EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three-month period ended 31 March 2022
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 2022

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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 31 March 2022 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 2022;
- the condensed consolidated statement of financial position as at 31 March 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022; 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.

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 160.4 million during the period ended 31 March 2022 and, as of that date, the Group's current liabilities exceeded its current assets by SR 2,800 million. These events or conditions, along with other matters as set forth therein, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our Conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed consolidated interim financial statements of Emaar The Economic City and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

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KPMG Professional Services

Jeddah, 22 May 2022
Corresponding to 21 Shawwal 1443H

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month period ended 31 March 2022
(Expressed in Saudi Arabian Riyals)

	Notes	**2022 (Unaudited) ("000")**	2021 (Unaudited) ("000")
Revenue	6	**86,622**	83,591
Cost of revenue	7	**(93,138)**	(100,663)
GROSS LOSS		**(6,516)**	(17,072)
EXPENSES			
Selling and marketing		**(23,437)**	(16,745)
General and administrative		**(47,716)**	(57,082)
Impairment loss		**(8,413)**	(19,569)
Depreciation		**(40,973)**	(46,440)
Amortisation		**(731)**	(1,674)
LOSS FROM MAIN OPERATIONS		**(127,786)**	(158,582)
OTHER INCOME / (EXPENSES)			
Murabaha deposit income		**323**	246
Financial charges, net		**(51,297)**	(60,035)
Share of results of equity accounted investee	12	**13,970**	15,884
Other income	8	**14,426**	26,250
LOSS FOR THE PERIOD BEFORE ZAKAT		**(150,364)**	(176,237)
Zakat	18	**(10,000)**	(18,250)
NET LOSS FOR THE PERIOD		**(160,364)**	(194,487)
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified to condensed consolidated statement of profit or loss in subsequent periods:			
Share of other comprehensive income from equity accounted investees	12	**12**	13,752
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(160,352)**	(180,735)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	9	**(0.14)**	(0.23)

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022
(Expressed in Saudi Arabian Riyals)

	Notes	**31 March 2022 (Unaudited) ("000")**	31 December 2021 (Audited) ("000")
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	**5,310,998**	5,364,992
Right-of-use assets		**64,738**	67,701
Investment properties	11	**4,813,638**	4,831,742
Unbilled revenue		**-**	182,344
Development properties		**1,150,333**	1,118,702
Intangible assets		**3,926**	4,430
Investment in equity accounted investees	12	**2,547,025**	2,533,043
Employees' receivable - Home Ownership Scheme		**96,048**	101,900
TOTAL NON-CURRENT ASSETS		**13,986,706**	14,204,854
CURRENT ASSETS			
Current portion of employees' receivable - Home Ownership Scheme		**6,997**	7,280
Unbilled revenue		**253,057**	118,612
Development properties		**265,750**	298,024
Accounts receivable and other current assets		**514,832**	594,450
Cash and cash equivalents		**375,325**	348,154
TOTAL CURRENT ASSETS		**1,415,961**	1,366,520
TOTAL ASSETS		**15,402,667**	15,571,374
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	**11,333,333**	11,333,333
Statutory reserve		**11,536**	11,536
Accumulated losses		**(3,625,950)**	(3,465,598)
TOTAL EQUITY		**7,718,919**	7,879,271
NON-CURRENT LIABILITIES			
Long-term loans	13	**3,319,172**	2,378,533
Lease liabilities		**35,465**	36,556
Employees' terminal benefits	16	**45,464**	43,371
Unearned financing component on long-term receivables		**43,133**	59,377
Unearned interest income - Home Ownership Scheme		**24,687**	26,219
TOTAL NON-CURRENT LIABILITIES		**3,467,921**	2,544,056
CURRENT LIABILITIES			
Accounts payable and accruals	17	**1,729,974**	1,729,905
Accrued Zakat	18	**70,926**	60,926
Current portion of long-term loans	13	**2,155,782**	3,113,438
Short-term loans	14	**214,133**	198,773
Lease liabilities		**45,012**	45,005
TOTAL CURRENT LIABILITIES		**4,215,827**	5,148,047
TOTAL LIABILITIES		**7,683,748**	7,692,103
TOTAL EQUITY AND LIABILITIES		**15,402,667**	15,571,374

