EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2021
with
INDEPENDENT AUDITOR'S REPORT

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2021

INDEX	**Page No.**

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

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

To the Shareholders of Emaar The Economic City

Introduction

We have reviewed the accompanying 31 March 2021 condensed consolidated interim financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2021;
- the condensed consolidated statement of financial position as at 31 March 2021;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2021;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2021; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2021 condensed consolidated interim financial statements of **Emaar The Economic City** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

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 194.5 million during the period ended 31 March 2021 and, as of that date, the Group's accumulated losses are SR 2,849 million and current liabilities exceeded its current assets by SR 3,132.8 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.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 10 May 2021
Corresponding to 28 Ramadan 1442H

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month period ended 31 March 2021
(Expressed in Saudi Arabian Riyals)

	Notes	2021 (Unaudited) ("000")	2020 (Unaudited) ("000")
Revenue	6	**83,591**	205,395
Cost of revenue	7	**(100,663)**	(244,720)
GROSS LOSS		**(17,072)**	(39,325)
EXPENSES			
Selling and marketing		**(16,745)**	(15,667)
General and administrative		**(57,082)**	(68,315)
Impairment loss		**(19,569)**	(28,225)
Depreciation		**(46,440)**	(48,322)
Amortisation		**(1,674)**	(1,994)
LOSS FROM MAIN OPERATIONS		**(158,582)**	(201,848)
OTHER INCOME / (EXPENSES)			
Murabaha deposit income		**246**	1,516
Financial charges, net		**(60,035)**	(96,400)
Share of results of equity accounted investee	12	**15,884**	9,221
Other income	8	**26,250**	19,760
LOSS FOR THE PERIOD BEFORE ZAKAT		**(176,237)**	(267,751)
Zakat	17	**(18,250)**	(13,750)
NET LOSS FOR THE PERIOD		**(194,487)**	(281,501)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will be reclassified to condensed consolidated statement of profit or loss in subsequent periods:			
Share of other comprehensive income / (loss) from equity accounted investees	12	**13,752**	(15,664)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(180,735)**	(297,165)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	9	**(0.23)**	(0.33)

The attached notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021
(Expressed in Saudi Arabian Riyals)

	Notes	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	**5,571,560**	5,609,660
Right-of-use assets		**80,113**	84,250
Investment properties	11	**4,879,305**	4,906,277
Unbilled revenue		**267,146**	300,848
Development properties		**1,203,059**	1,315,494
Intangible assets		**7,028**	7,877
Investment in equity accounted investees	12	**2,475,458**	2,445,822
Employees' receivable - Home Ownership Scheme		**115,625**	117,848
TOTAL NON-CURRENT ASSETS		**14,599,294**	14,788,076
CURRENT ASSETS			
Current portion of employees' receivable - Home Ownership Scheme		**7,751**	7,785
Unbilled revenue		**379,764**	467,354
Development properties		**264,536**	145,153
Accounts receivable and other current assets		**641,601**	654,776
Murabaha term deposits with banks		**100,000**	101,358
Cash and cash equivalents		**229,465**	174,904
TOTAL CURRENT ASSETS		**1,623,117**	1,551,330
TOTAL ASSETS		**16,222,411**	16,339,406
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**8,500,000**	8,500,000
Statutory reserve		**11,536**	11,536
Accumulated losses		**(2,848,998)**	(2,668,263)
TOTAL EQUITY		**5,662,538**	5,843,273
NON-CURRENT LIABILITIES			
Long-term loans	13	**5,587,033**	5,475,161
Lease liabilities		**35,994**	51,319
Employees' terminal benefits	15	**62,005**	61,937
Unearned financing component on long-term receivables		**87,848**	93,906
Unearned interest income - Home Ownership Scheme		**31,038**	31,977
TOTAL NON-CURRENT LIABILITIES		**5,803,918**	5,714,300
CURRENT LIABILITIES			
Accounts payable and accruals	16	**1,628,428**	1,533,164
Accrued Zakat	17	**111,785**	108,687
Current portion of long-term loans	13	**2,663,437**	2,626,250
Short-term loans	14	**296,230**	472,933
Lease liabilities		**56,075**	40,799
TOTAL CURRENT LIABILITIES		**4,755,955**	4,781,833
TOTAL LIABILITIES		**10,559,873**	10,496,133
TOTAL EQUITY AND LIABILITIES		**16,222,411**	16,339,406

The attached notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2021
(Expressed in Saudi Arabian Riyals)

