to increase the Company’s share capital through conversion of debt amounting to SR 2,833 million was approved by the Capital Market Authority (CMA) on 01 Aug 2021. Further, on 26 September 2021, the Shareholders in extraordinary general assembly has approved the increase of the share capital of the Company from SR 8,500 million to SAR 11,333 million. Accordingly, PIF became the shareholder of the Company through issuance of 283 million new shares, at the nominal value of SR 10 per share, against the debt amount of SR 2,833 million.
Cost optimization	Operational performance	The Group has commenced an exercise to identify operational areas for cost optimization. Various measures are being considered to preserve cash and improve the overall liquidity position including real estate financing and various cost optimization initiatives.

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(continued)**

Based upon the current consolidated statement of financial position of the Group, detailed Group forecasts were prepared using various scenarios to assess the sensitivity of key assumptions used and all reasonably probable cashflows with such timing and amount, including forward-looking assumptions as supported by the circumstances and facts available, as of the date of issuance of these condensed consolidated interim financial statements, including the impact of COVID 19 and the on-going restructuring of debt, the Management and TCWG remain confident that appropriate and sufficient facilities will be in place. Based on the above these condensed consolidated interim financial statements have been prepared on going concern basis.

For the above reasons, the consolidated financial statements have been prepared on a going concern basis. Should the Group not obtain financing, the rescheduled payment terms been unsuccessful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern.

Furthermore, the Management cannot preclude the possibility that extended periods of economic strain on the economic environment the Group operates in, may have a potential effect on the Group, and its financial position and operating results, in the medium and longer-term. The changes in circumstances may require further enhanced disclosures in the financial statements of the Group for subsequent periods.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new accounting policy and standards effective as at January 1, 2021. Several amendments applied for the first time in 2021, but do not have material impacts on these condensed interim financial statements of the Company.

**Debt to equity swap:**

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

a. Swap accounted for under IFRIC 19:

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

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

b. Swap not accounted for under IFRIC 19:

IFRIC 19 does not apply to a Swap whereby:

- the creditor is also a direct or indirect shareholder and is acting in its capacity as a direct or indirect existing shareholder;
- the creditor and the entity are controlled by the same party or parties before and after the transaction and the substance of the transaction includes an equity distribution by, or contribution to, the entity; or
- the extinguishment of the financial liability by issuing equity shares is in accordance with the original terms of the financial liability

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

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**Standards, interpretations and amendments issued but not yet effective**

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

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IAS 37	Onerous contracts – cost of fulfilling a contract	01 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	01 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use	01 January 2022
IFRS 3	Reference to the conceptual framework	01 January 2022
IFRS 17	Insurance contracts	01 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023
IAS 8	Definition of Accounting Estimate - Amendment	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The Group is currently assessing the implications of adopting the above-mentioned standards, amendments or interpretations on the Group's financial statements on adoption, wherever applicable.

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**6. REVENUE**

	<b>Three-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Three-months period ended 30 September 2020 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2020 (Unaudited) ("000")</b>
<b>Revenue by operating segments:</b>				
Residential business	13,690	57,499	54,887	230,844
Industrial development	29,815	30,857	65,054	133,511
Hospitality and leisure	27,732	31,601	89,921	63,252
Others	14,789	12,718	47,824	53,564
	<u>86,026</u>	<u>132,675</u>	<u>257,686</u>	<u>481,171</u>
	<b>Three-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Three-months period ended 30 September 2020 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2020 (Unaudited) ("000")</b>
<b>Revenue by nature:</b>				
Sale of properties	8,936	46,925	20,239	256,354
Leasing	34,680	34,544	103,047	98,996
Hospitality	26,076	30,338	84,607	61,060
Others	16,334	20,868	49,793	64,761
	<u>86,026</u>	<u>132,675</u>	<u>257,686</u>	<u>481,171</u>

**7. COST OF REVENUE**

	<b>Three-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Three-months period ended 30 September 2020 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2021 (Unaudited) ("000")</b>	<b>Nine-months period ended 30 September 2020 (Unaudited) ("000")</b>
Cost of properties	1,190	23,334	11,438	134,915
Provision for development properties	-	-	-	64,566
Depreciation	30,920	37,016	92,815	111,317
Employees' costs	17,394	16,352	54,336	50,675
Hospitality	6,971	6,825	19,472	13,578
Others	34,365	38,631	121,199	117,927
	<u>90,840</u>	<u>122,158</u>	<u>299,260</u>	<u>492,978</u>



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**8. OTHER INCOME**

The following are the main components of other income:

- i) The Group has entered into an agreement (“the Agreement”) with two external parties to develop, finance and operate an academic educational institute at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during the year ended 31 December 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the subject institute, amounting to SR 39.62 million (30 September 2020: SR 35.6 million), incurred during the period, has been accounted for as an other income accordingly.
- ii) Unwinding of interest income on significant financing component amounting to SR 28.40 million (30 September 2020: SR 27.4 million).
- iii) During the period, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of SR 10.95 million (30 September 2020: SR 5.2 million).