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three-month period ended 31 March 2022
(Expressed in Saudi Arabian Riyals)

	Share capital ("000")	*Statutory reserve ("000")*	*Accumulated losses ("000")*	*Total Equity ("000")*
Balance as at 31 December 2021 (Audited)	11,333,333	11,536	(3,465,598)	7,879,271
Net loss for the period			(160,364)	(160,364)
Other comprehensive income for the period			12	12
Total comprehensive loss for the period			(160,352)	(160,352)
Balance as at 31 March 2022 (Unaudited)	11,333,333	11,536	(3,625,950)	7,718,919
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

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

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2022
(Expressed in Saudi Arabian Riyals)

	Notes	**2022 (Unaudited) ("000")**	2021 (Unaudited) ("000")
OPERATING ACTIVITIES			
Loss for the period after Zakat		**(160,364)**	(194,487)
Adjustments to reconcile loss for the period after Zakat to net cash flows:			
Zakat charge for the current period		**10,000**	18,250
Depreciation		**69,524**	77,818
Impairment loss		**8,413**	19,569
Amortisation		**731**	1,674
Financial charges		**51,297**	60,035
Share of results of equity accounted investees	12	**(13,970)**	(15,884)
Murabaha deposit income		**(323)**	(246)
Unwinding of unearned interest income		**(3,503)**	(808)
Loss on disposal of investment properties		**(7,450)**	-
Loss on disposal property and equipment		**743**	-
Employees' benefit expense – Home Ownership Scheme		**1,148**	(181)
Provision for employees' terminal benefits	16	**3,185**	2,627
		(40,569)	(31,633)
Working capital adjustments			
Employees' receivable – Home Ownership Scheme		**3,455**	2,438
Unbilled revenue, net		**91,529**	98,550
Development properties		**643**	2,652
Accounts receivable and other current assets		**71,205**	(6,458)
Accounts payable and accruals		**(49,036)**	81,999
Net cash from operations		**77,227**	147,548
Financial charges paid		**(45,822)**	(23,286)
Finance charges on lease liabilities		**-**	(744)
Zakat paid	18	**-**	(15,152)
Employees' terminal benefits paid	16	**(1,092)**	(2,559)
Net cash generated from operating activities		**30,313**	105,807
INVESTING ACTIVITIES			
Investment in Murabaha term deposits		**-**	(254,407)
Murabaha term deposit encashment		**-**	256,077
Murabaha deposit income		**(323)**	-
Additions to property and equipment, net		**3**	(22,309)
Proceeds from sale of investment properties		**15,630**	4,099
Additions to right-of-use assets		**(2,743)**	-
Additions to intangible assets		**(227)**	(825)
Net cash used in investing activities		**12,340**	(17,365)
FINANCING ACTIVITIES			
Proceeds from loans, net		**15,360**	--
Repayments of loans		**(17,017)**	(27,645)
Movement in unearned interest income		**(12,741)**	(6,188)
Repayment of lease liabilities		**(1,084)**	(48)
Net cash used in financing activities		**(15,482)**	(33,881)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,171**	54,561
Cash and cash equivalents at the beginning of the period		**348,154**	174,904
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**375,325**	229,465

The attached notes 1 to 25 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 2022	*31 December 2021*
Economic City Investments Company Limited ("ECIC")	Saudi Arabia	2010	**100%**	100%
Industrial Zones Development Company Limited ("IZDCL")	Saudi Arabia	2011	**100%**	100%
Economic City Real Estate Operation and Management Company Limited ("REOM")	Saudi Arabia	2013	**100%**	100%
Economic City Pioneer Real Estate Management Company Limited ("REM")	Saudi Arabia	2013	**100%**	100%
Economic City Real Estate Development Company Limited ("RED")	Saudi Arabia	2013	**100%**	100%
Emaar Knowledge Company Limited ("EKC")	Saudi Arabia	2015	**100%**	100%

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

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

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 2021. 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 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2021.

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.

