EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended September 30, 2018

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Independent Auditors' Report On Review Of Interim Financial Statements

The Shareholders
Emaar The Economic City
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying September 30, 2018 condensed consolidated interim financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2018;
- the condensed consolidated interim statement of financial position as at September 30, 2018;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended September 30, 2018;
- the condensed consolidated interim statement of cash flows for the nine-month period ended September 30, 2018; 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2018 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.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2017, for the three-month period ended March 31, 2018 and for the nine-month period ended September 30, 2017 were audited and reviewed by another auditor who have expressed an unmodified opinion and conclusions thereon vide their reports dated March 27, 2018, May 9, 2018 and October 29, 2017, respectively.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Safar 30, 1440H
Corresponding to November 8, 2018

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

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

For the three-month and nine-month periods ended September 30, 2018
(Expressed in Saudi Riyal)

	Notes	**Three-months period ended September 30, 2018 ("000")**	Three-months period ended September 30, 2017 ("000")	**Nine-months period ended September 30, 2018 ("000")**	Nine-months period ended September 30, 2017 ("000")
Revenue	5	**111,853**	268,521	**636,674**	809,946
Cost of revenue	5	**(125,851)**	(162,197)	**(449,219)**	(450,949)
Gross (loss) / profit		**(13,998)**	106,324	**187,455**	358,997
Selling and marketing expenses		**(17,827)**	(11,541)	**(49,910)**	(29,731)
General and administrative expenses		**(67,869)**	(50,849)	**(199,056)**	(167,578)
Impairment loss		**(6,536)**	--	**(12,199)**	(45,313)
Depreciation		**(40,773)**	(34,266)	**(138,986)**	(101,843)
Amortisation		**(2,868)**	(2,837)	**(9,308)**	(9,559)
Operating (loss) / profit		**(149,871)**	6,831	**(222,004)**	4,973
Murabaha deposit income		**2,186**	5,265	**6,868**	12,459
Financial charges, net		**(16,170)**	(13,104)	**(44,103)**	(40,880)
Share of results of equity accounted investee	10	**1,653**	5,001	**21,652**	21,699
Other income	6	**25,924**	30,138	**82,776**	66,755
(Loss) / profit for the period before Zakat		**(136,278)**	34,131	**(154,811)**	65,006
Zakat	14	**(13,750)**	(7,278)	**(41,250)**	(21,835)
Net (loss) / profit for the period		**(150,028)**	26,853	**(196,061)**	43,171
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Share of other comprehensive income from equity accounted investee	10	**15,206**	--	**19,210**	--
Total comprehensive (loss) / income for the period		**(134,822)**	26,853	**(176,851)**	43,171
Net (loss) / profit for the period attributable to:					
Owners of the Company		**(149,095)**	26,986	**(193,558)**	45,557
Non-controlling interests		**(933)**	(133)	**(2,503)**	(2,386)
Net (loss) / profit for the period		**(150,028)**	26,853	**(196,061)**	43,171
Total comprehensive (loss) / income for the period attributable to:					
Owners of the Company		**(133,889)**	26,986	**(174,348)**	45,557
Non-controlling interests		**(933)**	(133)	**(2,503)**	(2,386)
		(134,822)	26,853	**(176,851)**	43,171
(Loss) / earnings per share:					
Basic and diluted (loss) / earnings per share attributable to equity holders of the Parent Company (in SR per share)	7	**(0.175)**	0.03	**(0.23)**	0.05

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at September 30, 2018
(Expressed in Saudi Riyal)

