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, 2020
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 September 30, 2020

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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 September 30, 2020 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, 2020;
- the condensed consolidated interim statement of financial position as at September 30, 2020;
- the condensed consolidated interim statement of changes in equity for the nine-months period ended September 30, 2020;
- the condensed consolidated interim statement of cash flows for the nine-months period ended September 30, 2020; 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, 2020 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

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 incurred a net loss of SR 685.9 million during the period ended September 30, 2020 and, as of that date, the Group's accumulated losses are SR 2,100 million and current liabilities exceeded its current assets by SR 2,725 million. As stated in Note 3, 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.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Rabi Al Awal 22, 1442H
Corresponding to November 8, 2020

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, 2020
(Expressed in Saudi Arabian Riyals)

	Notes	Three-months period ended September 30 2020 ("000")	Three-months period ended September 30 2019 (Restated) ("000")	Nine-months period ended September 30 2020 ("000")	Nine-months period ended September 30 2019 (Restated) ("000")
Revenue	7	**132,675**	160,358	**481,171**	728,310
Cost of revenue	8	**(122,158)**	(153,909)	**(492,978)**	(478,401)
GROSS PROFIT / (LOSS)		**10,517**	6,449	**(11,807)**	249,909
EXPENSES					
Selling and marketing		**(19,228)**	(20,885)	**(61,267)**	(55,909)
General and administrative		**(70,702)**	(66,002)	**(205,235)**	(204,006)
Impairment loss		**(15,827)**	(7,725)	**(58,975)**	(58,697)
Depreciation		**(47,076)**	(46,097)	**(146,093)**	(138,835)
Amortisation		**(1,864)**	(2,693)	**(5,859)**	(7,969)
LOSS FROM MAIN OPERATIONS		**(144,180)**	(136,953)	**(489,236)**	(215,507)
OTHER INCOME / (EXPENSES)					
Murabaha deposit income		**373**	1,314	**2,275**	1,740
Financial charges, net		**(67,470)**	(88,903)	**(247,699)**	(174,567)
Share of results of equity accounted investees	14	**9,634**	1,009	**26,033**	8,127
Other income	9	**28,054**	23,228	**76,109**	105,930
LOSS FOR THE PERIOD BEFORE ZAKAT		**(173,589)**	(200,305)	**(632,518)**	(274,277)
Zakat	19	**(13,750)**	(12,500)	**(41,250)**	(37,500)
NET LOSS FOR THE PERIOD		**(187,339)**	(212,805)	**(673,768)**	(311,777)
OTHER COMPREHENSIVE LOSS					
Items that will be reclassified to condensed consolidated interim statement of profit or loss in subsequent periods:					
Share of other comprehensive income / (loss) from equity accounted investees	14	**9,984**	(8,096)	**(12,127)**	(28,048)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(177,355)**	(220,901)	**(685,895)**	(339,825)
Loss per share:					
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	10	**(0.22)**	(0.25)	**(0.79)**	(0.37)

Eyad Abdulrahim

The attached notes 1 to 26 form integral 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, 2020
(Expressed in Saudi Arabian Riyals)

	Notes	**September 30, 2020 (Unaudited) ("000")**	December 31, 2019 (Audited) (Restated) ("000")	December 31, 2018 (Audited) (Restated) ("000")
ASSETS				
NON-CURRENT ASSETS				
Property and equipment	11	**5,796,037**	5,930,630	5,517,751
Right-of-use assets		**91,756**	113,332	-
Investment properties	12	**4,951,176**	4,994,177	5,132,148
Unbilled revenue		**424,714**	690,264	183,900
Development properties	13	**1,287,124**	877,065	1,418,160
Intangible assets		**8,557**	12,516	18,616
Investment in equity accounted investees	14	**2,425,833**	2,411,927	2,422,565
Employees' receivable - Home Ownership Scheme		**121,296**	115,382	104,497
TOTAL NON-CURRENT ASSETS		**15,106,493**	15,145,293	14,797,637
CURRENT ASSETS				
Current portion of employees' receivable - Home Ownership Scheme		**7,877**	7,213	6,278
Unbilled revenue		**423,234**	362,141	502,344
Development properties	13	**182,832**	753,338	385,837
Accounts receivable and other current assets		**793,344**	656,661	761,538
Murabaha term deposits with banks		**100,000**	-	50,000
Cash and cash equivalents		**172,541**	404,393	602,632
TOTAL CURRENT ASSETS		**1,679,828**	2,183,746	2,308,629
TOTAL ASSETS		**16,786,321**	17,329,039	17,106,266
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**8,500,000**	8,500,000	8,500,000
Statutory reserve		**11,536**	11,536	11,536
Accumulated losses		**(2,100,107)**	(1,414,212)	(868,935)
TOTAL EQUITY		**6,411,429**	7,097,324	7,642,601
NON-CURRENT LIABILITIES				
Long-term loans	15	**5,714,853**	6,556,250	7,051,250
Lease liabilities		**64,540**	80,625	-
Employees' terminal benefits	17	**64,060**	63,868	64,220
Unearned financing component on long-term receivables		**93,193**	116,400	68,918
Unearned interest income - Home Ownership Scheme		**33,094**	30,737	26,871
TOTAL NON-CURRENT LIABILITIES		**5,969,740**	6,847,880	7,211,259
CURRENT LIABILITIES				
Accounts payable and accruals	18	**1,388,593**	1,305,108	1,088,063
Accrued Zakat	19	**117,665**	121,816	156,843
Current portion of long-term loans	15	**2,386,250**	1,557,500	1,007,500
Short-term loans	16	**477,497**	366,398	-
Lease liabilities		**35,147**	33,013	-
TOTAL CURRENT LIABILITIES		**4,405,152**	3,383,835	2,252,406
TOTAL LIABILITIES		**10,374,892**	10,231,715	9,463,665
TOTAL EQUITY AND LIABILITIES		**16,786,321**	17,329,039	17,106,266

The attached notes 1 to 26 form integral part of these condensed consolidated interim financial statements.