GOING CONCERN

The Group incurred a net loss of SR 160.4 million during the period ended 31 March 2022, and, as of that date, the Group's accumulated losses are SR 3,626 million. In addition to this, the current liabilities exceeded its current assets by SR 2,800 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.

The Management is currently exploring number of options available to them to obtain sufficient finance to meet the funding requirements. These include, among others, restructuring of current debt obligations and obtaining additional financing facilities. Furthermore, discussions/information regarding the restructuring of the loans and repayment plans are as follows:

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

Aspect	Description	Measures taken
Debt restructuring	Loan due to Ministry of Finance ("MoF") – note 13(a). *(Principal amount: SR 2,167 million, amount included under current liabilities: SR 2,100 million)*	During January 2020, the MoF had rescheduled the first instalment, which was due in June 2020, to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, and the accrued commission payable on an annual basis. On 20 January 2021, the Group has received communication from MoF for deferral of instalment due on 01 January 2021 and accrued commission total amounting to SR 1,000 million on 31 January 2021. On 17 June 2021, the Company received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF has approved the; - capitalisation of accrued commission as of 01 June 2021 amounting to SR 363.9 million. - restructuring of the total remaining MoF loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million. The Company is under discussion with the MoF to finalise the restructuring plan.
	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 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 528.7 million, amount included under current liabilities: SR Nil)*	During the year ended 31 December 2021, the Company signed the revised facility agreement with the commercial bank for the outstanding facility amounting to SR 537.5 million. Consequently, the principal amount is now repayable, after a grace period of 3 years in fourteen semi-annual instalments from 30 April 2023 to 30 April 2029.

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

Aspect	Description	Measures taken
	Loan due to commercial bank – note 13(b) *(Principal amount: SR 976.25 million, amount included under current liabilities: SR Nil)*	During the period ended 31 March 2022, the Company signed revised facility agreement with the commercial bank for the outstanding facility amounting to SR 976.25 million, Consequently, the principal amount is now repayable in fourteen equal semi-annual installments from June 2023 to December 2029.
	Loan due to commercial bank – note 13(b). (Principal amount: SR 114.1 million, *amount included under current liabilities: SR 55.78 million.)*	During the year ended 31 December 2020, the Group signed a revised facility agreement for working capital facility amounting to SR 170 million, restructured to a medium term loan. After the down payment of SR 21 million in February 2021, the remaining outstanding balance of SR 148.75 million is to be repaid in 8 equal semi-annual instalments over 4 years.
Debt to equity conversion	Conversion of a portion of MOF loan to equity	During the year ended 31 December 2021, the Company increase share capital through conversion of debt amounting to SR 2,833 million from SR 8,500 million to SAR 11,333 million. Accordingly, PIF became the shareholder of the Company through issuance of 283 million new shares, at the nominal value of SR 10 per share, against the debt amount of SR 2,833 million. Legal formalities related to debt to equity conversion were completed during 2021.
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, and the on-going restructuring of debt, the Management and TCWG remain confident that appropriate and sufficient facilities will be in place. Based on the above these condensed consolidated interim financial statements have been prepared on going concern basis.

For the above reasons, the consolidated financial statements have been prepared on a going concern basis. Should the Group not obtain financing, the rescheduled payment terms been unsuccessful, the Company continue to incurred losses, 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.

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

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 2021, except for the adoption of new accounting policy and standards effective as at 1 January 2022. Several amendments applied for the first time in 2022, but do not have material impacts on these condensed interim financial statements of the Company.

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***
IFRS 17	Insurance contracts	01 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023
IAS 8	Definition of Accounting Estimate - Amendment	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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

6. REVENUE

	Three-month period ended 31 March 2022 (Unaudited) ("000")	Three-month period ended 31 March 2021 (Unaudited) ("000")
Revenue by operating segments:		
Residential business	**17,484**	16,303
Industrial development	**12,763**	16,907
Hospitality and leisure	**30,070**	33,750
Others	**26,305**	16,631
	86,622	83,591

	Three-month period ended 31 March 2022 (Unaudited) ("000")	Three-month period ended 31 March 2021 (Unaudited) ("000")
Revenue by nature:		
Sale of properties	(4,814)	4,697
Leasing	32,765	30,076
Hospitality	28,197	31,815
Others	30,474	17,003
	86,622	83,591