**9. LOSS PER SHARE**

Basic loss per share is calculated by dividing the net loss for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is calculated by dividing the net loss attributable to equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Since the Group does not have any convertible shares, therefore, the basic loss per share equals the diluted loss per share. Moreover, no separate loss per share calculation from continuing operations has been presented since there were no discontinued operations during the period.

The loss per share calculation is given below:

	<b>Three-month periods ended September 30, 2021 (Unaudited) ('000)</b>	Three-month periods ended September 30, 2020 (Unaudited) ('000)	<b>Nine-month periods ended September 30, 2021 (Unaudited) ('000)</b>	Nine-month periods ended September 30, 2020 (Unaudited) ('000)
Net loss attributable to equity holders of the Parent Company (SR '000)	<u><b>(172,766)</b></u>	<u>(187,339)</u>	<u><b>(544,838)</b></u>	<u>(673,768)</u>
Weighted average number of ordinary shares ('000) (Note 15)	<u><b>850,000</b></u>	<u>850,000</u>	<u><b>850,000</b></u>	<u>850,000</u>
Loss per share (Saudi Arabian Riyals) – Basic and Diluted	<u><b>(0.20)</b></u>	<u>(0.22)</u>	<u><b>(0.64)</b></u>	<u>(0.79)</u>

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**10. PROPERTY AND EQUIPMENT**

Property and equipment mainly include infrastructure assets, amounting to SR 2,345 million (31 December 2020: SR 2,441 million), and capital work in progress (“CWIP”), amounting to SR 1,832 million (31 December 2020: SR 1,815 million), which represents construction costs in respect of the infrastructure and other projects at KAEC. During the nine-month periods ended 30 September 2021, additions to CWIP amounted to SR 17 million (31 December 2020: SR 131 million).

**11. INVESTMENT PROPERTIES**

Investment properties include Greenfield land and associated costs, amounting to SR 2,465 million (31 December 2020: SR 2,465 million), and properties completed and under construction, net of accumulated depreciation and impairment, amounting to SR 2,031 million (31 December 2020: SR 2,150 million).

The fair value of the Group’s investment properties, based on the valuation performed by an independent valuer, as at 31 December 2020, amounted to SR 40,484 million. The Management believes that the fair value, as at 30 September 2021, is not materially different from the fair value as at 31 December 2020.

The 31 December 2020 valuations contain a material valuation uncertainty clause by the external valuers due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including occupancy and earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly by the end of 2021.

**12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES**

	<b>Effective ownership interest (%)</b>		<b>30 September 2021</b>	31 December 2020
	<b>30 September 2021</b>	31 December 2020	<b>(Unaudited) ("000")</b>	(Audited) ("000")
Investment in Ports Development Company (“PDC”) (see note (a) below)	<b>50%</b>	50%	<b>2,470,420</b>	2,400,032
Investment in Biyoutat Progressive Company for Real Estate Investment & Development (“Biyoutat”) (see note (b) below)	<b>20%</b>	20%	<b>45,790</b>	45,790
			<b><u>2,516,210</u></b>	<u>2,445,822</u>

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**12. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)**

**a) Investment in PDC – Joint Venture**

	<b>30 September 2021 (Unaudited) ("000")</b>	31 December 2020 (Audited) ("000")
Investment	<b>2,487,520</b>	2,487,520
Purchase of shares from other shareholders	<b>117,480</b>	117,480
	<b><u>2,605,000</u></b>	<u>2,605,000</u>
Share of results of an equity accounted investee:		
Balance at beginning of the period / year	<b>85,645</b>	51,750
Share of profit for the period / year, net of Zakat charge	<b>42,418</b>	48,065
Share of other comprehensive income / (loss) for the period / year	<b>27,970</b>	(14,170)
	<b><u>156,033</u></b>	<u>85,645</u>
Balance at the end of the period / year		
Elimination of share of profit on the sale of land and commission income	<b>(290,613)</b>	(290,613)
<b>Group's carrying amount of the investment</b>	<b><u>2,470,420</u></b>	<u>2,400,032</u>

During the year ended 31 December 2017, PDC has entered into interest rate swaps arrangement (the "Swap Contracts"), with local commercial banks, to hedge future adverse fluctuation in interest rates on its long term loan. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. PDC designated the Swap Contracts, at its outset, as a cash flow hedge. The Swap Contracts are intended to effectively convert the interest rate cash flows on the long term loan from a floating rate to a fixed rate during the entire tenure of the loan agreements. Cash flow hedges that meet the strict criteria for hedge accounting are accounted for by taking the gain or loss on the effective portion of the hedging instrument to the other comprehensive income, while any ineffective portion is recognized immediately in the condensed consolidated interim statement of profit or loss.