Eyad Abdulrahim

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, 2020
(Expressed in Saudi Arabian Riyals)

	Share capital (*"000"*)	*Statutory reserve* (*"000"*)	*Accumulated losses* (*"000"*)	*Total Equity* (*"000"*)
Balance as at December 31, 2019 (Audited)	8,500,000	11,536	(1,157,305)	7,354,231
Adjustment on application of IAS 23 – Agenda decision (Note 5)	-	-	(256,907)	(256,907)
Balance as at December 31, 2019 (Restated)	8,500,000	11,536	(1,414,212)	7,097,324
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 September 30, 2020 (Unaudited)	**8,500,000**	**11,536**	**(2,100,107)**	**6,411,429**
Balance as at December 31, 2018 (Audited)	8,500,000	11,536	(634,077)	7,877,459
Adjustment on application of IAS 23 – Agenda decision (Note 5)	-	-	(234,858)	(234,858)
Balance as at December 31, 2018 (Restated)	8,500,000	11,536	(868,935)	7,642,601
Adjustment on initial application of IFRS 16	-	-	(626)	(626)
Adjusted balance as at January 1, 2019	8,500,000	11,536	(869,561)	7,641,975
Net loss for the period	-	-	(311,777)	(311,777)
Other comprehensive loss for the period	-	-	(28,048)	(28,048)
Total comprehensive loss for the period	-	-	(339,825)	(339,825)
Balance as at September 30, 2019 (Unaudited)	**8,500,000**	**11,536**	**(1,209,386)**	**7,302,150**

The attached notes 1 to 26 form integral part of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-months period ended September 30, 2020
(Expressed in Saudi Arabian Riyals)

	Notes	2020 ("000")	2019 ("000") (Restated)
OPERATING ACTIVITIES			
Loss for the period before Zakat		**(632,518)**	(274,277)
Adjustments to reconcile loss for the period before Zakat to net cash flows:			
Depreciation		**257,410**	246,456
Impairment loss		**58,975**	58,697
Provision for development properties	8,13	**64,566**	
Amortisation		**5,859**	7,969
Financial charges		**247,699**	174,567
Share of results of equity accounted investees	14	**(26,033)**	(8,127)
Murabaha deposit income		**(2,274)**	(1,740)
Unwinding of unearned interest income		**(2,320)**	(2,070)
Gain on disposal of investment properties		**(5,178)**	(34,120)
Employees' benefit expense – Home Ownership Scheme		**5,009**	7,187
Provision for employees' terminal benefits	17	**11,285**	13,104
		(17,520)	187,646
Working capital adjustments			
Employees' receivable – Home Ownership Scheme		**(11,587)**	(18,946)
Unbilled revenue, net		**204,454**	(316,950)
Development properties		**93,457**	94,651
Accounts receivable and other current assets		**(174,551)**	55,606
Accounts payable and accruals		**(24,447)**	113,777
Net cash from operations		**69,806**	115,784
Financial charges paid		**(138,706)**	(180,355)
Finance charges on lease liabilities		**(1,057)**	-
Zakat paid	19	**(45,401)**	(62,530)
Employees' terminal benefits paid	17	**(11,093)**	(9,946)
Net cash used in operating activities		**(126,451)**	(137,047)
INVESTING ACTIVITIES			
Investment in Murabaha term deposits		**(1,312,443)**	(6,574,398)
Murabaha term deposit encashment		**1,212,443**	6,473,367
Murabaha deposit income		**2,767**	1,740
Additions to property and equipment		**(70,375)**	(264,736)
Additions to investment properties		**(9,087)**	(115,515)
Proceeds from sale of investment properties		**7,578**	45,145
Additions to intangible assets		**(1,900)**	(2,823)
Net cash used in investing activities		**(171,017)**	(437,220)
FINANCING ACTIVITIES			
Proceeds from loans		**248,452**	1,620,000
Repayments of loans		**(150,000)**	(866,250)
Movement in unearned interest income		**(18,530)**	31,675
Repayment of lease liabilities		**(14,306)**	-
Net cash from financing activities		**65,616**	785,425
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(231,852)**	211,158
Cash and cash equivalents at the beginning of the period		**404,393**	602,632
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**172,541**	813,790

The attached notes 1 to 26 form integral part of these condensed consolidated interim financial statements.