	Share capital ("000")	*Statutory reserve ("000")*	*Accumulated losses ("000")*	*Total Equity ("000")*
Balance as at 31 December 2020 (Audited)	8,500,000	11,536	(2,668,263)	5,843,273
Net loss for the period	-	-	(194,487)	(194,487)
Other comprehensive income for the period	-	-	13,752	13,752
Total comprehensive loss for the period	-	-	(180,735)	(180,735)
Balance as at 31 March 2021 (Unaudited)	**8,500,000**	**11,536**	**(2,848,998)**	**5,662,538**
Balance as at 31 December 2019 (Audited)	8,500,000	11,536	(1,157,305)	7,354,231
Adjustment on application of IAS 23 – Agenda decision	-	-	(251,976)	(251,976)
Balance as at 01 January 2020 (Restated)	8,500,000	11,536	(1,409,281)	7,102,255
Net loss for the period	-	-	(281,501)	(281,501)
Other comprehensive loss for the period	-	-	(15,664)	(15,664)
Total comprehensive loss for the period	-	-	(297,165)	(297,165)
Balance as at 31 March 2020 (Unaudited)	**8,500,000**	**11,536**	**(1,706,446)**	**6,805,090**

Eyad Abdulrahim

The attached notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2021
(Expressed in Saudi Arabian Riyals)

	Notes	2021 (Unaudited) ("000")	2020 (Unaudited) ("000")
OPERATING ACTIVITIES			
(Loss) for the period before Zakat		**(176,237)**	(267,751)
Adjustments to reconcile (loss) for the period before Zakat to net cash flows:			
Depreciation		**77,817**	84,837
Impairment loss		**19,569**	28,225
Provision for development properties		**--**	73,302
Amortisation		**1,674**	1,994
Financial charges		**60,035**	96,400
Share of results of equity accounted investee	12	**(15,884)**	(9,221)
Murabaha deposit income		**(246)**	(1,516)
Unwinding of unearned interest income		**(808)**	(661)
Employees' benefit expense – Home Ownership Scheme		**(181)**	341
Provision for employees' terminal benefits	15	**2,627**	6,095
		(31,634)	12,045
Working capital adjustments			
Employees' receivable – Home Ownership Scheme		**2,438**	1,478
Unbilled revenue, net		**98,550**	(13,761)
Development properties		**2,652**	56,782
Accounts receivable and other current assets		**(6,458)**	(139,779)
Accounts payable and accruals		**81,999**	23,114
Net cash generated from / (used in) operations		**147,547**	(60,121)
Financial charges paid		**(23,286)**	(60,532)
Finance charges on lease liabilities		**(744)**	(1,057)
Zakat paid	17	**(15,152)**	(36,616)
Employees' terminal benefits paid	15	**(2,559)**	(2,721)
Net cash generated from / used in operating activities		**105,806**	(161,047)
INVESTING ACTIVITIES			
Investment in Murabaha term deposits		**(254,407)**	(577,660)
Murabaha term deposit encashment		**256,077**	579,409
Additions to property and equipment		**(22,308)**	(22,367)
Additions to investment properties		**--**	(5,650)
Proceeds from disposal of investment properties		**4,099**	--
Additions to intangible assets		**(825)**	(460)
Net cash used in investing activities		**(17,364)**	(26,728)
FINANCING ACTIVITIES			
Proceeds from loans		**--**	257,743
Repayments of loans		**(27,645)**	(200,000)
Movement in unearned interest income		**(6,188)**	(8,308)
Repayment of lease liabilities		**(48)**	(6,831)
Net cash (used in) / generated from financing activities		**(33,881)**	42,604
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**54,561**	(145,171)
Cash and cash equivalents at the beginning of the period		**174,904**	404,393
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**229,465**	259,222

Eyad Abdulrahim

The attached notes 1 to 24 form integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION

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

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

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

Branch	Commercial Registration Number
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

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

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

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

Pursuant to the resolutions passed by the shareholders of the above mentioned entities during 2018, the Company has acquired remaining shareholdings in ECIC, IZDCL, REOM, REM and RED. The legal formalities in respect of transfer of these shares were completed in 2019 and 2020.

Refer to note 12 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 Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The Group continues to assess the impact of COVID -19 on its operations on regular basis. However, the outbreak is 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 full impact of such an evolving condition with certainty at this stage, considering the limited economic information available to determine the impact of the outbreak on the wider economy and the real estate sector.

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

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

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

However, in the view of the current ongoing uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (refer note 23).