At 30 September 2021, the subject Swap Contracts had a negative fair value of SR 51.1 million (31 December 2020: SR 107.1 million), based on the valuation determined by a model and confirmed by PDC's bankers. Such fair value is included within non-current liabilities in the statement of financial position of PDC with a corresponding debit to the statement of profit or loss and other comprehensive income. The Group has recorded an amount of SR 27.97 million (31 December 2020: SR 14.1 million), within other comprehensive loss of the condensed consolidated interim statement of profit or loss and other comprehensive income, being the portion of its share. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

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**12. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)**

**b) Investment in Biyoutat - Associate**

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

The Company owns 20% shares in the share capital of Biyoutat. As per the Shareholders' agreement, the Company has also made an additional investment of SR 54 million for the development of the project. Furthermore, during 2016, the Company sold a piece of land to Biyoutat, amounting to SR 54 million. Since Biyoutat has not yet started its operations, the share of results of Biyoutat for the period are considered insignificant for the Group.

**13. LONG-TERM LOANS**

	<b>30 September 2021 (Unaudited) ("000")</b>	31 December 2020 (Audited) ("000")
Ministry of Finance ("MoF") loan (see note (a) below)	<b>2,166,667</b>	5,000,000
Others (see note (b) below)	<b>3,321,684</b>	3,101,411
	<b>5,488,351</b>	8,101,411
Current portion of long-term loans (see note (a) and (b) below)	<b>(3,111,848)</b>	(2,626,250)
<b>Non-current portion of long-term loans</b>	<b>2,376,503</b>	5,475,161

- (a) During 2011, the Parent Company received a loan of SR 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Greenfield land and carries annual commission at commercial rates and was originally repayable, with a three years grace period, in seven annual instalments commencing from September 01, 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, had rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions carried out with the Ministry of Finance, the MoF has rescheduled the first instalment due in June 2020 to January 2021. Hence, the principal amount is repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

Subsequently, a partial novation agreement was signed between the Company, Public Investment fund "PIF" & MOF wherein they agreed on the novation of part of the loan due to MoF, amounting to SAR 2.8 billion (the novation amount) from MoF to PIF on 20 March 2021. Further, this novation agreement has been approved by the Company's board of directors on 30 March 2021. Later on, the Company received an approval from MoF on 17 June 2021, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF has approved capitalisation of accrued commission as of 01 June 2021 amounting to SR 363.9 million, restructuring of the total loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million. The Company is under discussion with the MOF to finalise the restructuring plan.

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**13. LONG-TERM LOANS (continued)**

- (b) During 2014, the Parent Company signed an Islamic facility agreement with a commercial bank for SR 2,000 million Murabaha liquidity finance facility that carries commission at commercial rates. The outstanding balance of the long-term loan, as at 30 September 2021, amounted to SR 976.25 million (31 December 2020: SR 976.25 million). As per the terms of the agreement, the loan is repayable in eight bi-annual instalments from June 30, 2018 to 31 December 2021. The instalments due within twelve-month, amounting to SR 976.25 million, are classified as a current liability. The loan is secured against part of KAEC's greenfield land, having a value of 150% of the total outstanding loan, held by the Parent Company, and an order note for SR 1,642.5 million as per the last revised Facilities Letter Agreement. On 27 July 2021, the Company received an indicative term sheet approving the restructuring of the loan whereby the outstanding loan balance will be repayable in fourteen semi-annual instalments from June 2023 to Dec 2029. However, the Company is under discussion with bank of restructuring plan to renegotiate the restructuring on more favourable terms.

During 2015, the Parent Company signed an Islamic facility agreement with a commercial bank for SR 1,000 million that carries commission at commercial rates. The outstanding balance of the long-term loan, as at 30 September 2021, amounted to SR 437.5 million (31 December 2020: SR 437.5 million). As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from 20 October 2019 to 20 April 2023. However, on 29 June 2021, the Company has signed a revised facility agreement wherein the bank has restructured the existing facilities which consist of long-term and short-term loan, amounting to SAR 437.5 million and SAR 100 million respectively into a long-term loan, amounting to SAR 537.5 million. The outstanding loan balance will be repayable in fourteen semi-annual instalments from 30 April 2023 to 30 April 2029. As per the terms of revised agreement, the Company has classified its outstanding short term loans amounting to SAR 87.9 (31 December 2020: SR 86 million) to long-term loans. The loan is secured against part of KAEC's greenfield land, held by the Parent Company, for 150% of total outstanding loan. The subject loan is further secured by an order note of SR 587.5 million.

