

Makkah Construction and Development Company
(A Saudi Joint Stock Company)
Makkah Al-Mukarramah- Kingdom of Saudi Arabia

The Interim Condensed Financial Statements (Unaudited)
For The Three and Nine Months Periods Ended Muharram 30, 1443(H)
And Independent Auditor's Review Report

Makkah Construction and Development Company
(A Saudi Joint Stock Company)
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

INDEX

	<u>PAGE</u>
Independent Auditor's Review Report On The Interim Condensed Financial Statements	١
The Interim Condensed Statement of Financial Position (unaudited) as of Muharram 30, 1443(H)	٢
The Interim Condensed Statement of Income and Other Comprehensive Income (unaudited) for the three and nine months periods ended Muharram 30, 1443(H)	٣
The Interim Condensed Statement of Changes in Shareholders' Equity (unaudited) for the nine month period ended Muharram 30, 1443(H)	٤
The Interim Condensed Statement of Cash Flows (unaudited) for the nine month period ended Muharram 30, 1443(H)	٥
Notes to The Interim Condensed Financial Statements (unaudited) for the nine month period ended Muharram 30, 1443(H)	٦ – ٢٠

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

The Interim Condensed Statement of Financial Position as of Muharram 30, 1443(H)
(Saudi Riyal)

	Note	Muharram 30, 1443(H) (Unaudited)	Rabi' II 30, 1442(H) (Audited)
ASSETS			
Non-Current Assets			
Property and equipment		1,288,865,197	1,299,928,977
Investment properties		221,434,919	224,763,369
Investments in financial assets at fair value through other comprehensive income	5	2,983,129,284	2,789,154,958
Investment in an associate company	6	14,897,030	14,897,030
Due from a related party	7	309,564,950	309,564,950
Total Non-Current Assets		4,817,891,380	4,638,309,284
Current Assets			
Inventory		1,875,380	2,183,226
Trade receivables		134,037,166	67,064,054
Prepayments and other receivables		71,637,664	57,370,112
Cash and cash equivalents		150,812,710	194,475,554
Total Current Assets		358,362,920	321,092,946
Total Assets		5,176,254,300	4,959,402,230
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' Equity			
Capital		1,648,162,400	1,648,162,400
Statutory reserve		836,280,685	836,280,685
The cumulative change in actuarial losses in employee benefits		(536,282)	(536,282)
Unrealized gains from investments in financial assets at fair value through other comprehensive income		2,013,179,889	1,819,205,563
Retained earnings		158,263,141	160,825,422
Total Shareholders' Equity		4,655,349,833	4,463,937,788
Liabilities			
Non-Current Liabilities			
Employee benefits	8	32,426,896	32,758,055
Credit facilities	9	174,998,850	149,999,000
Total Non-Current Liabilities		207,425,746	182,757,055
Current Liabilities			
Deferred revenues		23,596,884	17,713,177
Accounts payable		40,744,377	28,545,687
Accrued expenses and other payables		47,982,844	53,442,773
Dividends payable	10	193,469,683	205,043,020
Provision for Zakat	11	7,684,933	7,962,730
Total Current Liabilities		313,478,721	312,707,387
Total Liabilities		520,904,467	495,464,442
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,176,254,300	4,959,402,230

The Accompanying Notes from (1) to (18) constitute an Integral Part of These Interim Condensed Financial Statements

Authorized Board of Director Member

General Manager

Financial Manager

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

**The Interim Condensed statement of Income and Other Comprehensive Income (Unaudited) for the
three and nine months periods Ended Muharram 30, 1443(H)
(Saudi Riyal)**