Eyd Abdulhadi

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 Al 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, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, including the development of infrastructure 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:

Branch	Commercial Registration Number
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

The Company has investments in the following subsidiaries (hereinafter referred to together as "the Group"), which are primarily involved in the development, brokerage activities, marketing, sale/lease, operations, management and maintenance of properties, hospitality services, providing higher education and operating technical institutes:

Name	***Country of incorporation***	***Year of incorporation***	***% of capital held (directly or indirectly)***	
			September 30, 2020	*December 31, 2019*
Economic City Investments Company Limited ("ECIHC")	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.

Pursuant to the resolutions passed by the shareholders of the above-mentioned entities during 2018, the Company has acquired remaining shareholdings in ECIHC, IZDCL, REOM, REM, and RED. The legal formalities in respect of the transfer of these shares for ECIHC were completed during 2019, and for RED, REM, and REOM, these were completed during the period. For IZDCL, the legal formalities are still in progress.

Refer to note 14 for information related to equity accounted investees.

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").

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 December 31, 2019. 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, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

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.

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016, the Group needs to apply the cost model to measure the property and equipment, investment properties and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

On December 31, 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation option and made the following decisions:

- Obligating listed companies to continue to use the cost model to measure property (IAS 16) and investment property (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022.

- Allowing listed companies, the policy choice to use the fair value model for investment properties, subsequent to initial measurement or the policy choice to use the revaluation model for the property (IAS 16), subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

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 December 31, 2019 except for the COVID-19 outbreak which is disclosed below and Note 25.

The Group continues to assess the impact of COVID -19 on its operations on regular basis. However, the outbreak is evolving rapidly, due to which there is a material 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 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.

The Group has assessed that the current situation would impact 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.

GOING CONCERN

The Group incurred a net loss of SR 685.9 million during the period ended September 30, 2020, and, as of that date, the Group's accumulated losses are SR 2,100 million, which exceed 20% of the share capital. In addition to this, the current liabilities exceeded its current assets by SR 2,725 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.

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. Additionally, all non-essential spending has been cut, and existing contracts and payment terms with the majority of its vendors have been re-evaluated. Furthermore, the Management performed a comprehensive assessment of the directional impact of COVID 19 on the Group's core operations (see note 25) 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 and the scheduled repayments to the lenders.

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

GOING CONCERN (continued)

These include, among others, restructuring of current debt obligations and obtaining additional facilities. Furthermore, discussions regarding the restructuring of the loans, repayment plans and debt conversion are already in progress with the respective lenders.

Key highlights of the mitigation plan are described below:

Aspect	Description	Measures taken
Debt restructuring	Loan due to Ministry of Finance ("MoF") – note 15(a). *(Principal amount: SR 5,000 million, amount included under current liabilities: SR 1,400 million)*	In January 2020, the MoF had rescheduled the first installment, which was due in June 2020, to January 2021 with the principal amount repayable in seven installments, commencing from January 2021, and the accrued commission payable on an annual basis. Currently, the Group is in discussions with the MoF for rescheduling the principal repayments over a 10 years period, structured as 3 years grace period and repayment over 7 years. During the period ended September 30, 2020, the Group has received communications from MoF for deferral of accrued commission payable till November 30, 2020 and discussions are underway for further financial support amounting to SR 566 million.
	Loan due to commercial bank – note 15(b) *(Principal amount: SR 1.7 billion, amount included under current liabilities: SR Nil)*	During the period ended September 30, 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, in multiple semi-annual unequal instalments from 2023 to 2030.
	Loan due to Commercial bank – note 15(b) *(Principal amount: SR 437.5 million, amount included under current liabilities: SR 187.5 million)*	During the period ended September 30, 2020, the Group has requested the lender to restructure its borrowing by deferring the repayments falling due within the next 12 months, and rescheduling the repayment of the remaining balances over ten years, structured as 3 years grace period and repayment over 7 years in semi-annual installments. During April 2020, the lender had deferred the repayment for Q2 2020. Furthermore, on July 21, 2020, the Group received a Facilities / Financial Letter of Agreement from the lender to extend the repayment from April 30, 2021 till April 30, 2024 to be repaid in 7 equal semi-annual instalments of SR 62.5 million together with specific security collaterals and covenants. However, the Group responded by proposing revised repayment terms that included 3 years grace period and 7 years repayment period. Discussions are underway to finalize the requested restructuring plan.
	Loan due to commercial bank – note 15(b) *(Principal amount: SR 976.25 million, amount included under current liabilities: SR 798.75 million.)*	During the period ended September 30, 2020, the Group has requested the lender to restructure its borrowing by deferring the repayments falling due within the next 12 months and rescheduling the repayment of the remaining balances over ten years, structured as 3 years grace period and repayment over 7 years in semi-annual instalments. The lender has deferred the repayment due on June 30, 2020 to December 31, 2020, and discussions are underway to defer the repayments and finalize the requested restructuring plan.