GOING CONCERN

The Group incurred a net loss of SR 194.5 million during the period ended 31 March 2021, and, as of that date, the Group’s accumulated losses are SR 2,849 million, which exceed 20% of the share capital. In addition to this, the current liabilities exceeded its current assets by SR 3,132.8 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The Management and those charged with Governance (TCWG) have actively responded to changes in market demand and timely adjusted its operating strategy. Since the outbreak of COVID-19, the Group's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel. The COVID-19 outbreak has impacted the Group across certain segments (real estate and hospitality) which is reflected in its financial results for the period ended 31 March 2021.

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

GOING CONCERN (continued)

Furthermore, the Management performed a comprehensive assessment of the directional impact of COVID 19 on the Group's core operations (see note 23) 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.

These include, among others, restructuring of current debt obligations and obtaining additional financing facilities. Furthermore, discussions regarding the restructuring of the loans, repayment plans and debt conversion are 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 13(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 instalment, which was due in June 2020, to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, and the accrued commission payable on an annual basis. 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 and further financial support of SR 566 million. During the period, on 20 January 2021, the Group has received communication from MoF for deferral of instalment due as on 01 January 2021 and accrued commission total amounting to SR 1,000 million to 31 January 2021. However, discussions are underway to finalize the conversion of loan to equity, as announced, amounting to SR 2,833 million, rescheduling of remaining loan amount and further financial support, as requested earlier.
	Loan due to commercial bank – note 13(b) *(Principal amount: SR 1.7 billion, amount included under current liabilities: SR Nil)*	During the year ended 31 December 2020, the Company had signed revised facility agreement with the commercial bank for the outstanding facility amounting to SR 1,700 million. Consequently, the principal amount is now repayable, after a grace period of 3 years from 2020 to 2022, in multiple semi-annual unequal instalments from 2023 to 2030.
	Loan due to Commercial bank – note 13(b) *(Principal amount: SR 437.5 million, amount included under current liabilities: SR 250 million)*	During the year ended 31 December 2020, the Group has requested the lender to restructure its borrowing by deferring the repayments falling due within the next 12 month, and rescheduling the repayment of the remaining balances over ten years, structured as 3 years grace period, and repayment over 7 years starting from April 2023 to October 2029 in semi-annual instalments. The lender has already deferred the repayments due in April 2020 and October 2020 to April 2021. During the period ended 31 March 2021, the Group received a letter from the lender confirming approval of EEC's restructuring request. The lender’s proposed restructuring terms are currently under review and signing process.

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

GOING CONCERN (continued)

Aspect	Description	Measures taken
Debt restructuring (continued)	Loan due to commercial bank – note 13(b) *(Principal amount: SR 976.25 million, amount included under current liabilities: SR 976.25 million.)*	During the year ended 31 December 2020, the Group has requested the lender to restructure its borrowing by deferring the repayments falling due within the next 12 month and rescheduling the repayment of the remaining balances over ten years, structured as 3 years grace period from 2020 to 2022 and repayment over 7 years in semi-annual instalments from 2023 to 2030. The lender has deferred the repayments due on 30 June 2020 and 31 December 2020 to 29 April 2021; pending approval of the requested restructuring plan.
Working capital facility rearrangement	Working capital facility due to commercial bank – note 14. (Principal amount: SR 170 million)	During the year ended 31 December 2020, the Group has signed a revised facility letter agreement for working capital facility amounting to SR 170 million, restructured to a medium term loan. After the down payment of SR 21 million in February 2021, the remaining outstanding balance of SR 149 million is to be repaid in 8 equal semi-annual instalments over 4 years starting 28 August 2021.
Debt to equity conversion	Conversion of a portion of MOF loan to equity	The Group has entered into a Subscription Agreement dated 31 August 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. A partial novation agreement has been executed on 07/08/1442H. (corresponding to 20 March 2021G.) between PIF and MoF, whereby they agreed on: (1) the Novation (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); and (2) entitlement of the Novation Amount to be due and payable on the date on which: (i) the Company approves the Novation and its entitlement to be due and payable; and (ii) the Company obtaining extraordinary general assembly approval for the capital increase by way of capitalizing the Novation Amount in accordance with the terms and provisions of the Subscription Agreement (the "Effective Date") The Company's board of directors approved on 17/08/1442H (corresponding to 30 March 2021G) the Novation from MoF to PIF and its entitlement to be due and payable, provided that such approval shall take effect on the Effective Date.

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

GOING CONCERN (continued)

Aspect	Description	Measures taken
Debt to equity conversion (continued)	Conversion of a portion of MOF loan to equity (continued)	It is expected that the increase of the Company's capital by way of converting the Novation Amount will be completed after the fulfilment of the conditions set out in the Subscription Agreement, including without limitation obtaining official approvals as well as the extraordinary general assembly's approval thereon. 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 Group 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 and various cost optimization initiatives.