	Note	For the three month period ended		For the nine month period ended	
		Muharram 30, 1443(H)	Muharram 29, 1442(H)	Muharram 30, 1443(H)	Muharram 29, 1442(H)
Revenues		44,666,684	4,551,427	101,289,407	104,814,878
Cost of revenues		(28,586,938)	(26,013,056)	(84,939,828)	(97,652,540)
Gross profit		16,079,746	(21,461,629)	16,349,579	7,162,338
General and administrative expenses		(3,251,234)	(7,907,403)	(15,510,669)	(21,354,573)
Net profit (loss) from operations		12,828,512	(29,369,032)	838,910	(14,192,235)
Other revenues		-	74,999	-	1,174,172
Donations		(5,000)	-	(15,000)	-
Borrowing cost		(1,059,567)	-	(3,386,191)	-
Net profit (loss) before Zakat		11,763,945	(29,294,033)	(2,562,281)	(13,018,063)
Zakat	11	-	-	-	(1,045,580)
Net profit (loss) after Zakat		11,763,945	(29,294,033)	(2,562,281)	(14,063,643)
Other Comprehensive Income					
Items that will not be reclassified subsequently to statement of income:					
Change in fair value of investments in financial assets at fair value through other comprehensive income		(206,905,946)	1,215,572,435	193,974,326	921,542,236
Total other comprehensive (loss) income for the period		(206,905,946)	1,215,572,435	193,974,326	921,542,236
Total comprehensive (loss) income for the period		(195,142,001)	1,186,278,402	191,412,045	907,478,593
Earnings per share:					
Basic and diluted income (loss) per share	12	0.07	(0.18)	(0.02)	(0.09)

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Financial Statements**

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General Manager

Financial Manager

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

The Interim Condensed Statement of Changes in Shareholders' Equity (Unaudited) for the nine-month period ended Muharram 30, 1443(H)
(Saudi Riyal)

	Capital	Statutory reserve	Accumulated change in actuarial losses in employee benefits	Unrealized gains on investments in financial assets at fair value through other comprehensive income	Retained earnings	Net Shareholders' Equity
For the nine-month ended Muharram 30, 1443(H)						
Balance at beginning of the period (Audited)	1,648,162,400	836,280,685	(536,282)	1,819,205,563	160,825,422	4,463,937,788
Net loss after Zakat	-	-	-	-	(2,562,281)	(2,562,281)
Total other comprehensive income	-	-	-	193,974,326	-	193,974,326
Total comprehensive income for the period	-	-	-	193,974,326	(2,562,281)	191,412,045
Balance on Muharram 30, 1443(H) (Unaudited)	1,648,162,400	836,280,685	(536,282)	2,013,179,889	158,263,141	4,655,349,833
For the nine-month ended Muharram 29, 1442(H)						
Balance at beginning of the period (Audited)	1,648,162,400	836,280,685	(536,007)	1,345,945,607	466,927,148	4,296,779,833
Dividends approved for the year 1441(H)	-	-	-	-	(247,224,360)	(247,224,360)
Net loss after Zakat	-	-	-	-	(14,063,643)	(14,063,643)
Total other comprehensive income	-	-	-	921,542,236	-	921,542,236
Total comprehensive income for the period	-	-	-	921,542,236	(14,063,643)	907,478,593
Balance on Muharram 29, 1442(H) (Unaudited)	1,648,162,400	836,280,685	(536,007)	2,267,487,843	205,639,145	4,957,034,066

The Accompanying Notes from (1) to (18) constitute an Integral Part of These Interim condensed Financial Statements

Authorized Board of Director Member General Manager Financial Manager



4



Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

The Interim Condensed Statement of Cash Flows (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H)
(Saudi Riyal)

	Muharram 30, 1443(H)	Muharram 29, 1442(H)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss before Zakat	(2,562,281)	(13,018,063)
Adjustments to reconcile net (loss) before Zakat to net cash used in operating activities		
Depreciations	20,951,780	22,724,200
Gains from sale property and equipment	--	(9,999)
Realized gains from sale of financial assets at fair value through income statement	--	(931,599)
Employees' benefits - charged	2,606,382	2,582,350
	20,995,881	11,346,889
Changes in Operating Assets and Liabilities		
Trade receivables	(66,973,112)	(35,304,306)
Inventory	307,846	(266,898)
Prepayments and other receivables	(14,267,552)	(24,152,752)
Deferred revenues	5,883,707	70,096,663
Accounts payable	12,198,690	1,456,127
Accrued expenses and other payables	(5,459,929)	(23,476,895)
Cash flows from operations	(47,314,469)	(301,172)
Zakat - Paid	(277,797)	(38,703,064)
Employees' benefits - Paid	(2,937,541)	(2,315,212)
Net Cash flows used in Operating Activities	(50,529,807)	(41,319,448)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through income statement	--	148,811,140
Additions of property and equipment	(5,537,184)	(210,021)
Additions of investment properties	(1,022,366)	(1,358,008)
Proceeds from sale of property and equipment	--	10,000
Net cash flows (used in) from investing activities	(6,559,550)	147,253,111
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(11,573,337)	(231,796,263)
Credit facilities	24,999,850	49,999,700
Net Cash flows (used in) from Financing Activities	13,426,513	(181,796,563)
Net decreases in cash and cash equivalents	(43,662,844)	(75,862,900)
Cash and cash equivalents at beginning of the year	194,475,554	241,082,468
Cash and cash equivalents at end of the year	150,812,710	165,219,568
Significant non-cash transactions		
Unrealized gains from financial assets at fair value through other comprehensive income	193,974,326	921,542,236