During 2014 and 2015, the Company signed two facility agreements with a commercial bank for SR 1,000 million each, carrying commission at prevailing commercial rates. The outstanding balance of the subject loan facilities, as at 30 September 2021, amounted to SR 1,700 million (31 December 2020: SR 1,700 million). As per the terms of the agreements, the loan terms are door to door eight years with three years grace period starting from respective dates of the agreements. In order to comply with the Sharia principles, an additional facility of SR 250 million has been arranged by the bank linked to each of the facility, to permit the rollover (repayment and drawdown) so that the principal amount is available to the Company for the first three years of the loan. During the year ended 31 December 2020, the Company has signed revised facility agreement with the commercial bank for the outstanding facility amounting to SR 1,700 million. Hence, the principal amount is now repayable after a grace period of 3 years from 2020 to 2023, in multiple unequal semi-annual instalments from 2023 to 2030. The loan facilities are secured against part of KAEC's greenfield land for a total required value of 150% of total outstanding loan. Moreover, the subject loan facilities are further secured by order note of SR 1,700 million.

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**13. LONG-TERM LOANS (continued)**

During 2018, the Company has availed a short-term facility from a commercial bank, amounting to SR 250 million, carrying commission at prevailing commercial rates, to finance the working capital requirements. During the year ended 31 December 2020, the Group has signed a revised facility letter agreement for working capital amounting to SR 170 million and a Documentary Credit (“DC”) facility amounting to SR 20 million, wherein the working capital facility has been restructured to a medium term loan, and after payment of SR 21.25 million in February 2021, the remaining outstanding loan of SR 148.75 million is to be repaid in 8 equal semi-annual instalments over 4 years starting 26 August 2021. The outstanding balance, as at 30 Sep 2021, is amounting to SR 131.4 million (31 December 2020: SR 170 million short-term loans), out of which the instalments due within twelve-month, amounting to SR 35.5 million, are classified as a current liability. The loan facilities are secured against part of KAEC’s greenfield land for a total required value of SR 340 million. Moreover, the subject loan facilities are further secured by order note of SR 209 million.

**14. SHORT-TERM LOANS**

During 2019, the Company has availed SR 150 million from an existing short term facility of SR 300 million to finance the working capital requirements. The subject loan facility carries commission at prevailing commercial rates and is secured by the order note of SR 1,642.5 million. The outstanding balance of the working capital and DC facility, as at 30 September 2021, amounted to SR 150 million (31 December 2020: SR 150 million) and SR 60.4 million (31 December 2020: SR 66 million), respectively.

**15. SHARE CAPITAL**

The Parent Company’s share capital is divided into 1,133 million shares of SR 10 each (2020: 850 million shares of SR 10 each), allocated as follows:

	<b>September 30, 2021</b>		December 31, 2020	
	<b>Number of Shares’ 000</b>	<b>Capital SR’000</b>	Number of Shares’ 000	Capital SR’000
Issued for cash	<b>680,000</b>	<b>6,800,000</b>	680,000	6,800,000
Issued for consideration in kind	<b>170,000</b>	<b>1,700,000</b>	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	<b>283,333</b>	<b>2,833,333</b>	-	-
Less: Transaction cost	-	<b>(18,778)</b>	-	-
	<b>1,133,333</b>	<b>11,314,555</b>	<b>850,000</b>	<b>8,500,000</b>

In addition to note 13 to the financial statements, for partial novation agreement, the Group has entered in to a subscription agreement dated 31 August 2020 among the Group, its warrantors, and Public Investment Fund (“PIF”), for capital increase by way of capitalizing the novation amount i.e. SAR 2,833 million in accordance with the terms and provisions of the subscription agreement.

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**15. SHARE CAPITAL (continued)**

Subsequently, the Company's Board of Directors recommended the approval of the increase of the share capital of the Company to the extraordinary general assembly on 05 May 2021. Later on, the request to increase the Company's share capital through conversion of debt amounting to SR 2,833 million was approved by the Capital Market Authority (CMA) on 01 Aug 2021 (debt-to-equity swap "Swap"). Further, on 26 September 2021, the shareholders in extraordinary general assembly has approved the increase of the share capital of the Company from SR 8,500 million to SAR 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283,333,334 new shares, at the nominal value of SR 10 per share, against the debt amount of SR 2,833 million. Since the transaction represents a Swap, the Group is required to apply the guidance detailed in Note 4. This include performing a fair value assessment of the new shares issued on the date of liability extinguishment. At the date of approval of the interim consolidated financial information, the fair valuation assessment is under process.

**16. EMPLOYEES' TERMINAL BENEFITS**

**General Description of the plan**

The Group operates an approved unfunded employees' terminal benefit ("ETB") plan for its employees as required by the Saudi Arabian Labour Law. The movement in ETB for the period/year ended is as follows:

	<b>30 September 2021 (Unaudited) ("000")</b>	31 December 2020 (Audited) ("000")
Balance at the beginning of the period / year	<b>61,937</b>	63,868
<i>Included in condensed consolidated interim statement of profit or loss:</i>		
Current service cost	<b>8,901</b>	14,032
Interest cost	<b>1,617</b>	1,898
	<b>10,518</b>	15,930
<i>Included in condensed consolidated interim statement of other comprehensive income:</i>		
Remeasurement gain arising from:		
- Financial assumptions	-	(156)
- Experience adjustments	-	(3,396)
Actuarial gain	-	(3,552)
Benefits paid	<b>(19,827)</b>	(14,309)
Balance at the end of the period / year	<b>52,628</b>	61,937

There has been no change in actuarial assumptions for the nine-month periods ended 30 September 2021. Hence, actuarial gain/loss for the period is nil.