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

GOING CONCERN (continued)

Aspect	Description	Measures taken
Working capital facility rearrangement	Working capital facility due to commercial bank – note 16. (Principal amount: SR 170 million)	During the period ended September 30, 2020, the Group has received an Indicative Term Sheet reflecting Bank's proposed restructuring plan for working capital facility amounting to SR 170 million, to be restructured to a medium term loan, and to be repaid in 8 equal semi-annual instalments over 4 years together with specific security collaterals and covenants. Discussions are underway to finalize the requested restructuring plan.
Debt to equity conversion	Conversion of a portion of MOF loan to equity	The Company has entered into a Subscription Agreement dated August 31, 2020 between the Group, its warrantors, and Public Investment Fund ("PIF"), the completion of which is subject to a number of conditions, including the novation of part of the MOF loan to the PIF and the legal and regulatory formalities. Additionally, discussions are ongoing between the MoF and PIF with respect to novation of part of the loan due to MoF, pursuant to the loan agreement entered into with MoF dated 20/06/1432H (corresponding to 23 May 2011) as amended on 17/08/1436H (corresponding to 4 June 2015), with a total amount of SR 2,833,333,340 (the "Novation"). Thereafter, pursuant to the Subscription Agreement, PIF will enter as an investor in the Company through issuance of 283,333,334 new shares in the Company, at the nominal value of SR 10 per share, against the entire debt owed by the Company to PIF pursuant to the Novation. The Subscription Agreement, subject to completion of the legal and regulatory formalities, will result in the Capital Increase and settlement of the entire debt owed by the Company to PIF pursuant to the Novation amounting to SR 2,833,333,340.
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.

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, the on-going restructuring of debt, the Management and TCWG remain confident that appropriate and sufficient facilities will be in place and the debt to equity conversion will be successfully completed. However, there are no signed restructuring agreements yet in place except as disclosed in the mitigation plan, and the legal and regulatory formalities related to the debt to equity conversion are in progress.

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

GOING CONCERN (continued)

For the above reasons, the financial statements have been prepared on a going concern basis. Should the Group not obtain financing, the scheduled repayment terms and the debt to equity conversion be unsuccessful, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. 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 we operate 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 December 31, 2019, except for the change in accounting policy of borrowing costs due to the adoption of Agenda decision - Over Time Transfer of Constructed Good - IAS 23 Borrowing Costs (see Note 5).

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICY

During 2019, the IFRS Interpretations Committee published an agenda decision “Over Time Transfer of Constructed Good - IAS 23 Borrowing Costs” (hereinafter referred to as ‘the agenda decision’).

The agenda decision states that Inventories (work-in-progress) for unsold units under construction that the Group recognizes are not qualifying assets. The agenda decision clarifies as these assets are ready for its intended sale in its current condition, i.e., the Group intends to sell the part-constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer, these are not qualifying assets and hence do not meet the IAS 23 criteria for capitalization of borrowing costs. The Group adopted the agenda decision and the effect arising due to the change of accounting policy on the condensed consolidated interim financial statements is as follows:

Previous policy

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICY (continued)

Revised policy

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated interim statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

	As previously reported ('000)	Adjustments under IAS 23 ('000)	Restated amounts ('000)
	As at December 31, 2019		
Statement of Financial Position			
Development properties – non-current portion	1,054,380	(177,315)	877,065
Development properties – current portion	790,126	(36,788)	753,338
Unbilled revenue – non-current portion	714,912	(24,648)	690,264
Unbilled revenue – current portion	362,141	-	362,141
Total assets	17,567,790	(238,751)	17,329,039
Unearned financing component on long term receivables	(98,244)	(18,156)	(116,400)
Total non-current liabilities	(6,829,724)	(18,156)	(6,847,880)
Accumulated losses	(1,157,305)	(256,907)	(1,414,212)

	As previously reported ('000)	Adjustments under IAS 23 ('000)	Restated amounts ('000)
	As at December 31, 2018		
Statement of Financial Position			
Development properties - non-current portion	1,603,109	(184,949)	1,418,160
Development properties - current portion	411,098	(25,261)	385,837
Unbilled revenue – non-current portion	209,123	(25,223)	183,900
Unbilled revenue – current portion	502,344	-	502,344
Total assets	17,341,699	(235,433)	17,106,266
Unearned financing component on long term receivables	(69,493)	575	(68,918)
Total non-current liabilities	(7,211,834)	575	(7,211,259)
Accumulated losses	(634,077)	(234,858)	(868,935)

5. CHANGE IN SIGNIFICANT ACCOUNTING POLICY (continued)

Revised policy (continued)

	As previously reported ('000)	Adjustments under IAS 23 ('000)	Restated amounts ('000)
Statement of Profit or Loss and Other Comprehensive Income			
	For the year ended December 31, 2019		
Revenue	986,888	(18,279)	968,609
Cost of revenue	(684,468)	26,671	(657,797)
Gross profit	302,420	8,392	310,812
Loss from main operations	(337,604)	8,392	(329,212)
Financial charges	(236,993)	(30,563)	(267,556)
Other income	102,015	121	102,136
Loss for the year before zakat	(463,808)	(22,050)	(485,858)
Zakat	(45,000)	-	(45,000)
Net loss for the year	(508,808)	(22,050)	(530,858)
Total comprehensive loss for the year	(522,619)	(22,050)	(544,669)
Loss per share (in SR per share)	(0.60)	(0.026)	(0.626)
	For the nine-months period ended September 30, 2019		
Revenue	718,736	9,574	728,310
Cost of revenue	(497,136)	18,735	(478,401)
Gross profit	221,600	28,309	249,909
Loss from main operations	(243,816)	28,309	(215,507)
Financial charges	(145,812)	(28,755)	(174,567)
Loss for the period before zakat	(265,747)	(8,530)	(274,277)
Zakat	(37,500)	-	(37,500)
Net loss for the period	(303,247)	(8,530)	(311,777)
Total comprehensive loss for the period	(331,295)	(8,530)	(339,825)
Loss per share (in SR per share)	(0.36)	(0.01)	(0.37)
Impact on statement of cash flows (net cash flows):			
Operating activities	(102,439)	(488)	(102,927)
Investing activities	(471,340)	-	(471,340)
Financing activities	784,937	488	785,425

6. 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.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	January 1, 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 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.