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(Saudi Riyal)

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193,974,326

921,542,236

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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H)
(Saudi Riyal)

1. Legal Status and Company's Activity

- Makkah Construction and Development Company was established as a Saudi joint stock company ("the company") in Makkah Al-Mukarramah under the commercial registration No. 4031020101 on Dhu al-Hijjah 1, 1409(H).
- The company has two branches, the first one is: Makkah Hotel & Towers registered under the commercial registration No. 4031045190 issued on Ramadan 18, 1424(H), and the second: the branch of Makkah Construction and Development Company for Umrah services under the Commercial Registration No. 4031102134 issued on Rabi Al-Awwal 18, 1439(H).
- The company constructs the areas adjacent to the Holy Mosque in Makkah Al-Mukarramah and owns, develops, manages, invests, purchases and leases real estate, and carries out all engineering works necessary for construction, reconstruction, maintenance, demolition and surveying works.
- Makkah Company for Construction and Development announces the termination of the contractual relationship with Millennium Company, the management and operation company for the hotel and towers (five-star hotels) affiliated with it in its first project located in front of the Grand Mosque in Makkah, as Makkah Company used its right to terminate the contract with Millennium Company on the pretext of force majeure for not Implementation of some essential clauses of the contract, starting from 10/10/1440 AH corresponding to 13/6/2019 AD, and Millennium Company has been notified of this, and Makkah Company's desire to find another global operator to achieve the aspirations of Makkah Company and increase its benefit, noting that work continues in the hotel and towers They are managed by Makkah Company, and Makkah Company confirms that the termination of the contractual relationship with Millennium Company will not have any significant negative impact on the company's financial statements, and any news will be announced later in this regard..
- The head office of the company is located at the following address:
Fakih Commercial Center - Makkah Construction and Development Company - PO Box 7134 - Makkah Al-Mukarramah - Kingdom of Saudi Arabia.

Makkah Construction and Development Company
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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

٧. Basis of preparation

a) Accounting Standards

- These interim condensed financial statements for the nine-month ended as of Muharram 30, 1443(H) have been prepared in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other pronouncements and other standards endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA).
- The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with international financial reporting standards that are endorsed in the Kingdom of Saudi Arabia and other pronouncements and other standards endorsed by Saudi Organization Chartered and Professional Accountants (SOCPA), and it should be read in conjunction with the annual financial statements as at Rabi' II 30, 1442(H), in addition to, the business results for the nine-month ended Muharram 30, 1443(H) are not necessarily indicative of the results expected on Rabi' II 29, 1443(H), moreover, appropriations have not been performed on the profits of the nine-month period ended Muharram 30, 1443(H) which is appropriated at the end of the year.

b) Basis of Measurement

These interim condensed financial statements have been prepared on historical cost basis using the accrual basis and going concern assumption, except for "investments in financial assets at fair value through other comprehensive income" which is measured at fair value, and except for "Employee defined benefit obligations" that are recognized at the present value of future obligations using the projected unit credit method.

c) Functional and Presentation currency

These interim condensed financial statements have been presented in Saudi Riyals, which represents the functional and presentation currency for the Company.

d) Use of estimates and judgments

- Preparing interim condensed financial statements requires management to make some judgments, estimates and assumptions that affect the application of the company's accounting policies and the amounts presented for assets, liabilities, revenues and expenses and on unrealized gains from investments in financial assets at fair value through other comprehensive income that are reflected in equity and the cumulative change in actuarial losses of employee benefits. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Amendments that result from accounting estimates are shown in the review period and future periods affected by these adjustments.