	Notes	September 30, 2018 (Unaudited) ("000")	December 31, 2017 (Audited) ("000")
Assets			
Property and equipment	8	5,385,907	5,091,433
Investment properties	9	5,119,032	5,085,439
Intangible assets		13,808	15,198
Investment in equity accounted investees	10	2,429,553	2,388,691
Employees' receivable - Home Ownership Scheme		83,660	82,031
Other long-term receivable		--	24,059
Non-current assets		13,031,960	12,686,851
Current portion of employees' receivable - Home Ownership Scheme		5,003	4,779
Unbilled revenue		465,471	343,414
Development properties		2,005,837	1,769,398
Accounts receivable and other current assets		748,928	739,279
Murabaha term deposits with banks		133,686	524,110
Cash and cash equivalents		920,391	1,227,810
Current assets		4,279,316	4,608,790
Total assets		17,311,276	17,295,641
Equity			
Share capital		8,500,000	8,500,000
Statutory reserve		11,536	11,536
Accumulated losses		(676,609)	(502,261)
Effect of reducing the ownership percentage in a subsidiary		(86)	(86)
Equity attributable to owners of the Company		7,834,841	8,009,189
Non-controlling interests		(4,572)	(2,069)
Total equity		7,830,269	8,007,120
Liabilities			
Loans and borrowings	11	7,492,500	7,487,500
Employees' terminal benefits	12	60,821	52,758
Unearned financing component on long term receivables		60,758	69,898
Unearned interest income - Home Ownership Scheme		20,598	18,813
Non-current liabilities		7,634,677	7,628,969
Accounts payable and accruals	13	931,737	993,966
Accrued Zakat	14	132,093	153,086
Loans and borrowings	11	782,500	512,500
Current liabilities		1,846,330	1,659,552
Total liabilities		9,481,007	9,288,521
Total equity and liabilities		17,311,276	17,295,641

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-months period ended September 30, 2018
(Expressed in Saudi Riyal)

	Attributable to owners of the Company						
	Share capital ("000")	**Statutory reserve ("000")**	**Accumulated losses ("000")**	**Effect of reducing the ownership percentage in a subsidiary ("000")**	**Total ("000")**	**Non-controlling interests ("000")**	**Total equity ("000")**
Balance as at January 1, 2018 (Audited)	8,500,000	11,536	(502,261)	(86)	8,009,189	(2,069)	8,007,120
Net loss for the period	-	-	(193,558)	-	(193,558)	(2,503)	(196,061)
Other comprehensive income for the period (Note 10)	-	-	19,210	-	19,210	-	19,210
Total comprehensive loss for the period	-	-	(174,348)	-	(174,348)	(2,503)	(176,851)
Balance as at September 30, 2018 (Unaudited)	**8,500,000**	**11,536**	**(676,609)**	**(86)**	**7,834,841**	**(4,572)**	**7,830,269**
Balance as at January 1, 2017 (Audited)	8,500,000	11,536	(715,183)	(86)	7,796,267	(11,868)	7,784,399
Net profit / (loss) for the period	-	-	45,557	-	45,557	(2,386)	43,171
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	45,557	-	45,557	(2,386)	43,171
Balance as at September 30, 2017 (Unaudited)	8,500,000	11,536	(669,626)	(86)	7,841,824	(14,254)	7,827,570

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-months period ended September 30, 2018
(Expressed in Saudi Riyal)

	Notes	**Nine-month period ended September 30, 2018 ("000")**	Nine-month period ended September 30, 2017 ("000")
Cash flows from operating activities			
Net (loss) / profit for the period before zakat		**(154,811)**	65,006
Adjustments for:			
Depreciation		**138,986**	101,843
Impairment loss		**12,199**	45,313
Amortisation		**9,308**	9,559
Financial charges, net		**44,103**	40,880
Share of results of equity accounted investee	10	**(21,652)**	(21,699)
Murabaha deposit income		**(6,868)**	(12,459)
Unwinding of unearned interest income		**(812)**	265
Employees' benefit expense – Home Ownership Scheme		**2,800**	1,761
Provision for employees' terminal benefits	12	**11,027**	8,577
		34,280	239,046
Changes in:			
Employees' receivable – Home Ownership Scheme		**(3,843)**	(2,946)
Unbilled revenue - net		**(122,057)**	--
Development properties		**(243,912)**	(141,169)
Accounts receivable and other current assets		**(12,886)**	(184,138)
Other long term receivable		**24,059**	--
Accounts payable and accruals		**(39,638)**	57,910
Cash used in operating activities		**(363,997)**	(31,297)
Financial charges paid		**(253,679)**	(254,560)
Zakat paid	14	**(62,243)**	(6,276)
Employees' terminal benefits paid	12	**(2,964)**	(1,945)
Net cash used in operating activities		**(682,883)**	(294,078)
Cash flows from investing activities			
Net movement in Murabaha term deposits with banks		**390,425**	762,002
Murabaha deposit income		**5,381**	12,459
Purchase of property and equipment, net		**(246,475)**	(458,879)
Net movement in investment properties		**(33,594)**	(20,699)
Additions to intangible assets		**(7,918)**	(5,304)
Net cash generated from investing activities		**107,819**	289,579
Cash flows from financing activities			
Net movement in loans and borrowings		**275,000**	500,000
Net movement in unearned finance income		**(7,355)**	1,883
Net cash generated from financing activities		**267,645**	501,883
Net (decrease) / increase in cash and cash equivalents		**(307,419)**	497,384
Cash and cash equivalents at the beginning of the period		**1,227,810**	1,177,396
Cash and cash equivalents at end of the period		**920,391**	1,674,780