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**16. EMPLOYEES' TERMINAL BENEFITS (continued)**

**Actuarial assumptions**

Following were the principal actuarial assumptions applied at the reporting date:

	<b>30 September 2021 (Unaudited)</b>	31 December 2020 (Audited)
Discount rate	<b>3.0%</b>	3.0%
Expected rate of future salary increase	<b>3.5%</b>	3.5%
Mortality rate	<b>1.17%</b>	1.17%
Employee turnover rate	<b>Age &amp; service based – Moderate</b>	Age & service based - Moderate
Retirement age	<b>60 years</b>	60 years

**17. ACCOUNTS PAYABLE AND ACCRUALS**

	<b>30 September 2021 (Unaudited) ("000")</b>	31 December 2020 (Audited) ("000")
Trade payables	<b>376,269</b>	363,630
Accrued financial charges	<b>447,370</b>	338,459
Accrued expenses and other payables	<b>273,022</b>	250,848
Retentions payable	<b>247,823</b>	251,063
Contract cost accruals	<b>168,245</b>	187,228
Advances from customers	<b>80,401</b>	64,556
Amounts to be donated for charitable purposes (see note below)	<b>41,030</b>	41,059
Unearned income	<b>38,605</b>	28,192
Amounts due to related parties (note 19)	<b>6,696</b>	4,558
Unearned interest income - Home Ownership Scheme	<b>3,246</b>	3,571
	<b><u>1,682,707</u></b>	<u>1,533,164</u>

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



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**18. ZAKAT**

**Charge for the period**

	<b>30 September 2021 (Unaudited) ("000")</b>	30 September 2020 (Unaudited) ("000")
Charge for the period	<u><b>31,500</b></u>	<u>41,250</u>

The provision for the period is based on consolidated Zakat base of the Parent company and its subsidiaries. (Note 20(d))

**Movement in provision**

The movement in the Zakat provision is as follows:

	<b>30 September 2021 (Unaudited) ("000")</b>	31 December 2020 (Audited) ("000")
At the beginning of the period/year	<b>108,687</b>	121,816
Charge for the current period/year	<b>31,500</b>	35,000
Charge for the prior period/year	--	20,000
Payments during the period / year	<u><b>(69,879)</b></u>	<u>(68,129)</u>
At the end of the period / year	<u><u><b>70,308</b></u></u>	<u><u>108,687</u></u>

**19. RELATED PARTY TRANSACTIONS**

The Company, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in International Accounting Standard 24. Related parties represent major shareholders, directors, and key management personnel of the Group and entities controlled, jointly controlled, or significantly influenced by such parties. Transactions with related parties were carried out in the normal course of business on terms that were no more favourable than those available or which reasonably be expected to be available in similar transactions with non-related parties, i.e., equivalent to those that prevail in arm's length transactions. In addition to note 12, the following are the significant related party transactions during the period and the related balances:

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**19. RELATED PARTY TRANSACTIONS (continued)**

<u>Related party</u>	<u>Nature of transactions</u>	<i>Amounts of transactions for the nine-month periods ended</i>		<i>Balance as at</i>	
		<i>30 September 2021 (Unaudited) ("000")</i>	<i>30 September 2020 (Unaudited) ("000")</i>	<i>30 September 2021 (Unaudited) ("000")</i>	<i>31 December 2020 (Audited) ("000")</i>
<b><u>Amounts due from related parties:</u></b>					
Other related parties	Lease rentals, utilities and service charges	184	2,176	236	721
	Sale of properties	2956	12,644	-	3,089
	Advance against services	--	30	-	-
Joint Venture	Lease rentals, utilities charges and others	-	171	3,269	11,653
Key management personnel	Sale of properties, utilities and service charges	196	140	124	261
	Lease rentals	-	175	-	344
Board of Directors	Sale of properties, utilities and service charges	-	203	-	-
	Lease rentals	-	112	-	-
<b>Total</b>				<b>3,629</b>	<b>16,068</b>
<b><u>Amounts due to related parties:</u></b>					
Other related parties	Services provided to the Group	2,773	3,260	(2,944)	(3)
Other related parties with significant influence	Expenses incurred on behalf of the Group	-	10	-	(455)
	Lease rentals, utilities charges and others	2,815			
Key management personnel	Remuneration	12,486	7,820	(2)	-
Board of Directors	Remuneration and meeting fees	3,750	3,075	(3,750)	(4,100)
<b>Total</b>				<b>(6,696)</b>	<b>(4,558)</b>

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**19. RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel of the Group**