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 (see above "conversion of a portion of MOF loan to equity") 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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

Standards, interpretations and amendments issued but not yet effective

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

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
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.

6. REVENUE

	Three-month period ended 31 March 2021 (Unaudited) ("000")	Three-month period ended 31 March 2020 (Unaudited) ("000")
Revenue by operating segments:		
Residential business	**16,303**	132,572
Industrial development	**16,907**	29,091
Hospitality and leisure	**33,750**	25,506
Others	**16,631**	18,226
	83,591	205,395

6. REVENUE (continued)

	Three-month period ended 31 March 2021 (Unaudited) ("000")	Three-month period ended 31 March 2020 (Unaudited) ("000")
Revenue by nature:		
Sale of properties	**4,697**	115,905
Leasing	**30,076**	34,021
Hospitality	**31,815**	24,098
Others	**17,003**	31,371
	83,591	205,395

7. COST OF REVENUE

	Three-month period ended 31 March 2021 (Unaudited) ("000")	Three-month period ended 31 March 2020 (Unaudited) ("000")
Cost of properties	**10,553**	64,011
(Reversal) / provision for development properties	**(6,041)**	73,302
Depreciation	**31,378**	36,515
Employees' costs	**18,444**	18,064
Hospitality	**6,577**	5,707
Others	**39,752**	47,121
	100,663	244,720

8. OTHER INCOME

The following are the main components of other income:

i) The Group has entered into an agreement ("the Agreement") with two external parties to develop, finance and operate an academic educational institute at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during the year ended 31 December 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the subject institute, amounting to SR 9.8 million (31 March 2020: SR 6.3 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 9.4 million (31 March 2020: SR 8.7 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 6.2 million (31 March 2020: SR Nil).

9. LOSS PER SHARE

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

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

The loss per share calculation is given below:

	Three-month period ended 31 March 2021 (Unaudited)	Three-month period ended 31 March 2020 (Unaudited)
Net loss attributable to equity holders of the Parent Company (SR '000)	**(194,487)**	(281,501)
Weighted average number of ordinary shares ('000)	**850,000**	850,000
Loss per share (Saudi Arabian Riyals) – Basic and Diluted	**(0.23)**	(0.33)

10. PROPERTY AND EQUIPMENT

Property and equipment mainly include infrastructure assets, amounting to SR 2,418 million (31 December 2020: SR 2,441 million), and capital work in progress ("CWIP"), amounting to SR 1,944 million (31 December 2020: SR 1,921 million), which represents construction costs in respect of the infrastructure and other projects at KAEC. During the three-month period ended 31 March 2021, additions to CWIP amounted to SR 21 million (31 December 2020: SR 468 million).

11. INVESTMENT PROPERTIES

Investment properties include Greenfield land and associated costs, amounting to SR 2,818 million (31 December 2020: SR 2,821 million), and properties completed and under construction, net of accumulated depreciation and impairment, amounting to SR 2,061 million (31 December 2020: SR 2,150 million).

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

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	Effective ownership interest (%)		31 March 2021	31 December 2020
	31 March 2021	31 December 2020	**(Unaudited) ("000")**	(Audited) ("000")
Investment in Ports Development Company ("PDC") (see note (a) below)	50%	50%	**2,429,668**	2,400,032
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%	20%	**45,790**	45,790
			2,475,458	2,445,822

a) Investment in PDC – Joint Venture

	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("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	**85,645**	51,750
Share of profit for the period / year, net of Zakat charge	**15,884**	48,065
Share of other comprehensive income / (loss) for the period / year	**13,752**	(14,170)
Balance at the end of the period / year	**115,281**	85,645
Elimination of share of profit on the sale of land and commission income	**(290,613)**	(290,613)
Group's carrying amount of the investment	**2,429,668**	2,400,032

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

a) Investment in PDC – Joint Venture (continued)

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

At 31 March 2021, the subject Swap Contracts had a negative fair value of SR 79.6 million (31 December 2020: SR 107.1 million), based on the valuation determined by a model and confirmed by PDC's bankers. Such fair value is included within non-current liabilities in the statement of financial position of PDC with a corresponding debit to the statement of profit or loss and other comprehensive income. The Group has recorded an amount of SR 13.75 million (31 December 2020: SR 14.1 million), within other comprehensive loss of the condensed consolidated interim statement of profit or loss and other comprehensive income, being the portion of its share. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

b) Investment in Biyoutat - Associate

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

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

13. LONG-TERM LOANS

	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
Ministry of Finance ("MoF") loan (see note (a) below)	**5,000,000**	5,000,000
Others (see note (b) below)	**3,250,470**	3,101,411
	8,250,470	8,101,411
Current portion of long-term loans (see note (a) and (b) below)	**(2,663,437)**	(2,626,250)
Non-current portion of long-term loans	**5,587,033**	5,475,161