The attached notes 1 to 19 form part of these condensed consolidated interim financial statements.

(Expressed in Saudi Riyal)

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 under Ministerial Decision No. 2533, dated Ramadan 3, 1427H, corresponding to September 21, 2006. The Company obtained its initial Commercial Registration No. 4030164269 on Ramadan 8, 1427H, corresponding to September 26, 2006. The registered office of the Parent Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated Rabi Awal 6, 1436H, corresponding to December 28, 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").

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:

Name	*Country of incorporation*	*Year of incorporation*	*% of capital held (directly or indirectly)*	
			September 30, 2018	*December 31, 2017*
Economic Cities Investments Holding Company ("ECIHC")	Saudi Arabia	2010	**99%**	99%
Industrial Zones Development Company Limited ("IZDCL")	Saudi Arabia	2011	**98%**	98%
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Saudi Arabia	2013	**98%**	98%
Economic Cities Pioneer Real Estate Management Company ("REM")	Saudi Arabia	2013	**98%**	98%
Economic Cities Real Estate Development Company ("RED")	Saudi Arabia	2013	**98%**	98%
Emaar Knowledge Company Limited ("EKC")	Saudi Arabia	2015	**100%**	100%

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 Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2 BASIS OF PREPARATION (continued)

The condensed consolidated interim financial statements do not include all the information and disclosures required in full set of annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2017. 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 September 30, 2018 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2018.

2.2 Basis of measurement

These condensed consolidated interim financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept, modified by the adjustment for arriving at the net present value of the Employees' receivable – Home Ownership Scheme. Also, in respect of employee and other post-employment benefits, actuarial present value calculations are used.

2.3 Functional and presentation currency

The Group's condensed consolidated interim financial statements are presented in Saudi Riyal, 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.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, 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 judgments made by management in applying the Company'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 December 31, 2017.

3. 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 December 31, 2017.

(Expressed in Saudi Riyal)

4. 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 consolidated interim financial information are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standard/ Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatment	January 1, 2019
IFRS 9	Prepayment features with negative compensation (Amendments to IFRS 9)	January 1, 2019
IAS 28	Long-term interest in associates and joint ventures (Amendments to IAS 28)	January 1, 2019
IAS 19	Plan amendment, curtailment or settlement (Amendments to IAS 19)	January 1, 2019
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual improvements to IFRS 2015 - 2017 cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	January 1, 2019
IFRS 17	Insurance contacts	January 1, 2021

The Group is currently assessing the implications of adopting the above mentioned standards, amendments or interpretations on its financial statements on adoption, where applicable.

5. REVENUE AND COST OF REVENUE

	Three-months period ended September 30, 2018 ("000")	Three-months period ended September 30, 2017 ("000")	**Nine-months period ended September 30, 2018 ("000")**	Nine-months period ended September 30, 2017 ("000")
Revenue				
Sale of properties	**52,734**	202,379	**461,075**	647,350
Others	**59,119**	66,142	**175,599**	162,596
	111,853	268,521	**636,674**	809,946
Cost of revenue				
Cost of properties	**35,241**	86,963	**176,704**	220,686
Others	**90,610**	75,234	**272,515**	230,263
	125,851	162,197	**449,219**	450,949

6. OTHER INCOME

The following are the main components of other income:

i) During the year ended December 31, 2013, the Group entered into an agreement ("the Agreement") with two external parties to develop, finance and operate an academic educational institute ("the 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. Consequently, the net operating loss of the Institute, amounting to SR 34.7 million (September 30, 2017: SR 35.3 million), incurred during the period, has been reimbursed and accounted for as an other income accordingly.

ii) Unwinding of interest income on significant financing component, amounting to SR 27.4 million (September 30, 2017: SR 27.4 million).

iii) Reversal of accruals no longer required, amounting to SR 7.1 million (September 30, 2017: Nil).