7. REVENUE

	Three-months period ended September 30, 2020	Three-months period ended September 30, 2019 (Restated)	**Nine-months period ended September 30, 2020**	Nine-months period ended September 30, 2019 (Restated)
	("000")	("000")	**("000")**	("000")
Revenue by operating segments:				
Residential business	**57,499**	66,345	**230,844**	445,475
Industrial development	**30,857**	57,898	**133,511**	176,042
Hospitality and leisure	**31,601**	19,765	**63,252**	56,959
Others	**12,718**	16,350	**53,564**	49,834
	132,675	160,358	**481,171**	728,310
Revenue by nature:				
Sale of properties	**46,925**	89,191	**256,354**	508,125
Leasing	**34,544**	33,015	**98,996**	96,680
Hospitality	**30,338**	19,630	**61,060**	58,513
Others	**20,868**	18,522	**64,761**	64,992
	132,675	160,358	**481,171**	728,310

8. COST OF REVENUE

	Three-months period ended September 30, 2020	Three-months period ended September 30, 2019	**Nine-months period ended September 30, 2020**	Nine-months period ended September 30, 2019
		(Restated)		(Restated)
	("000")	("000")	**("000")**	("000")
Cost of properties (note 8.1)	**29,279**	50,800	**134,915**	171,970
Provision for development properties (note 13)	**(5,945)**	-	**64,566**	-
Depreciation	**37,016**	35,202	**111,317**	107,621
Employees' costs	**16,352**	19,675	**50,675**	59,103
Hospitality	**6,825**	4,238	**13,578**	12,819
Others	**38,631**	43,994	**117,927**	126,888
	122,158	153,909	**492,978**	478,401

8.1 Cost of properties includes expenses related to properties on lease amounting to SR 6.2 million (September 30, 2019: SR 0.2 million).

9. 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 period ended September 30, 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss of the subject institute, amounting to SR 35.6 million (September 30, 2019: SR 39.2 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 27.4 million (September 30, 2019: SR 25.2 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 5.2 million (September 30, 2019: SR 34.1 million).

10. 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:

	Three-months period ended September 30, 2020	Three-months period ended September 30, 2019 (Restated)	**Nine-months period ended September 30, 2020**	Nine-months period ended September 30, 2019 (Restated)
Net loss attributable to equity holders of the Parent Company (SR '000)	**(187,339)**	**(212,805)**	**(673,768)**	(311,777)
Weighted average number of ordinary shares ('000)	**850,000**	**850,000**	**850,000**	850,000
Loss per share (Saudi Arabian Riyals) – Basic and Diluted	**(0.22)**	**(0.25)**	**(0.79)**	(0.37)

11. PROPERTY AND EQUIPMENT

Property and equipment mainly include infrastructure assets, amounting to SR 2,613 million (December 31, 2019: SR 2,551 million), and capital work in progress (“CWIP”), amounting to SR 1,581 million (December 31, 2019: SR 1,817 million), which represents construction costs in respect of the infrastructure and other projects at KAEC. During the nine-months period ended September 30, 2020, additions to CWIP amounted to SR 61.4 million (December 31, 2019: SR 468 million).

12. INVESTMENT PROPERTIES

Investment properties include Greenfield land and associated costs, amounting to SR 2,820 million (December 31, 2019: SR 2,821 million), and properties completed and under construction, net of accumulated depreciation and impairment, amounting to SR 2,131 million (December 31, 2019: SR 2,173 million). Based on an impairment exercise conducted by the Management on investment properties, the Group has recognised an impairment loss, amounting to SR 15.5 million, during the nine-months period ended September 30, 2020.

The fair value of the Group’s investment properties, based on the valuation performed by an independent valuer, as at December 31, 2019, amounted to SR 47,413 million. The Management believes that the fair value, as at September 30, 2020, is not materially different from the fair value as at December 31, 2019.

13. DEVELOPMENT PROPERTIES

The Group carried out an assessment of net realizable value for development properties and recognized a provision, amounting to SR 64.5 million, during the nine-months period ended September 30, 2020.

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
Investment in Ports Development Company ("PDC") (see note (a) below)	**2,380,043**	2,366,137
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	**45,790**	45,790
	2,425,833	2,411,927

a) Investment in PDC – Joint Venture

	September 30, 2020 ("000")	December 31, 2019 ("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	**48,851**	59,489
Share of profit for the period / year, net of Zakat charge	**26,033**	7,983
Share of other comprehensive loss for the period / year	**(12,127)**	(18,621)
Balance at the end of the period / year	**62,757**	48,851
Elimination of share of profit on the sale of land and commission income	**(287,714)**	(287,714)
Group's carrying amount of the investment	**2,380,043**	2,366,137

During the year ended December 31, 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.

14. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

a) Investment in PDC – Joint Venture (continued)

At September 30, 2020, the subject Swap Contracts had a negative fair value of SR 103 million (December 31, 2019: SR 78.8 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 12.1 million (December 31, 2019: SR 19.08 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.

b) Investment in Biyoutat - Associate

During 2016, the Company entered into an arrangement with an entity owned by a local Saudi 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 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/year are considered insignificant for the Group.

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

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("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

15. LONG-TERM LOANS

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
Ministry of Finance ("MoF") loan (see note (a) below)	**5,000,000**	5,000,000
Others (see note (b) below)	**3,101,103**	3,113,750
	8,101,103	8,113,750
Current portion of long-term loans (see note (a) and (b) below)	**(2,386,250)**	(1,557,500)
Non-current portion of long-term loans	**5,714,853**	6,556,250

15. LONG-TERM LOANS (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 installments 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 installment due in June 2020 to January 2021. Hence, the principal amount is now repayable in seven installments, commencing from January 2021, 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 June 30, 2020, amounted to SR 976.25 million (December 31, 2019: SR 976.25 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 installments due within twelve-months, amounting to SR 798.75 million, are classified as a current liability. The loan is secured against part of KAEC's greenfield land, having a value of SR 1,920 million, based on current outstanding exposure, 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 June 30, 2020, amounted to SR 437.5 million (December 31, 2019: SR 437.5 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 installments due within twelve-months, amounting to SR 187.5 million, are classified as a current liability. 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 subject loan facilities, as at September 30, 2020, amounted to SR 1,700 million (December 31, 2019: 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 period ended September 30, 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 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 SR 3,000 million. Moreover, the subject loan facilities are further secured by order note of SR 1700 million.

Furthermore, discussions regarding the restructuring of the loans and repayment plans with other lenders are already in progress. For details, please refer to note 3.

16. SHORT-TERM LOANS

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. The subject loan facility was reduced to SR 200 million during the year 2019, bifurcated into SR 170 million for the working capital and SR 30 million for the Documentary Credit ("DC") facility, and is secured by a promissory note of SR 200 million. The outstanding balance of the working capital and DC facility, as at September 30, 2020, amounted to SR 170 million (December 31, 2019: SR 170 million) and SR Nil (December 31, 2019: SR 3.7 million), respectively. During the period ended September 30, 2020, the Group has received an Indicative Term Sheet reflecting Bank's proposed restructuring plan for working capital facility amounting to SR 170 million, to be restructured to a medium term loan, and to be repaid in 8 equal semi-annual instalments over 4 years together with specific security collaterals and covenants. Discussions are underway to finalize the requested restructuring plan.

Moreover, from an existing short-term facility of SR 400 million from another bank, the Company has availed SR 150 million during the year 2019 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 2,500 million. The outstanding balance of the working capital and DC facility, as at September 30, 2020, amounted to SR 150 million (December 31, 2019: SR 150 million) and SR 79 million (December 31, 2019: SR 42.7 million), respectively.

In addition to the above, the Company has also availed a short-term facility of SR 95 million from another commercial bank, at prevailing commercial rates, bifurcated into SR 50 million for the working capital and SR 45 million for the DC facility. The outstanding balance of the working capital and DC facility, as of September 30, 2020, amounted to SR 50 million (December 31, 2019: SR Nil) and SR 28.4 million (December 31, 2019: SR Nil), respectively.

17. 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, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
Balance at the beginning of the period / year	**63,868**	64,220
Included in condensed consolidated interim statement of profit or loss:		
Current service cost	**10,239**	14,421
Interest cost	**1,046**	2,813
	11,285	17,234
Included in condensed consolidated interim statement of other comprehensive income:		
Remeasurement gain arising from:		
- Financial assumptions	-	(448)
- Experience adjustments	-	(4,362)
Actuarial gain	-	(4,810)
Benefits paid	**(11,093)**	(12,776)
Balance at the end of the period / year	**64,060**	63,868

There has been no change in actuarial assumptions for the nine-months periods ended September 30, 2020. Hence, actuarial gain/loss for the period is nil.

Actuarial assumptions

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Discount rate	**2.97%**	2.97%
Expected rate of future salary increase	**3.5%**	3.5%
Mortality rate	**1.17%**	1.17%
Employee turnover rate	**Age & service based – Moderate**	Age & service based - Moderate
Retirement age	**60 years**	60 years

18. ACCOUNTS PAYABLE AND ACCRUALS

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
Trade payables	**409,936**	340,256
Accrued financial charges	**325,959**	218,024
Retentions payable	**246,055**	284,772
Contract cost accruals	**84,457**	132,223
Advances from customers	**64,836**	94,069
Amounts to be donated for charitable purposes (see note below)	**40,960**	44,321
Amounts due to related parties (note 20)	**11,125**	15,106
VAT payable	**12,135**	3,737
Accrued expenses and other payables	**171,705**	154,083
Unearned interest income - Home Ownership Scheme	**3,640**	3,307
Unearned income	**17,785**	15,210
	1,388,593	1,305,108

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.