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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

٣. **Summary of significant accounting policies**

The accounting policies used in the interim condensed financial statements are consistent with those followed in the preparation of the financial statements ended Rabi' II 30, 1442(H), except for effect of adoption new or revised/amended standards ,effective as from or after January 1 , 2021,as following:

New and amended International Financial Reporting Standards and Interpretations issued:

a) **New and amended International Financial Reporting Standards issued and effective:**

The following new and revised international financial reporting standards, which became effective for financial periods beginning on or after January 1, 2021(G) or after that date, were followed in preparing the financial statements of the company and had no material impact on the amounts and disclosures contained in the financial statements in the current year as follows:

Standard or Interpretation No.	Description	Effective Date
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS ٤, IFRS ١٦ and IAS ٣٩)	The amendments provide temporary exemptions that address the effects of financial reporting when an Interbank Offered Rate (IBOR) is exchanged for a Risk-Free Alternative Interest Rate (RFR). Amendments include a practical expedient requiring contractual changes or changes in cash flows, which is necessary as a direct consequence of interest rate benchmark reform, to be dealt with as variables in the variable interest rate, equivalent to the movement in the interest rate in the market. Allowing the use of this practical expedient is provided with the condition that the transfer from IBOR to (RFR) takes place on an economically equivalent basis without the occurrence of value transfer.	January 1, 2021, or after

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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

b) New and amended International Financial Reporting Standards and Interpretations issued but not effective yet:

The company did not apply any of the new international standards, amended issued, and not effective yet:

Standard or Interpretation No.	Description	Effective Date
Annual improvements to IFRS 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	<p><i>IFRS 1 amendments, First-time Adoption of International Financial Reporting Standards</i> An extension of the optional exemption that allows the subsidiary which becomes an adopter of the IFRS for the first time after the parent company to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS Standards. Similar election is available for the associate and joint venture.</p> <p><i>IFRS 9 amendments, Financial Instruments</i> The amendments clarify the fees an entity includes when it applies the '10 per cent' test in assessing whether to de-recognize a financial liability.</p> <p><i>IFRS 16 amendments, Leases</i> The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements.</p> <p><i>IAS 41 amendments, Agriculture</i> The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.</p>	January 1, 2022, or after
IFRS 3 amendments, Business Combinations - Reference to the Conceptual Framework	The amendments aim to update the reference to the conceptual framework without changing the accounting requirements of IFRS 3 Business Combinations.	January 1, 2022, or after
IAS 16 amendments, property, plant and equipment - proceeds before intended use	Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022, or after
IAS 37 amendments, Provisions, Contingent Assets and Liabilities - Onerous Contracts - Cost of Fulfilling a Contract	Amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract will produce a loss.	January 1, 2022, or after

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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

Standard or Interpretation No.	Description	Effective Date
IAS 1 amendments, Presentation of Financial Statements	<ul style="list-style-type: none"> • Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. • Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. • Explain that rights are in existence if covenants are complied with at the end of the reporting period. • Introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. • Are applied retrospectively. 	January 1, ٢٠٢٢, or after
IFRS 17, Insurance Contracts	IFRS 17 supersedes IFRS 4, the new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts.	January 1, ٢٠٢٣, or after
IFRS 10 and IAS 28 amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date

The company's management does not expect that these standards will have a material impact on the financial statements when applied in future periods.