	<b>30 September 2021 (Unaudited) ("000")</b>	30 September 2020 (Unaudited) ("000")
Short-term employee benefits	<b>10,927</b>	6,864
Non-monetary benefits	<b>597</b>	324
Post-employment benefits	<b>578</b>	625
Termination benefits	<b>383</b>	7
	<b>12,485</b>	7,820
Amount due to key management personnel	<b>--</b>	8,885

**20. CONTINGENT LIABILITIES AND COMMITMENTS**

In addition to disclosures set out in notes 13 and 14, contingent liabilities and commitments, as at 30 September 2021, are described as below:

- (a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years, amounting to SR 563 million (31 December 2020: SR 649 million).
- (b) The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. The Management and the legal counsel expect a favourable outcome of all the pending litigations against the Group. Accordingly, no provision has been made in these condensed consolidated interim financial statements.
- (c) A Government entity requested the Company to share the costs incurred by the Government entity on account of re-routing the Haramain High Speed Railway via King Abdullah Economic City. The Company has provided the details of the costs already incurred by it pertaining to this project that included the value of land contributed by the Company for the train station, costs incurred for the station access bridge and other associated infrastructure costs. In this connection, the Royal Court issued an order to form a committee to study the matter and submit its report. The Committee has completed its meetings and submitted recommendations to the Royal Court, but no directive has been received from the Royal Court to date. The management expects a favorable outcome and hence no provision has been made in these condensed consolidated interim financial statements.
- (d) The Zakat assessment for the Company is finalized until 2011 with the exception of WHT for the year 2006 through 2008. The Zakat, Tax and Customs Authority (ZATCA) issued Withholding tax (WHT) assessment for the years 2006 to 2008 with an additional WHT liability of SR 3.96 million in addition to delay fines on the WHT. In compliance with the appeal procedures, EEC paid the WHT difference under protest. The WHT case was also under the review at the BOG. A decision was issued supporting EEC's objection related to delay fine. The ZATCA has filed an appeal with the Royal court against the BOG's decision in respect of delay fine, which is pending adjudication.

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**20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

During the year 2020, the ZATCA issued Zakat assessment for the year 2014 and claimed additional Zakat of SAR 67.7 million. EEC filed an appeal against the ZATCA's assessment and the ZATCA has issued a revised assessment on 8 October 2020 with reduced Zakat liability of SR 33 million. The Company has filed an appeal against the revised assessment with the Tax Violations Dispute Resolution Committee (TVDRRC). The ZATCA has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional Zakat liabilities of SR 254 million. EEC filed an appeal against the ZATCA's assessment and the ZATCA has issued a revised assessment on 24 February 2021 with reduced zakat liability of SR 247 million. The Company has filed an appeal against the ZATCA's revised assessment with the TVDRRC.

EEC has filed the Zakat returns for the years up to 2020. The ZATCA has issued Zakat certificate for the year 2020, valid until 30 April 2022. The Company has filed a request to settle the Zakat liability of SR 26.64 million (net of 20% down payment required to file an installment request) for the year 2020 in six instalments starting from June 2021 which is duly accepted by the ZATCA and the Company has settled four instalments upto 6<sup>th</sup> October 2021.

IZDCL finalized its Zakat status up to 2012. The ZATCA issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat of SAR 4.6 million. IZDCL has objected against the ZATCA's assessment, providing the supporting documents for its position. The ZATCA has transferred the case to the General Secretariat of Tax Committees (GSTC) and IZDCL has also registered an appeal on GSTC's portal. The Tax Violations Dispute Resolution Committee (TVDRRC) conducted the hearing session on 22 October 2020 and rendered its decision on 22 December 2020, rejecting IZDCL's appeal. IZDCL has filed an appeal against the TVDRRC's decision with the Tax Violations Dispute Appellate Committee (TVDAC). IZDCL has filed the Zakat / information returns up to the years 2020. The ZATCA has issued Zakat certificate for the year 2020, valid until 30 April 2022.

ECIC finalized its assessment up to 2012 and filed the Zakat / information returns up to the years 2020. The ZATCA has issued Zakat certificate for the year 2020, valid until 30 April 2022.

The ZATCA has issued Zakat assessment for the years 2015 to 2017 and claimed additional Zakat of SAR 72 million. RED filed an objection against the assessment which was rejected by ZATCA. RED filed an appeal against the ZATCA's decision with the TVDRRC.

RED has filed the zakat / information returns up to the years 2020. The ZATCA has issued final Zakat certificate for the year 2020, valid until 30 April 2022.

The ZATCA has issued Zakat assessment for the years 2017 and claimed additional Zakat of SAR 6,828. EKC has accepted the ZATCA's assessment and settle the liability.

EKC has filed the zakat / information returns up to the years 2020. The ZATCA has issued final Zakat certificate for the year 2020, valid until 30 April 2022.