7. (LOSS) / EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net (loss) / profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted EPS is not applicable to the Group. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the period.

The (loss) / earnings per share calculation is given below:

	September 30, 2018	September 30, 2017
Net (loss) / profit attributable to ordinary equity holders of the parent (SR "000")	**(193,558)**	45,557
Weighted average number of ordinary shares ("000")	**850,000**	850,000
(Loss) / earnings per share (Saudi Riyals) – Basic and Diluted	**(0.23)**	0.05

8. PROPERTY AND EQUIPMENT

Property and equipment mainly includes infrastructure assets, amounting to SR 2,768 million (December 31, 2017: SR 1,961 million), and capital work in progress ("CWIP"), amounting to SR 1,438 million (December 31, 2017: SR 2,062 million), which represents construction costs in respect of the infrastructure and other projects at KAEC. During the nine-month period ended September 30, 2018, addition in CWIP amounted to SR 358 million (December 31, 2017: SR 605 million).

9. INVESTMENT PROPERTIES

Investment properties include Greenfield land and associated costs, amounting to SR 2,832 million (December 31, 2017: SR 2,858 million), and properties completed and under construction, net of accumulated depreciation and impairment, amounting to SR 2,287 million (December 31, 2017: SR 2,228 million).

(Expressed in Saudi Riyal)

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	September 30, 2018 ("000")	December 31, 2017 ("000")
Investment in Port Development Company ("PDC") (see note (a) below)	**2,383,763**	2,342,901
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	**45,790**	45,790
	2,429,553	2,388,691

a) Investment in PDC – Joint Venture

	September 30, 2018 ("000")	December 31, 2017 ("000")
Investment	**2,487,520**	2,487,520
Purchase of shares from other shareholders	**117,480**	117,480
	2,605,000	2,605,000
Share of results of an equity accounted investee:		
Balance at beginning of the period / year	**25,615**	22,210
Share of profit for the period / year, net of related Zakat charge	**21,652**	31,462
Share of other comprehensive income / (loss) for the period / year (see below)	**19,210**	(28,057)
Balance at the end of the period / year	**66,477**	25,615
Elimination of share of profit on sale of land and commission income from an equity accounted investee	**(287,714)**	(287,714)
	2,383,763	2,342,901

PDC has used derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations and entered into interest rate swaps (the "Swap Contracts"), with local commercial banks, to hedge future adverse fluctuation in interest rates on its long term loan. PDC designated the Swap Contracts, at its outset, as a cash flow hedge.

At September 30, 2018, the subject Swap Contracts had a negative fair value of SR 17.7 million (December 31, 2017: SR 56.11 million), based on the valuation determined by a model and confirmed by PDC's bankers. The Group has recorded an amount of SR 19.2 million within other comprehensive income of the interim condensed consolidated statement of profit or loss and other comprehensive income, being the portion of its share, net of amount already recognized.

Amounts taken to other comprehensive income are transferred to the condensed consolidated interim statement of profit or loss when the hedged transaction affects profit or loss such as when the hedged financial income or financial expense is recognized.

(Expressed in Saudi Riyal)

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (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, Biyoutat, a limited liability company, to build, own and manage a residential compound at KAEC.

The Company owns 20% shares in the share capital of Biyoutat. As per the Partners' 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 started its operations, the share of results of Biyoutat for the period / year are considered insignificant for the Group.

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

	September 30, 2018 ("000")	December 31, 2017 ("000")
Initial investment	**200**	200
Additional investment	**53,755**	53,755
Elimination of share of profit on sale of land	**(8,165)**	(8,165)
	45,790	45,790

11. LOANS AND BORROWINGS

	September 30, 2018 ("000")	December 31, 2017 ("000")
Ministry of Finance ("MoF") loan (see note (a) below)	**5,000,000**	5,000,000
Others (see note (b) below)	**3,275,000**	3,000,000
	8,275,000	8,000,000
Current portion of long-term loans (see note (b) below)	**(782,500)**	(512,500)
	7,492,500	7,487,500

11. LOANS AND BORROWINGS (continued)

(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 June 1, 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, has rescheduled the loan by extending the grace period for an additional period of five years. The principal amount is now repayable in seven annual installments, commencing from June 2020, with accrued commission payable on an annual basis.