(a) During 2011, the Parent Company received a loan of SR 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Greenfield land and carries annual commission at commercial rates and was originally repayable, with a three years grace period, in seven annual instalments commencing from September 01, 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, had rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions carried out with the Ministry of Finance, the MoF has rescheduled the first instalment due in June 2020 to January 2021. Hence, the principal amount is now repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis. However, discussions regarding the rescheduling of loan and accrued commission payable thereon, are already in progress. For detail, please refer note 3.

(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 31 March 2021, amounted to SR 976.25 million (31 December 2020: SR 976.25 million). As per the terms of the agreement, the loan is repayable in eight bi-annual instalments from June 30, 2018 to 31 December 2021. The instalments due within twelve-month, amounting to SR 976.25 million, are classified as a current liability. The loan is secured against part of KAEC's greenfield land, having a value of SR 1,669 million, based on current outstanding exposure, held by the Parent Company, and an order note for SR 1,642.5 million as per the last revised Facilities Letter Agreement.

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 31 March 2021, amounted to SR 437.5 million (31 December 2020: SR 437.5 million). As per the terms of the agreement, the loan is repayable in eight bi-annual instalments from 20 October 2019 to 20 April 2023. The instalments due within twelve-month, amounting to SR 250 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.

13. LONG-TERM LOANS (continued)

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 31 March 2021, amounted to SR 1,700 million (31 December 2020: SR 1,700 million). As per the terms of the agreements, the loan terms are door to door eight years with three years grace period starting from respective dates of the agreements. In order to comply with the Sharia principles, an additional facility of SR 250 million has been arranged by the bank linked to each of the facility, to permit the rollover (repayment and drawdown) so that the principal amount is available to the Company for the first three years of the loan. During the year ended 31 December 2020, the Company has signed revised facility agreement with the commercial bank for the outstanding facility amounting to SR 1,700 million. Hence, the principal amount is now repayable after a grace period of 3 years from 2020 to 2022, 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 1,700 million.

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

14. 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. During the period ended 31 December 2020, the Group has signed a revised FLA for working capital facility amounting to SR 170 million and a Documentary Credit ("DC") facility of SR 20 million, whereby the working capital facility has been restructured to a medium term loan, and after payment of SR 21.25 million in February 2021, the remaining outstanding of SR 148.75 million is to be repaid in 8 equal semi-annual instalments over 4 years starting 25 August 2021. The outstanding balance of the working capital and DC facility, as at 31 March 2021, amounted to SR 148.75 million (31 December 2020: SR 170 million) and SR Nil (31 December 2020: SR Nil), respectively. The loan facilities are secured against part of KAEC's greenfield land for a total required value of SR 340 million. Moreover, the subject loan facilities are further secured by order note of SR 209 million.

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 1,642.5 million. The outstanding balance of the working capital and DC facility, as at 31 March 2021, amounted to SR 150 million (31 December 2020: SR 150 million) and SR 56 million (31 December 2020: SR 66 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 31 March 2021, amounted to SR 50 million (31 December 2020: SR 50 million) and SR 40 million (31 December 2020: SR 37 million), respectively.

15. 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:

	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
Balance at the beginning of the period / year	**61,937**	63,868
Included in condensed consolidated interim statement of profit or loss:		
Current service cost	**2,153**	14,032
Interest cost	**474**	1,898
	2,627	15,930
Included in condensed consolidated interim statement of other comprehensive income:		
Remeasurement gain arising from:		
- Financial assumptions	-	(156)
- Experience adjustments	-	(3,396)
Actuarial gain	**-**	(3,552)
Benefits paid	**(2,559)**	(14,309)
Balance at the end of the period / year	**62,005**	61,937

There has been no change in actuarial assumptions for the three-month periods ended 31 March 2021. Hence, actuarial gain/loss for the period is nil.