7. COST OF REVENUE

	Three-month period ended 31 March 2022 (Unaudited) ("000")	Three-month period ended 31 March 2021 (Unaudited) ("000")
Cost of properties	**(627)**	4,512
Depreciation	**28,551**	31,378
Employees' costs	**24,454**	18,444
Hospitality	**7,884**	6,577
Others	**32,876**	39,752
	93,138	100,663

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 2021, an additional funding of USD 16 million has been approved. The fund made for this purpose was fully utilized, consequently, the net operating loss or expenses of the subject institute, amounting to SR Nil (31 March 2021: SR 9.8 million), incurred during the period, has been accounted for as an other income.

ii) Unwinding of interest income on significant financing component amounting to SR 10.6 million (31 March 2021: SR 9.4 million).

iii) During the period, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of SR Nil (31 March 2021: SR 6.2 million).

9. LOSS PER SHARE

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

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

The loss per share calculation is given below:

	Three-month period ended 31 March 2022 (Unaudited)	Three-month period ended 31 March 2021 (Unaudited)
Net loss attributable to equity holders of the Parent Company (SR '000)	**(160,364)**	(194,487)
Weighted average number of ordinary shares ('000)	**1,133,333**	850,000
Loss per share (Saudi Arabian Riyals) – Basic and Diluted	**(0.14)**	(0.23)

10. PROPERTY AND EQUIPMENT

Property and equipment mainly include infrastructure assets, amounting to SR 2,283 million (31 December 2021: SR 2,314 million), and capital work in progress ("CWIP"), amounting to SR 1,820 million (31 December 2021: SR 1,820 million), which represents construction costs in respect of the infrastructure and other projects at KAEC. During the three-month period ended 31 March 2022, additions to CWIP amounted to SR Nil (31 December 2021: SR 4.9 million).

11. INVESTMENT PROPERTIES

Investment properties include Greenfield land and associated costs, amounting to SR 2,465 million (31 December 2021: SR 2,465 million), and properties completed and under construction, net of accumulated depreciation and impairment, amounting to SR 1,995 million (31 December 2021: SR 2,013 million).

The fair value of the Group's investment properties, based on the valuation performed by an independent valuer, as at 31 December 2021, amounted to SR 34,487 million. The Management believes that the fair value, as at 31 March 2022, is not materially different from the fair value as at 31 December 2021.

The 31 December 2021 valuations contain a material valuation uncertainty clause by the external valuers due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. The valuation of properties takes into account the level of pandemic, related economic impact, expected recovery including occupancy and earning levels of properties. As a result of the continued uncertainty, these assumptions may be revised significantly by the end of 2022.

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

	Effective ownership interest (%)		**31 March 2022**	31 December 2021
	31 March 2022	31 December 2021	**(Unaudited) ("000")**	(Audited) ("000")
Investment in Ports Development Company ("PDC") (see note (a) below)	**50%**	50%	**2,501,235**	2,487,253
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	**20%**	20%	**45,790**	45,790
			2,547,025	2,533,043

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

a) Investment in PDC – Joint Venture

	31 March 2022 (Unaudited) ("000")	31 December 2021 (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	**172,866**	85,645
Share of profit for the period / year, net of Zakat charge	**13,970**	45,839
Share of other comprehensive income for the period / year	**12**	41,382
Balance at the end of the period / year	**186,848**	172,866
Elimination of share of profit on the sale of land and commission income	**(290,613)**	(290,613)
Group's carrying amount of the investment	**2,501,235**	2,487,253

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 2022, the subject Swap Contracts had a negative fair value of SR 24.3 million (31 December 2021: SR 24.3 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 thousand (31 December 2021: SR 41.4 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.

On 10 March 2022, PDC renegotiated and restructured its Murabaha facility amounting to SR 2.7 billion whereby the repayment schedule has been revised for the repayment of SR 2.565 billion in semi-annual unequal instalments commencing from June 2023 and ending on June 2035. The amended loan bears commission at fixed mark-up rate per annum.

12. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

b) Investment in Biyoutat - Associate

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

wThe 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 2022 (Unaudited) ("000")	31 December 2021 (Audited) ("000")
Ministry of Finance ("MoF") loan (see note (a) below)	**2,166,667**	2,166,667
Others (see note (b) below)	**3,308,287**	3,325,304
	5,474,954	5,491,971
Current portion of long-term loans (see note (a) and (b) below)	**(2,155,782)**	(3,113,438)
Non-current portion of long-term loans	**3,319,172**	2,378,533

(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 held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021. Hence, the principal amount was repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

Subsequently, a partial novation agreement has been signed between the Company, Public Investment fund "PIF" & MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.8 billion (the novation amount) from MoF to PIF on 20 March 2021. Further, this novation agreement has been approved by the Company's Board of Directors on 30 March 2021. Later on, the Company received an approval from MoF on 17 June 2021, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved capitalization of accrued commission as of 01 June 2021 amounting to SR 363.9 million, restructuring of the total SR 2,531 million loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final seventh instalment in June 2030 amounting to SR 361.6 million. The Company is under discussion with MoF to finalize the restructuring plan.

13. LONG-TERM LOANS (continued)

(a) 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 2022, amounted to SR 976.25 million (31 December 2021: SR 976.25 million). As per the initial terms of the agreement, the loan is repayable in eight bi-annual instalments from June 30, 2018 to 31 December 2021. The loan is secured against part of KAEC's greenfield land, having the value of 150% of the total outstanding loan, held by the Parent Company, and an order note for SR 1,276 million (total facility) as per the last revised Facilities Letter Agreement. During the period ended 31 March 2022, the Company signed a revised facility agreement wherein the bank has rescheduled the existing long-term loan amounting to SR 976.25 million, hence the principal amount is now be repayable in fourteen semi-annual installments starting from June 2023 to December 2029.

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 2022, amounted to SR 528.7 million (31 December 2021: SR 528.7 million). As per the initial terms of the agreement, the loan was repayable in eight bi-annual instalments from 20 October 2019 to 20 April 2023. However, during 2021, the Company has signed a revised facility agreement wherein the bank has restructured the existing facilities which consist of long- term and short-term loan, amounting to SAR 437.5 million and SAR 100 million respectively into a long–term loan, amounting to SAR 537.5 million. Consequently, the principal amount is now repayable in fourteen bi-annual instalments from 30 April 2023 to 30 April 2029. As per the terms of revised agreement, the Company had classified its outstanding short-term loan amounting to SR 91 million to long-term loan during 2021. The loan is secured against part of KAEC's greenfield land, held by the Parent Company, for 150%. The subject loan is further secured by an order note of SR 587.5 million.

During 2014 and 2015, the Company signed two facility agreements with a commercial bank for SR 1,000 million each, carrying commission at prevailing commercial rates. The outstanding balance of the subject loan facilities, as at 31 March 2022, amounted to SR 1,700 million (31 December 2021: 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 2020, the Company 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 150% of the outstanding loan. Moreover, the subject loan facilities are further secured by order note of SR 1,700 million.

13. LONG-TERM LOANS (continued)

During 2018, the Company has availed a short-term facility from a commercial bank, amounting to SR 250 million, carrying commission at prevailing commercial rates, to finance the working capital requirements. During 2020, the Group signed a revised facility letter agreement for working capital facility amounting to SR 170 million and a Documentary Credit ("DC") facility of SR 20 million. As per the facility letter agreement 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 from 26 August 2021. The outstanding balance, as at 31 March 2022, amounted to SR 114.1 million (31 December 2021: SR 131.4 million). The loan facilities are secured against part of KAEC's greenfield land. Moreover, the subject loan facilities are further secured by order note of SR 209 million

14. SHORT-TERM LOANS

During 2019, the Company has availed SR 150 million from an existing short term facility of SR 300 million to finance the working capital requirements. The subject loan facility carries commission at prevailing commercial rates and is secured by the order note of SR 1,276 million (total facility). The outstanding balance of the working capital and DC facility, as at 31 March 2022, amounted to SR 150 million (31 December 2021: SR 150 million) and SR 64.1 million (31 December 2021: SR 48.7 million), respectively.