All Companies filed the Zakat / information returns up to the years 2020. The ZATCA has issued final Zakat certificates for the year 2020, valid until 30 April 2022.

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**20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

- (e) The Company has provided a corporate guarantee along with promissory notes to a commercial bank, limited to SR 1,321 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, the subject loan is also secured by a pledge of the shares of the Company in PDC.
- (f) The Company has provided a corporate guarantee to a commercial bank, limited to SR 112.5 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant commodity Murabaha facilities, having a maximum limit of SR 180 million. During the year ended 31 December 2017, PDC availed the subject Murabaha facility, amounting to SR 150 million, to finance its working capital requirements. The subject facility has been increased to SR 180 million during 2018. In this connection, the Company had also provided promissory notes, amounting to SR 75 million, which has been increased to SR 90 million during 2019, plus any Murabaha profits due to be paid by the PDC.

**21. SEGMENTAL INFORMATION**

**Operating Segments**

For management purposes, the Group is organised into three major segments, namely, residential business, industrial development, and hospitality and leisure. Other segments include corporate departments of the Group and businesses that individually do not meet the criteria for a reportable segment as per IFRS 8 *Operating Segments*. The Executive Leadership Team is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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**21. SEGMENTAL INFORMATION (continued)**

**Operating Segments (continued)**

**Segments related Revenue and Profitability**

<i>Nine-month periods ended:</i> <b>30 September 2021</b>	<i>Residential business (Unaudited) ("000")</i>	<i>Industrial development (Unaudited) ("000")</i>	<i>Hospitality and leisure (Unaudited) ("000")</i>	<i>Others (Unaudited) ("000")</i>	<i>Adjustments and eliminations (Unaudited) ("000")</i>	<i>Total (Unaudited) ("000")</i>
<b>Revenue</b>						
External customers	54,887	65,054	89,921	47,824	-	<b>257,686</b>
Inter-segment	20,158	1,269	20,333	45,138	(86,898)	-
	<b>75,045</b>	<b>66,323</b>	<b>110,254</b>	<b>92,962</b>	<b>(86,898)</b>	<b>257,686</b>
<b>Results</b>						
Cost of inventories and services recognised as an expense	(13,799)	(14,028)	(5,776)	(35,814)	53,851	<b>(15,566)</b>
Impairment loss	(28,844)	(1,257)	(882)	(2,810)	-	<b>(33,793)</b>
Financial charges	(156)	-	(3,055)	(192,453)	-	<b>(195,664)</b>
Murabaha deposit income	-	-	-	648	-	<b>648</b>
Depreciation	(33,388)	(17,682)	(57,821)	(120,774)	-	<b>(229,665)</b>
Amortisation	(396)	-	(15)	(5,453)	-	<b>(5,864)</b>
Share of results of equity accounted investee	-	-	-	42,419	-	<b>42,419</b>
Other income / (expenses)	(84,548)	652	(70,172)	(212,516)	29,515	<b>(337,069)</b>
Loss before Zakat						<b>(516,868)</b>

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**21. SEGMENTAL INFORMATION (continued)**

**Operating Segments (continued)**

<i>Nine-months period ended:</i> September 30, 2020	<i>Residential business (Unaudited) SR'000</i>	<i>Industrial development (Unaudited) SR'000</i>	<i>Hospitality and leisure (Unaudited) SR'000</i>	<i>Others (Unaudited) SR'000</i>	<i>Adjustments and eliminations (Unaudited) SR'000</i>	<i>Total (Unaudited) SR'000</i>
Revenue						
External customers	230,844	133,511	63,252	53,564	-	481,171
Inter-segment	12,145	-	23,556	72,517	(108,218)	-
	<u>242,989</u>	<u>133,511</u>	<u>86,808</u>	<u>126,081</u>	<u>(108,218)</u>	<u>481,171</u>
Results						
Cost of inventories and services recognised as an expense	(169,095)	(25,154)	(5,345)	(80,277)	80,380	(199,491)
Impairment loss	(12,597)	-	(5,402)	(40,976)	-	(58,975)
Financial charges	(128)	-	(2,962)	(244,609)	-	(247,699)
Murabaha deposit income	5	-	-	2,270	-	2,275
Depreciation	(38,139)	(18,206)	(62,638)	(138,427)	-	(257,410)
Amortisation	(298)	-	(15)	(5,546)	-	(5,859)
Share of results of equity accounted investee	-	-	-	26,033	-	26,033
Other income / (expenses)	(72,348)	(14,330)	(72,232)	(213,653)	-	(372,563)
Loss before Zakat						<u>(632,518)</u>

**22. LIQUIDITY RISK**

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

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**22. LIQUIDITY RISK (continued)**

Discussion regarding the restructuring of the loans and repayment plans are already in progress with the respective banks and MOF (Note 3).