(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 September 30, 2018, amounted to SR 1,775 million (December 31, 2017: SR 1,500 million). As per the terms of the agreement, the loan is repayable in eight bi-annual installments from June 30, 2018 to December 31, 2021. The installment due within twelve-month, amounting to SR 532.5 million, is classified as a current liability. The loan is secured against part of KAEC's greenfield land, having a value of SR 3,002 million, held by the Parent Company and an order note for SR 2,500 million.

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 September 30, 2018, amounted to SR 500 million (December 31, 2017: 500 million). As per the terms of the agreement, the loan is repayable in eight bi-annual installments from October 20, 2019 to April 20, 2023. The loan is secured against part of KAEC's greenfield land, held by the Parent Company, for a total required value of SR 1,500 million, out of which 92% has already been perfected and remaining is in progress. The subject loan is further secured by an order note of SR 1,200 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 loan, as at September 30, 2018, amounted to SR 1,000 million (December 31, 2017: SR 1,000 million). As per the terms of the agreements, the loan terms are door to door 8 years with 3 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 3 years of the loan. The installment due within twelve-month, amounting to SR 250 million, is classified as a current liability. The loan facilities are secured against part of KAEC's greenfield land for a total required value of SR 3,000 million, out of which 50% has already been perfected and remaining is in progress. Moreover, the subject loan facilities are further secured by an order note of SR 1,250 million each.

(c) The Company has a short-term facility agreement from a commercial bank, amounting to SR 250 million, carrying commission at prevailing commercial rates, in order to finance the working capital requirements. The subject loan facility is secured by a promissory note of SR 250 million. The Company has utilized SR 150 million from the available facility and repaid the entire outstanding amount during the period ended September 30, 2018.

(Expressed in Saudi Riyal)

12. 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:

	September 30, 2018 ("000")	December 31, 2017 ("000")
Balance at the beginning of the period / year	**52,758**	43,205
Included in condensed consolidated interim statement of profit or loss		
Current service cost	**9,642**	12,205
Interest cost	**1,385**	1,728
	11,027	13,933
Included in condensed consolidated interim statement of other comprehensive income		
Actuarial loss	**--**	46
Benefits paid	**(2,964)**	(4,426)
Balance at the end of the period / year	**60,821**	52,758

There has been no change in actuarial assumptions for the nine-months period ended September 30, 2018. Hence, actuarial gain/loss for the period is nil.

Actuarial assumptions

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

	September 30, 2018	December 31, 2017
Discount rate	**3.5%**	3.5%
Expected rate of future salary increase		
- First three years	**4%**	4%
- Thereafter	**4%**	4%
Mortality rate	**1.17%**	1.17%
Employee turnover rate	**7.50%**	7.50%
Retirement age	**60 years**	60 years

(Expressed in Saudi Riyal)

13. ACCOUNTS PAYABLE AND ACCRUALS

	September 30, 2018 ("000")	December 31, 2017 ("000")
Retentions payable	**204,318**	233,111
Contract cost accruals	**156,954**	117,252
Accrued financial charges	**98,362**	120,955
Trade payables	**210,294**	201,740
Accrued expenses and other payables	**107,157**	121,187
Advances from customers	**81,702**	107,900
Amounts to be donated for charitable purposes (see note below)	**49,116**	55,650
Amounts due to related parties (Note 15)	**21,647**	34,187
Unearned interest income – Home Ownership Scheme	**2,187**	1,984
	931,737	993,966

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.

14. ZAKAT

Charge for the period / year

	September 30, 2018 ("000")	December 31, 2017 ("000")
Provided during the period / year	**41,250**	138,038

The provision for the period / year is based on individual Zakat base of the Parent company and its subsidiaries.