15. SHARE CAPITAL

The Parent Company's share capital is divided into 1,133 million shares of SR 10 each (2021: 1,133 million shares of SR 10 each), allocated as follows:

	31 March 2022		December 31, 2021	
	Number of Shares' 000	**Capital SR'000**	Number of Shares' 000	Capital SR'000
Issued for cash	**680,000**	**6,800,000**	680,000	6,800,000
Issued for consideration in kind	**170,000**	**1,700,000**	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	**283,333**	**2,833,333**	283,333	2,833,333
	1,133,333	**11,333,333**	1,133,333	11,333,333

16. EMPLOYEES' TERMINAL BENEFITS

General Description of the plan

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

	31 March 2022 (Unaudited) ("000")	31 December 2021 (Audited) ("000")
Balance at the beginning of the period / year	**43,371**	61,937
Included in condensed consolidated interim statement of profit or loss:		
Current service cost	**2,914**	12,225
Interest cost	**271**	1,858
	3,185	14,083
Included in condensed consolidated interim statement of other comprehensive income:		
Remeasurement gain arising from:		
- Financial assumptions	-	-
- Experience adjustments	-	(7,499)
Actuarial gain	-	(7,499)
Benefits paid	**(1,092)**	(25,150)
Balance at the end of the period / year	**45,464**	43,371

There has been no change in actuarial assumptions for the three-month period ended 31 March 2022. Hence, actuarial gain/loss for the period is nil.

Actuarial assumptions

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

	31 March 2022 (Unaudited)	31 December 2021 (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

17. ACCOUNTS PAYABLE AND ACCRUALS

	31 March 2022 (Unaudited) ("000")	31 December 2021 (Audited) ("000")
Trade accounts payable	**351,975**	378,627
Accrued financial charges	**471,834**	466,359
Retentions payable	**246,906**	247,906
Accrued expenses and other payables	**301,877**	293,625
Contract cost accruals	**137,745**	151,552
Advances from customers	**90,926**	70,065
Amounts to be donated for charitable purposes (see note below)	**36,263**	36,212
Amounts due to related parties (note 19)	**2,753**	8,043
Unearned interest income - Home Ownership Scheme	**3,030**	3,164
Unearned income	**86,665**	74,352
	1,729,974	1,729,905

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.

18. ZAKAT

Charge for the period

	31 March 2022 (Unaudited) ("000")	31 March 2021 (Unaudited) ("000")
Charge for the period	**10,000**	18,250

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

18. ZAKAT (continued)

Movement in provision

The movement in the Zakat provision is as follows:

	31 March 2022 (Unaudited) ("000")	31 December 2021 (Audited) ("000")
At the beginning of the period/year	**60,926**	108,687
Charge for the current period/year	**10,000**	31,000
Payments during the period / year	**-**	(78,761)
At the end of the period / year	**70,926**	60,926

19. RELATED PARTY TRANSACTIONS

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

19. RELATED PARTY TRANSACTIONS (continued)

Related party	*Nature of transactions*	*Amounts of transactions for the three-month period ended*		*Balance as at*	
		31 March 2022 (Unaudited) ("000")	*31 March 2021 (Unaudited) ("000")*	***31 March 2022 (Unaudited) ("000")***	*31 December 2021 (Audited) ("000")*
Amounts due from related parties:					
Other related parties	Lease rentals, utilities and service charges	**171**	172	**30**	206
Joint Venture	Lease rentals, utilities charges and others	**-**	402	**3,269**	3,269
Key management personnel	Sale of properties, utilities and service charges	**-**	41	**-**	88
	Lease rentals	**295**	-	**262**	-
Total				**3,561**	3,563
Amounts due to related parties:					
Other related parties	Services provided to the Group	**1,079**	1,416	**(1,966)**	(3,031)
Key management personnel	Remuneration	**6,246**	3,381	**-**	(12)
Board of Directors	Remuneration and meeting fees	**787**	1,025	**(787)**	(5,000)
Total				**(2,753)**	(8,043)

19. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	31 March 2022 (Unaudited) *("000")*	31 March 2021 (Unaudited) *("000")*
Short-term employee benefits	**5,051**	3,055
Non-monetary benefits	**258**	106
Post-employment benefits	**255**	220
Termination benefits	**682**	-
	6,246	3,381
Amount due to key management personnel	**-**	220

20. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to disclosures set out in notes 13 and 14, contingent liabilities and commitments, as at 31 March 2022, are described as below:

(a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years, amounting to SR 563 million (31 December 2021: SR 537 million).