Actuarial assumptions

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

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Discount rate	**3.0%**	3.0%
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

16. ACCOUNTS PAYABLE AND ACCRUALS

	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
Trade payables	**377,555**	363,630
Accrued financial charges	**374,463**	338,459
Retentions payable	**251,409**	251,063
Accrued expenses and other payables	**269,059**	250,848
Contract cost accruals	**185,378**	187,228
Advances from customers	**84,151**	64,556
Amounts to be donated for charitable purposes (see note below)	**40,990**	41,059
Amounts due to related parties (note 18)	**2,976**	4,558
Unearned interest income - Home Ownership Scheme	**3,521**	3,571
Unearned income	**38,926**	28,192
	1,628,428	1,533,164

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.

17. ZAKAT

Charge for the period / year

	31 March 2021 (Unaudited) ("000")	31 March 2020 (Unaudited) ("000")
Charge for the period / year	**18,250**	13,750

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

17. ZAKAT (continued)

Movement in provision

The movement in the Zakat provision is as follows:

	31 March 2021 (Unaudited) ("000")	31 December 2020 (Audited) ("000")
At the beginning of the period/year	**108,687**	121,816
Charge for the current period/year	**18,250**	35,000
Charge for the prior period/year	**-**	20,000
Payments during the period / year	**(15,152)**	(68,129)
At the end of the period / year	**111,785**	108,687

18. RELATED PARTY TRANSACTIONS

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

18. RELATED PARTY TRANSACTIONS (continued)

Related party	*Nature of transactions*	*Amounts of transactions for the three-month period ended* **31 March 2021 (Unaudited) ("000")**	*31 March 2020 (Unaudited) ("000")*	*Balance as at* **31 March 2021 (Unaudited) ("000")**	*31 December 2020 (Audited) ("000")*
Amounts due from related parties:					
Other related parties	Lease rentals, utilities and service charges	**172**	341	**236**	721
	Sale of properties	**-**	1,030	**-**	3,089
Joint Venture	Lease rentals, utilities charges and others	**402**	-	**5,090**	11,653
Key management personnel	Sale of properties, utilities and service charges	**41**	48	**329**	261
	Lease rentals	**-**	83	**-**	344
Board of Directors	Sale of properties, utilities and service charges	**-**	70	**-**	-
	Lease rentals	**-**	65	**-**	-
Total				**5,655**	16,068
Amounts due to related parties:					
Other related parties	Services provided to the Group	**1,416**	1,644	**(1,951)**	(3)
Other related parties with significant influence	Expenses incurred on behalf of the Group	**-**	-	**-**	(455)
Key management personnel	Remuneration	**3,381**	3,311	**-**	-
Board of Directors	Remuneration and meeting fees	**1,025**	1,025	**(1,025)**	(4,100)
Total				**(2,976)**	(4,558)

18. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	31 March 2021 (Unaudited) *("000")*	31 March 2020 (Unaudited) *("000")*
Short-term employee benefits	**3,055**	2,836
Non-monetary benefits	**106**	153
Post-employment benefits	**220**	315
Termination benefits	**-**	7
	3,381	3,311
Amount due to key management personnel	**220**	315

19. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to disclosures set out in notes 13 and 14, contingent liabilities and commitments, as at 31 March 2021, are described as below:

(a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years, amounting to SR 583 million (31 December 2020: SR 649 million).

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

(c) A Government entity requested the Company to share the costs incurred by the Government entity on account of re-routing the Haramain High Speed Railway via King Abdullah Economic City. The Company 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 General Authority of Zakat and Tax ("GAZT") issued Zakat assessment for the years 2006 to 2008 and claimed additional Zakat and Withholding tax (WHT) of SAR 90.4 million in addition to delay fines on the WHT. In compliance with the appeal procedures and without admitting the liability, the Company submitted a bank guarantee and paid under protest the WHT difference.

The BOG did not accept the grievance on the Zakat from the "form" point of view. EEC filed a plea to the Royal court requesting the BOG to reconsider the verdict and restudy the case. The BOG did not accept the plea and they maintained the previous decision.

19. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

During 2019, the GAZT has issued letter for collection of additional Zakat liability of SR 86.6 million related to the years 2006 to 2008. the Company has settled 20% and 43% of the total liability in the year 2019 and 2020 respectively. Furthermore, the GAZT has agreed to allow the payment of balance liability in instalments.

The WHT case was also under the review at the BOG. A decision was issued supporting the Company's objection related to delay fine. The GAZT has filed an appeal with the Royal court against the BOG's decision in respect of delay fine, which is pending adjudication.

EEC has settled the additional Zakat liabilities and finalized assessments for the years 2009 to 2011. The Company has filed the returns of the years 2012, 2013, 2019 and 2020. The GAZT has issued zakat certificate for 2019 valid until 30 April 2021.