Movement in provision

The movement in the Zakat provision is as follows:

	September 30, 2018 ("000")	December 31, 2017 ("000")
Balance at the beginning of the period / year	**153,086**	29,319
Charge during the period / year	**41,250**	138,038
Adjustment related to prior period / years	--	(7,926)
Payments made during the period / year	**(62,243)**	(6,345)
Balance at the end of the period / year	**132,093**	153,086

(Expressed in Saudi Riyal)

15. RELATED PARTIES

Related party	*Nature of transactions*	*Transactions for the nine-month period ended*		*Balance as at*	
		September 30, 2018 ("000")	September 30, 2017 ("000")	**September 30, 2018 ("000")**	December 31, 2017 ("000")
Amounts due from related parties					
Affiliates	Lease rentals, utilities and service charges	**4,507**	6,878	**5,391**	2,194
	Sale of properties	**12,649**	-	-	-
Key management personnel	Sale of properties, utilities and service charges	**146**	-	**211**	377
Board of directors	Sale of properties, utilities and service charges	**431**	7,176	**1,911**	7,329
Total				**7,513**	9,900
Amounts due to related parties					
Affiliates	Expenses incurred on behalf of the Group	-	890	**(2,708)**	(2,708)
	Services provided to the Group	**4,090**	25,768	**(305)**	(305)
	Advance against sale of properties and leased units	-	-	**(9,975)**	(8,533)
	Purchase of goods	**170**	508	-	-
Key management personnel	Remuneration	**16,574**	24,760	**(5,500)**	(18,991)
	Advance received against services	-	-	**(9)**	-
Board of directors	Remuneration and meeting fees	**3,150**	2,737	**(3,150)**	(3,650)
Total				**(21,647)**	(34,187)

(Expressed in Saudi Riyal)

15. RELATED PARTIES (continued)

Remuneration of key management personnel of the Group

	September 30, 2018 ("000")	September 30, 2017 ("000")
Short-term employee benefits	**12,623**	18,683
Post-employment and non-monetary benefits	**1,945**	1,666
Other long-term benefits	**2,006**	4,411
	16,574	24,760

16. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments, as at September 30, 2018, are described as below:

(a) The Group has outstanding commitments related to future expenditure for the development of KAEC, amounting to SR 1,412 million (December 31, 2017: SR 1,149 million).

(b) The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. The Management expects a favourable outcome of all the pending litigation against the Group. Accordingly, no provision has been made in these condensed consolidated interim financial statements.

(c) The Company has provided a corporate guarantee along with promissory notes to a commercial bank, limited to SR 1,350 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 pledge of the shares of the Company in PDC.

(d) The Company has provided a corporate guarantee to a commercial bank to allow PDC to secure Shariah compliant commodity Murabaha facilities. As at September 30, 2018, PDC has secured a Murabaha facility, amounting to SR 150 million, from commercial banks to finance its working capital requirements. In this connection, the Company has provided promissory notes, amounting to SR 75 million, plus any murabaha profits due to be paid by the PDC.

(e) IZDCL, one of the Company's subsidiary, has finalised its Zakat status up to the year 2012. The GAZT issued the Zakat assessment for the years 2013 to 2015 and claimed Zakat differences of SR 4.6 million. IZDCL objected against the GAZT assessment.

(Expressed in Saudi Riyal)

17. SEGMENTAL INFORMATION

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Business 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*.

Segments related Revenue and Profitability

	Residential business ("000")	Industrial development ("000")	Hospitality and leisure ("000")	Others ("000")	Total ("000")
Nine-month period ended:					
September 30, 2018					
Revenue	**346,226**	**187,638**	**37,188**	**65,622**	**636,674**
Results					
Operating profit / (loss) for the period	**61,271**	**129,800**	**(61,084)**	**(351,991)**	**(222,004)**
Unallocated other income / (expenses)					**67,193**
Loss before Zakat					**(154,811)**
September 30, 2017					
Revenue	327,127	374,079	49,447	59,293	809,946
Results					
Operating profit / (loss) for the period	72,423	272,616	(35,124)	(304,942)	4,973
Unallocated other income / (expenses)					60,033
Profit before Zakat					65,006

18. 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 level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at September 30, 2018 and December 31, 2017, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. No significant inputs were applied in the valuation of trade receivables as at September 30, 2018 and December 31, 2017.

During the period ended September 30, 2018, there were no movements between the levels.

19. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were approved and authorized for issue by the Company's Board of Directors on Safar 30, 1440H, corresponding to November 8, 2018.