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

(c) A Government entity requested the Company to share the costs incurred by the Government entity on account of re-routing the Haramain High Speed Railway via King Abdullah Economic City. The Company has provided the details of the costs already incurred by it pertaining to this project that included the value of land contributed by the Company for the train station, costs incurred for the station access bridge and other associated infrastructure costs. In this connection, the Royal Court issued an order to form a committee to study the matter and submit its report. The Committee has completed its meetings and submitted recommendations to the Royal Court. During the period ended 31 March 2022, a settlement agreement signed between both the parties, where Group will transfer the tile deed of the land on the name of Government entity, and no additional payment will be made.

(d) The Zakat assessment for the Company is finalized until 2011 with the exception of WHT for the year 2006 through 2008. The Zakat, Tax and Customs Authority (ZATCA) issued Withholding tax (WHT) assessment for the years 2006 to 2008 with an additional WHT liability of SR 3.96 million in addition to delay fines on the WHT. In compliance with the appeal procedures, EEC paid the WHT difference under protest. The WHT case was also under the review at the BOG. A decision was issued supporting EEC's objection related to delay fine. The ZATCA has filed an appeal with the Royal court against the BOG's decision in respect of delay fine, which is pending adjudication.

20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

During the year 2020, the ZATCA issued Zakat assessment for the year 2014 and claimed additional Zakat of SAR 67.7 million. EEC filed an appeal against the ZATCA's assessment and the ZATCA has issued a revised assessment on 8 October 2020 with reduced Zakat liability of SR 33 million. The Company has filed an appeal against the revised assessment with the Tax Violations Dispute Resolution Committee (TVDRC). The TVDRC rendered its decision on 28 December 2021 and partially accepted the Company's appeal resulting in a reduced Zakat liability to SR 21.32 million. The Group has filed an appeal to the Tax Violations and Dispute Appellate Committee "TVDAC" which is pending adjudication.

The ZATCA has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional zakat liabilities of SR 254 million. EEC filed an appeal against the ZATCA's assessment and the ZATCA has issued a revised assessment on 24 February 2021 with reduced zakat liability of SR 247 million. The Company has filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability to SR 219 million. The Group is reviewing the decision and considering to file an appeal with the TVDAC within the statutory deadline.

ZATCA issued Zakat assessment dated 8 November 2021 for the year 2019 and 2020 with additional Zakat liability of SR 27 million and SR 18 million respectively. The Group filed objection against the ZATCA's assessments on 6 January 2022 and ZATCA has issued its revised assessment on 25 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 20.6 million and 10.3 million for the years 2019 and 2020 respectively.

EEC has filed the Zakat returns for the years up to 2020. The ZATCA has issued Zakat certificate for the year 2020, valid until 30 April 2022.

IZDCL finalized its Zakat status up to 2012. The ZATCA issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat of SAR 4.6 million. IZDCL has objected against the ZATCA's assessment, providing the supporting documents for its position. The ZATCA has transferred the case to the General Secretariat of Tax, Zakat and Customer Committees (GSTZC) and IZDCL has also registered an appeal on GSTZC'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).

ZATCA has issued Zakat assessment for the years ended 31 December 2016 and 2017 and claimed additional Zakat of SR 7.4 million and SR 18 million respectively. IZDCL has objected against ZATCA assessment, providing the supporting documents for its position. ZATCA has rejected the objection through its letter dated 16 January 2022 and the Company has registered an appeal with TVDRC, which is pending adjudication. IZDCL has filed the Zakat / information returns up to the years 2020. The ZATCA has issued Zakat certificate for the year 2020, valid until 30 April 2022.