During the year 2020, the GAZT issued Zakat assessment for the year 2014 and claimed additional Zakat of SAR 67.7 million. EEC filed an appeal against the GAZT's assessment and the GAZT has issued a revised assessment on 08 October 2020 with a reduced Zakat liability of SR 33 million. The Company has filed an appeal against the revised assessment with the General Secretariat of Tax Committees (GSTC).

The GAZT has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional Zakat liabilities of SR 254 million. EEC filed an appeal against the GAZT's assessment and the GAZT has issued a revised assessment on 24 February 2021 with reduced Zakat liability of SR 247 million. The Company has filed an appeal against the GAZT's revised assessment with the Tax Violations Dispute Resolution Committee (TVDRC).

EEC has requested the GAZT to pay the remaining balance of SR 31.5 million for the years 2006 to 2008 and for the zakat liability of SAR 44.3 million related to the year 2019 in instalments. The GAZT has allowed EEC to settle outstanding liability of SAR 75.8 million in ten (10) equal monthly instalments of SAR 7.5 million each starting from August 2020. EEC has already settled four instalments due from August until November 2020 and requested the GAZT for deferment of instalments due in December 2020 and January 2021, which has been duly accepted by the GAZT. Subsequent to the year end, EEC has settled the instalments falling due in the month of February and March 2021.

IZDCL finalized its Zakat status up to 2012. The GAZT issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat of SAR 4.6 million. IZDCL has objected against the GAZT assessment, providing the supporting documents for its position. The GAZT has transferred the case to the GSTC and IZDCL has also registered an appeal on GSTC's portal. The Tax Violations Dispute Resolution Committee (TVDRC) conducted the hearing session on 22 October 2020 and rendered its decision on 22 December 2020, rejecting IZDCL's appeal. IZDCL has filed an appeal against the TVDRC's decision with the Tax Violations Dispute Appellate Committee (TVDAC).

RED has filed the zakat / information returns up to the years 2020. The GAZT has issued final Zakat certificates for the year 2019, valid until 30 April 2021. The GAZT issued Zakat assessments dated 29 November 2020 for the years 2015 to 2017 with additional Zakat liabilities of SR 72.45 million. The GAZT rejected RED's objection and the Company has filed an appeal against the GAZT's decision with the TVDRC.

19. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(e) The Company has provided a corporate guarantee along with promissory notes to a commercial bank, limited to SR 1,321 million plus any Murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, the subject loan is also secured by a pledge of the shares of the Company in PDC.

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

20. 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.

20. SEGMENTAL INFORMATION (continued)

Operating Segments (continued)

Segments related Revenue and Profitability

Three-month period ended:	*Residential business (Unaudited) ("000")*	*Industrial development (Unaudited) ("000")*	*Hospitality and leisure (Unaudited) ("000")*	*Others (Unaudited) ("000")*	*Adjustments and eliminations (Unaudited) ("000")*	*Total (Unaudited) ("000")*
31 March 2021						
Revenue						
External customers	**16,303**	**16,907**	**33,750**	**16,631**	**-**	**83,591**
Inter-segment	**7,574**	**453**	**6,658**	**16,681**	**(31,366)**	**-**
	23,877	**17,360**	**40,408**	**33,312**	**(31,366)**	**83,591**
Results						
Cost of inventories and services recognised as an expense	**(6,393)**	**(5,439)**	**(8,528)**	**(11,313)**	**19,801**	**(11,872)**
Impairment loss	**(7,787)**	**(7,117)**	**(1,974)**	**(2,691)**	**-**	**(19,569)**
Financial charges	**(64)**	**(1,107)**	**-**	**(58,864)**	**-**	**(60,035)**
Murabaha deposit income	**-**	**-**	**-**	**246**	**-**	**246**
Depreciation	**(11,525)**	**(6,025)**	**(19,663)**	**(40,604)**	**-**	**(77,817)**
Amortisation	**(120)**	**-**	**(5)**	**(1,549)**	**-**	**(1,674)**
Share of results of equity accounted investee	**-**	**-**	**-**	**15,884**	**-**	**15,884**
Other income / (expenses)	**(13,003)**	**8,181**	**(17,177)**	**(82,992)**	**-**	**(104,991)**
Loss before Zakat						**(176,237)**

20. SEGMENTAL INFORMATION (continued)

Operating Segments (continued)