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

<b>30 September 2021 (Unaudited)</b>	<i>Less than 12 months ("000")</i>	<i>More than 12 months ("000")</i>	<i>Total ("000")</i>
Loans	<b>3,322,280</b>	<b>2,376,503</b>	<b>5,698,783</b>
Lease liabilities	<b>58,463</b>	<b>49,868</b>	<b>108,331</b>
Accounts payable and accruals	<b>1,553,760</b>	-	<b>1,553,760</b>
	<b><u>4,934,503</u></b>	<b><u>2,426,371</u></b>	<b><u>7,360,874</u></b>
<b>31 December 2020 (Audited)</b>	<i>Less than 12 months ("000")</i>	<i>More than 12 months ("000")</i>	<i>Total ("000")</i>
Loans	3,099,183	5,475,161	8,574,344
Lease liabilities	52,819	59,189	112,008
Accounts payable and accruals	1,432,286	-	1,432,286
	<b><u>4,584,288</u></b>	<b><u>5,534,350</u></b>	<b><u>10,118,638</u></b>

**23. FAIR VALUE OF ASSETS AND LIABILITIES**

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

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

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



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**23. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

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.

As at 30 September 2021, and 31 December 2020, the fair values of the Group's financial instruments are estimated to approximate their carrying amounts and are classified under level 3 of the fair value hierarchy. No significant inputs were applied in the valuation of accounts receivables as at 30 September 2021 and 31 December 2020.

During the nine-month periods ended 30 September 2021, there were no movements between the levels.

**24. IMPACT OF COVID-19**

The coronavirus ("COVID-19"), which was declared as pandemic by the WHO during March 2020, has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

Since the outbreak of COVID-19, the Group's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel. The COVID-19 Outbreak has impacted the Group across its segments which is reflected in its financial results for the period ended 30 September 2021.

Given the scale of the outbreak, the Group has continued to assess impacts of the outbreak on its operations due to the restrictions placed by various government institutions to curb or delay the spread of COVID-19. The Group has ensured to implement health and safety measures for its employees, customers, contractors and its communities. The Group operates mainly in development of real estate properties, wherein the Group expects that the outbreak would likely impact the prices and demand of properties. In the short term, the development initiatives and economic activity within the real estate sector continue to be constrained. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices including rationalizing its operations, optimizing staff levels and operating cash and working closely with its suppliers and customers to minimize impact on revenue and costs to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

The Group's management continues to evaluate the current situation, including pricing strategy and cost optimization initiatives.

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**24. IMPACT OF COVID-19 (Continued)**

The Group updated the impact assessment due to uncertainties caused by COVID-19, as at 30 September 2021, as follows:

- Provision for Expected credit losses ("ECLs") of accounts receivables

The Group assesses the impairment of its financial assets carried at amortised cost based on the expected credit loss ("ECL") model. The ECL model was reassessed for the impact of COVID-19, volatility in potential economic conditions, the incidence of defaults, etc. which may likely lead to an increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 Financial Instruments. This is mainly due to an increase in the counterparty risk (risk of default) of tenants and customers. ECLs were estimated based on a range of forecast economic conditions as at 30 September 2021 and considering that the situation is fast evolving, the Group had taken the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The Group updated the relevant forward-looking information with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the market in which it operates. Accordingly, the impact on the allowance for expected credit losses on accounts receivables amounted to SR 33 million during the period ended 30 September 2021. The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

- Impairment of non-financial assets

The Group made an impairment assessment of non-financial assets, considering the degree of estimation uncertainty that existed in estimating the recoverable amount and the sensitivity of the recoverable amount to reasonably possible changes to key assumptions as at 31 December 2020. The recoverable amount is based on the value in use using management estimation and fair valuation exercise carried out by ValuStrat (Khabeer Altathmen Alaqaria), an independent valuer not related to the Group, as at 31 December 2020. ValuStrat is a firm licensed by the Taqueem (Saudi Authority for Accredited Valuers) and is also regulated by the Royal Institution of Chartered Surveyors ("RICS"). ValuStrat holds appropriate qualifications and relevant experience in assessing the valuation for the relevant land and properties. Based on this impairment exercise, the Group expect that there is no significant change in recoverable amount of the non- financial assets that may result in any additional impairment as at 30 September 2021.

The Group continues to assess the impact of Covid-19 on its operations. The Group considered potential impacts of the current economic volatility in the determination of the reported amounts of the Group's financial and non-financial assets, and these are considered to represent Management's best assessment based on the observable information. Markets, however, remain volatile, and the recorded amounts remain sensitive to market fluctuations.

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**24. IMPACT OF COVID-19 (continued)**

However, the outbreak is evolving continuously, due to which there is a material uncertainty around the expected duration and its potential impact on the overall economy and also on the operations of the Group. Consequently, it is challenging to assess the impact of such an evolving condition with certainty at this stage, considering the limited economic information available to determine the impact of the outbreak on the economy and on the real estate sector.

**25. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE**

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 10 November 2021, corresponding to 5 Rabi Al Thani 1443H.