19. ZAKAT

Charge for the period / year

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
Charge for the period / year	**41,250**	45,000

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

19. ZAKAT (continued)

Movement in provision

The movement in the Zakat provision is as follows:

	September 30, 2020 (Unaudited) ("000")	December 31, 2019 (Audited) ("000")
At the beginning of the period/year	**121,816**	156,843
Charge for the period / year	**41,250**	45,000
Payments during the period / year	**(45,401)**	(80,027)
At the end of the period / year	**117,665**	121,816

20. 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 14, the following are the significant related party transactions during the period and the related balances:

20. RELATED PARTY TRANSACTIONS (continued)

Related party	*Nature of transactions*	*Amounts of Transactions for the nine-months period ended*		*Balance as at*	
		September 30, 2020 SR' 000	*September 30, 2019 SR' 000*	***September 30, 2020 SR' 000***	*December 31, 2019 SR' 000*
Amounts due from related parties:					
Other related parties	Lease rentals, utilities and service charges	**2,176**	6,561	**5,462**	3,211
	Sale of properties	**12,644**	4,146		1,650
	Advance against services	**30**	-	**30**	-
Joint Venture	Lease rentals and utilities charges	**171**	219	**243**	971
Key management personnel	Sale of properties, utilities and service charges	**140**	-	**11**	895
	Lease rentals	**175**	-	**292**	222
Board of directors	Sale of properties, utilities and service charges	**203**	95	**-**	231
	Lease rentals	**112**	-	**-**	147
Total				**6,038**	7,327
Amounts due to related parties:					
Other related parties	Expenses incurred on behalf of the Group	**-**	-	**-**	(2,619)
	Services provided to the Group	**3,260**	309	**(3)**	(415)
	Advance against the sale of properties and leased units	**-**	-	**(7,958)**	(7,961)
	Purchase of goods	**-**	20	**-**	-
Joint venture	Expenses incurred on behalf of the Group	**10**	-	**-**	-
Other related parties with significant influence	Expenses incurred on behalf of the Group	**-**	-	**(89)**	(89)
Key management personnel	Remuneration	**7,820**	12,435	**-**	-
Board of directors	Remuneration and meeting fees	**3,075**	3,150	**(3,075)**	(4,003)
	Advance received against services	**-**	-	-	(19)
Total				**(11,125)**	(15,106)

20. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	September 30, 2020 ***SR' 000***	September 30, 2019 *SR' 000*
Short-term employee benefits	**6,864**	9,711
Non-monetary benefits	**324**	271
Post-employment benefits	**625**	1,042
Termination benefits	**7**	1,411
	7,820	12,435
Amount due to key management personnel	**8,885**	12,435

21. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to disclosures set out in notes 15 and 16, contingent liabilities and commitments, as at September 30, 2020, 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 666 million (December 31, 2019: SR 781 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 litigation 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 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. The management is under discussion with the Government entity, supported by the Economic Cities and Special Zones Authority, and expects a favorable outcome. Hence no provision has been made in these condensed consolidated interim financial statements.

(d) The Company has received assessment for the fiscal year ended December 31, 2014 with an additional Zakat liability of SR 67.7 million. The Company has filed an appeal against the GAZT's assessment and the GAZT has issued a revised assessment, subsequent to the period end, with reduced Zakat liability of SR 33 million. The Company has filed an appeal against the revised assessment with the GSTC.

(e) IZDCL finalized its Zakat status up to the year 2012. The GAZT issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat of SR 4.6 million. IZDCL has objected against the GAZT assessment, providing the supporting documents for its position. GAZT has transferred the case to the General Secretariat of Tax Committees (GSTC), and IZDCL has also registered an appeal on GSTC's portal. Hearing for the appeal was conducted on October 22, 2020, and the decision is awaited.

(f) 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 a pledge of the shares of the Company in PDC.

21. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(g) 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 December 31, 2017, PDC availed the subject Murabaha facility, amounting to SR 150 million, to finance its working capital requirements. The subject facility has been enhanced to SR 180 million during 2018. In this connection, the Company had also provided promissory notes, amounting to SR 75 million, which has been enhanced to SR 90 million during 2019, plus any Murabaha profits due to be paid by the PDC.

22. 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.

Segments related Revenue and Profitability

Nine-months period ended:	*Residential business SR'000*	*Industrial development SR'000*	*Hospitality and leisure SR'000*	*Others SR'000*	*Adjustments and eliminations SR'000*	*Total SR'000*
September 30, 2020						
Revenue						
External customers	**230,844**	**133,511**	**63,252**	**53,564**	**-**	**481,171**
Inter-segment	**12,145**	**-**	**23,556**	**72,517**	**(108,218)**	**-**
	242,989	**133,511**	**86,808**	**126,081**	**(108,218)**	**481,171**
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**	**(10)**	**-**	**2,280**	**-**	**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						**(632,518)**

22. SEGMENTAL INFORMATION (continued)

Operating Segments (continued)

Nine-months period ended:	*Residential business SR'000*	*Industrial development SR'000*	*Hospitality and leisure SR'000*	*Others SR'000*	*Adjustments and eliminations SR'000*	*Total SR'000*
September 30, 2019						
Revenue						
External customers	445,475	176,042	56,959	49,834	-	728,310
Inter-segment	10,296	3,523	19,779	66,400	(99,998)	-
	455,771	179,565	76,738	116,234	(99,998)	728,310
Results						
Cost of inventories and services recognised as an expense	(172,477)	(26,976)	(4,299)	(42,951)	74,698	(172,005)
Impairment loss	(4,630)	-	(2,512)	(51,555)	-	(58,697)
Financial charges	(221)	-	(3,356)	(170,990)	-	(174,567)
Murabaha deposit income	48	113	6	1,573	-	1,740
Depreciation	(37,382)	(17,552)	(59,581)	(131,941)	-	(246,456)
Amortisation	(131)	-	(15)	(7,823)	-	(7,969)
Share of results of equity accounted investee	-	-	-	8,127	-	8,127
Other income / (expenses)	(68,053)	16,661	(74,124)	(227,244)	-	(352,760)
Loss before Zakat						(274,277)

23. 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.