<u>*Three-month period ended:*</u>	*Residential business (Unaudited) (“000”)*	*Industrial development (Unaudited) (“000”)*	*Hospitality and leisure (Unaudited) (“000”)*	*Others (Unaudited) (“000”)*	*Adjustments and eliminations (Unaudited) (“000”)*	*Total (Unaudited) (“000”)*
31 March 2020						
Revenue						
External customers	132,572	29,091	25,506	18,226	-	205,395
Inter-segment	3,768	-	8,103	29,419	(41,290)	-
	136,340	29,091	33,609	47,645	(41,290)	205,395
Results						
Cost of inventories and services recognised as an expense	(146,512)	(6,502)	(7,484)	(13,971)	31,447	(143,022)
Impairment loss	(11,522)	-	(5,855)	(10,848)	-	(28,225)
Financial charges	(42)	-	(1,038)	(95,320)	-	(96,400)
Murabaha deposit income	5	-	-	1,511	-	1,516
Depreciation	(6,100)	(6,069)	(18,793)	(53,875)	-	(84,837)
Amortisation	(87)	-	(5)	(1,902)	-	(1,994)
Share of results of equity accounted investee	-	-	-	9,221	-	9,221
Other income / (expenses)	(21,257)	985	(22,302)	(86,831)	-	(129,405)
Loss before Zakat						(267,751)

21. LIQUIDITY RISK

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

21. LIQUIDITY RISK (continued)

Discussions regarding the restructuring of the loans and repayment plans are already in progress with the respective banks (refer note 3).

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

31 March 2021 (Unaudited)	***3 to 12 months ("000")***	***More than 12 months ("000")***	***Total ("000")***
Loans	**2,959,667**	**5,587,033**	**8,546,700**
Lease liabilities	**59,278**	**50,048**	**109,326**
Accounts payable and accruals	**1,498,849**	**-**	**1,498,849**
	4,517,794	**5,637,081**	**10,154,875**

31 December 2020 (Audited)	*Less than 12 months ("000")*	*More than 12 months ("000")*	*Total ("000")*
Loans	3,099,183	5,475,161	8,574,344
Lease liabilities	52,819	59,189	112,008
Accounts payable and accruals	1,455,030	-	1,455,030
	4,607,032	5,534,350	10,141,382

22. 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).

22. 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 31 March 2021, and 31 December 2020, the fair values of the Group’s financial instruments are estimated to approximate their carrying amounts and are classified under level 3 of the fair value hierarchy. No significant inputs were applied in the valuation of accounts receivables as at 31 March 2021 and 31 December 2020.

During the three-month period ended 31 March 2021, there were no movements between the levels.

23. IMPACT OF COVID-19

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

Since the outbreak of COVID-19, the Group's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel. The COVID-19 Outbreak has impacted the Group across its segments (real estate, and hospitality) which is reflected in its financial results for the period ended 31 March 2021.

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 including rationalizing its operations, optimizing staff levels and operating cash and working closely with its suppliers and customers to minimize impact on revenue and costs to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance.

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

23. IMPACT OF COVID-19 (Continued)

The Group carried out an impact assessment due to uncertainties caused by COVID-19, as at 31 March 2021, as follows:

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

  The Group assesses the impairment of its financial assets carried at amortised cost based on the expected credit loss ("ECL") model. The ECL model was reassessed for the impact of COVID-19, volatility in potential economic conditions, the incidence of defaults, etc. which may likely lead to an increase in the ECL allowance for trade receivables in line with the requirements of IFRS 9 Financial Instruments. This is mainly due to an increase in the counterparty risk (risk of default) of tenants and customers. ECLs were estimated based on a range of forecast economic conditions as at 31 March 2021 and considering that the situation is fast evolving, the Group had taken the impact of volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. The Group updated the relevant forward-looking information with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the market in which it operates. Accordingly, the impact on the allowance for expected credit losses on accounts receivables amounted to SR 19.6 million during the period ended 31 March 2021. The Group will continue to monitor the situation and its impact on the ECL and make the necessary adjustments as and when required.

- *Impairment of non-financial assets*

  The Group made an impairment assessment of non-financial assets, considering the degree of estimation uncertainty that existed in estimating the recoverable amount and the sensitivity of the recoverable amount to reasonably possible changes to key assumptions as at 31 December 2020. The recoverable amount is based on the value in use using management estimation and fair valuation exercise carried out by ValuStrat (Khabeer Altathmen Alaqaria), an independent valuer not related to the Group, as at 31 December 2020. ValuStrat is a firm licensed by the 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. Based on this impairment exercise, the Group expect that there is no significant change in recoverable amount of the non- financial assets that result in any additional impairment as at 31 March 2021.

23. IMPACT OF COVID-19 (Continued)

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.

24. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 9 May 2021, corresponding to 27 Ramadan 1442H.