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

20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

The ZATCA has issued Zakat assessment for the years 2015 to 2017 and claimed additional Zakat of SAR 72 million. RED filed an objection against the assessment which was rejected by ZATCA. RED filed an appeal against the ZATCA's decision with the TVDRC. The TVDRC rendered its decision on 5 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability to SR 38.2 million, the Company is reviewing the decision and considering to file an appeal with the TVDAC within the statutory deadline. RED has filed the zakat / information returns up to the years 2020. The ZATCA has issued final Zakat certificate for the year 2020, valid until 30 April 2022.

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

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

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

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

21. SEGMENTAL INFORMATION

Operating Segments

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

21. 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 2022						
Revenue						
External customers	**17,484**	**12,763**	**30,070**	**26,305**	**-**	**86,622**
Inter-segment	**2,232**	**-**	**6,768**	**14,484**	**(23,484)**	**-**
	19,716	**12,763**	**36,838**	**40,789**	**(23,484)**	**86,622**
Results						
Cost of inventories and services recognised as an expense	(19,855)	1,714	(15,837)	(25,589)	15,114	**(44,453)**
Impairment loss	623	(14,342)	1,936	3,370	-	**(8,413)**
Financial charges	(27)	-	(705)	(50,565)	-	**(51,297)**
Murabaha deposit income	-	-	-	323	-	**323**
Depreciation	(9,674)	(5,804)	(18,097)	(35,949)	-	**(69,524)**
Amortisation	(145)	-	-	(586)	-	**(731)**
Share of results of equity accounted investee	-	-	-	13,970	-	**13,970**
Other income / (expenses)	(6,558)	(5,771)	(14,295)	(50,237)	-	**(76,861)**
Loss before Zakat						**(150,364)**

21. SEGMENTAL INFORMATION (continued)

Operating Segments (continued)

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	(13,592)	(5,447)	(10,856)	(40,747)	19,801	(50,841)
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)	(40,605)	-	(77,818)
Amortisation	(120)	-	(5)	(1,549)	-	(1,674)
Share of results of equity accounted investee	-	-	-	15,884	-	15,884
Other income / (expenses)	(7,917)	7,310	(14,901)	(50,513)	-	(66,021)
Loss before Zakat						(176,237)

22. LIQUIDITY RISK

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

22. LIQUIDITY RISK (continued)

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

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

31 March 2022 (Unaudited)	***Less than 12 months ("000")***	***More than 12 months ("000")***	***Total ("000")***
Loans	**2,369,915**	**3,319,172**	**5,689,087**
Lease liabilities	**45,012**	**35,465**	**80,477**
Accounts payable and accruals	**1,546,600**	**-**	**1,546,600**
	3,961,527	**3,354,637**	**7,316,164**

31 December 2021 (Audited)	*Less than 12 months ("000")*	*More than 12 months ("000")*	*Total ("000")*
Loans	3,312,211	2,378,533	5,690,744
Lease liabilities	56,300	40,504	96,804
Accounts payable and accruals	1,582,324	-	1,582,324
	4,950,835	2,419,037	7,369,872

23. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

23. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

As at 31 March 2022, and 31 December 2021, 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 2022 and 31 December 2021.

During the three-month period ended 31 March 2022, there were no movements between the levels.

24. IMPACT OF COVID-19

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

Since the outbreak of COVID-19, the Group's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel. The COVID-19 Outbreak has impacted the Group across its segments which is reflected in its financial results for the period ended 31 March 2022.

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

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

24. IMPACT OF COVID-19 (Continued)

The Group updated the impact assessment due to uncertainties caused by COVID-19, as at 31 March 2022, 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 2022 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 8.4 million during the period ended 31 March 2022. 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 2021. 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 2021. 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 may result in any additional impairment as at 31 March 2022.

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.

24. IMPACT OF COVID-19 (continued)

The Company continue to monitor the surge of new variants closely although at this time management is not aware of any factor that are expected to change the impact of the Pandemic on the Group's operations during 2022 or beyond.

25. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 17 May 2022, corresponding 16 Shawwal 1443H.