23. LIQUIDITY RISK (continued)

The Group has additional approved facilities (refer note 15 and 16) and can withdraw appropriate required amounts, if required. Furthermore, discussions regarding the restructuring of the loans and repayment plans are already in progress with the respective banks. (refer note 3 and 15).

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

September 30, 2020	***Less than 3 months SR'000***	***3 to 12 months SR'000***	***More than 12 months SR'000***	***Total SR'000***
Loans	-	**2,863,747**	**5,714,853**	**8,578,600**
Lease liabilities	-	**35,147**	**64,540**	**99,687**
Accounts payable and accruals	-	**1,302,342**	-	**1,302,342**
	-	**4,201,236**	**5,779,393**	**9,980,629**

December 31, 2019	*Less than 3 months SR'000*	*3 to 12 months SR'000*	*More than 12 months SR'000*	*Total SR'000*
Loans	-	1,923,898	6,556,250	8,480,148
Lease liabilities	-	37,501	94,466	131,967
Accounts payable and accruals	-	1,192,522	-	1,192,522
	-	3,153,921	6,650,716	9,804,637

24. 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).

24. 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 September 30, 2020, and December 31, 2019, 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 September 30, 2020 and December 31, 2019.

During the nine-months period ended September 30, 2020, there were no movements between the levels.

25. 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.

Given the scale of the outbreak, the Group has assessed the potential 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 to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

These factors have significantly impacted certain estimates and judgments considered by the Group for the nine-months period ended September 30, 2020.

25. IMPACT OF COVID-19 (continued)

The Group carried out an impact assessment due to uncertainties caused by COVID-19, as at September 30, 2020, 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 September 30, 2020 and considering that the situation is fast evolving, the Group had taken the impact of higher 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 37.4 million during the nine-months period ended September 30, 2020. 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's hospitality segment has been impacted from low occupancy levels and temporary closure resulting from steps taken by the Government to contain the COVID-19 outbreak. The key areas of assessment include estimates on the impact of future cash flows due to reduced occupancy and the discount rates, reflecting increased uncertainty. The Group assessed whether there are any indicators of impairment for all non-financial assets as at September 30, 2020. The Group estimated the expected future cash flows from the asset or cash-generating units and used multiple, probability-weighted cash flow projections due to a fast evolving situation and considered the macroeconomic outlook to calculate the present value of those cash flows after applying a discount rate that reflects the current market assessment of the time value of money. The Group had performed a sensitivity analysis for the fair value of the Group's property and equipment and investment properties, as at September 30, 2020, on the basis of the valuation exercise carried out by ValuStrat (Khabeer Altathmen Alaqaria), an independent valuer not related to the Group, as at December 31 2019. ValuStrat is a firm licensed by the Taqeem (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. The Group made an assessment of impairment 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 a result, the Group concludes that the expected drop in future cash flows from these assets is not significant to result in impairment loss on the non-financial assets, except for investment properties and development properties, as described below.

25. IMPACT OF COVID-19 (continued)

- *Investment properties*
  Valuation of investment properties is inherently subjective due to the unique characteristics of each property, its location, expected yield, rental growth rate and discount rates reflecting increased uncertainty. Based on an impairment exercise conducted by the Management on investment properties, the Group has recognised an impairment loss, amounting to SR 15.5 million, during the nine-months period ended September 30, 2020. (see note 12).

- *Development properties*
  Development properties are stated at the lower of cost or net realisable value ("NRV"). NRV is assessed with reference to sales prices, estimated costs of completion and advances received, development plans and market conditions existing at the end of the reporting period and recent market transactions, where available. Pursuant to net realizable values test of development properties conducted by the Management as at September 30, 2020, the Group has recognised provision, amounting to SR 64.5 million, during the nine-months period ended September 30, 2020 (see note 13).

- *Revenue and costs to complete the projects*
  The Group reviewed the changes, if any, in the estimated cost to complete the projects and determined the cost attributable to revenue being recognized. These estimates included significant judgements and uncertainty related to the changes in the estimated cost of construction, variation orders, cost of meeting other contractual obligations to the customers, and other items as a result of volatility due to COVID 19. As a result, the Management concludes that no adjustments are required in the estimated costs to complete the projects as at September 30, 2020.

- *Income from the leasing and retail segment*
  As part of Group's commitment to extend support to its tenants during COVID-19 outbreak, the Group has offered arrangements of rent reliefs to its certain tenants, which are accounted for in accordance with the requirements of IFRS 16 "Leases". In addition, the management considers that it is more appropriate to only recognise lease income to the extent that the lease income is considered to be collectible. This approach addresses the concern of recognizing income when collectability is uncertain.

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.

However, the outbreak is evolving rapidly, 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.

26. 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 Rabi Al Awal 22, 1442H, corresponding to November 8, 2020.