٤. Financial instruments

– **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 Company has access at that date. The fair value of a liability reflects its non-performance risk.
- When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
 - **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - **Level 2:** inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended Muharram 30, 1443(H) – (Continued)
(Saudi Riyal)

– **Fair value hierarchy**

- The following table summarizes the financial instruments of the company listed in the fair value hierarchy that reflect the most important inputs used in making the measurements:

<u>For the period ended Muharram 30, 1443 (H)</u>	Valuation techniques and key inputs	Level 1	Level 2	Level 3	Total fair value
Financial assets at fair value:					
Quoted shares	Prices quoted in the financial markets	2,876,095,466	--	--	2,876,095,466
Unquoted shares	According to the latest available financial information	--	--	107,033,818	107,033,818
Total		2,876,095,466	--	107,033,818	2,983,129,284

For the year ended Rabi' II 30, 1442 (H)

Financial assets at fair value:

Quoted shares	Prices quoted in the financial markets	2,682,121,140	--	--	2,682,121,140
Unquoted shares	According to the latest available financial information	--	--	107,033,818	107,033,818
Total		2,682,121,140	--	107,033,818	2,789,154,958

- If the inputs used to measure the fair value of the asset or liability are at different levels of the fair value hierarchy, then the fair value measurement is categorized entirely within the same level of the fair value hierarchy as the lowest level of the input that is significant to the entire measurement.
- The Company recognizes transfers between levels in the fair value hierarchy at the end of the reporting period in which the change occurred. During the nine-month period ended Muharram 30, 1443(H), there were no transfers between the levels.
- There is no difference between the fair value and the book value of other assets during the period.

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Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
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– **Liquidity risk**

- Liquidity risk is the risk that the company will encounter difficulty in obtaining the necessary financing to meet commitments associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. The company manages liquidity risk by providing sufficient funds necessary to meet any future liabilities by maintaining reserves, continuous monitoring of actual cash flows, and matching the maturities of financial assets and financial liabilities. Also, part of the company's funds are invested with cash balances with banks and are ready to meet short and medium term financing requirements for example, concentrations of liquidity risk may arise from the payment terms of financial liabilities, sources of borrowing, or reliance on a particular market in which the current assets are realized. The following is an analysis of the undiscounted contractual maturity of the company's financial liabilities as of Muharram 30, 1443(H).

<u>Muharram 30, 1443(H)</u>	<u>1 year or less</u>	<u>1-3 Years</u>	<u>Accrued interest for future periods</u>	<u>Book value</u>
<u>Non-derivative financial liabilities</u>				
Credit facilities	--	174,998,850	--	174,998,850
Accounts payable	40,744,377	--	--	40,744,377
Accrued expenses and other payables	47,982,844	--	--	47,982,844
Dividends payable	193,469,683	--	--	193,469,683
	<u>282,196,904</u>	<u>174,998,850</u>	--	<u>457,195,754</u>

<u>Rabi' II 30, 1442(H)</u>	<u>1 year or less</u>	<u>1-3 Years</u>	<u>Accrued interest for future periods</u>	<u>Book value</u>
<u>Non-derivative financial liabilities</u>				
Credit facilities	-	149,999,000	--	149,999,000
Accounts payable	28,545,687	--	--	28,545,687
Accrued expenses and other payables	53,442,773	--	--	53,442,773
Dividends payable	205,043,020	--	--	205,043,020
	<u>287,031,480</u>	<u>149,999,000</u>	--	<u>437,030,480</u>

- The cash flows included in the maturity analysis are not expected to be settled early or in a significant different amounts.
- The following table shows the difference between current assets and current liabilities as at the date of the interim condensed financial statements:

	<u>Muharram 30, 1443(H)</u>	<u>Rabi' II 30, 1442(H)</u>
Current assets	358,362,920	321,092,946
Current liabilities	<u>(313,478,721)</u>	<u>(312,707,387)</u>
Working capital	<u>44,884,199</u>	<u>8,385,559</u>

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

◦. **Investments in financial assets at fair value through other comprehensive income**

Investments in financial assets at fair value through other comprehensive income mainly consist of the following:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
Jabal Omar Development	2,982,164,366	2,788,190,040
Commodity Trading Fund	964,918	964,918
Total	2,983,129,284	2,789,154,958

– The movement of investments in financial assets at fair value through other comprehensive income consist of the following:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
Balance at beginning of the period/ the year	2,789,154,958	2,315,895,002
Unrealized gains of financial assets at FVOCI	193,974,326	473,259,956
Balance at ending of the period/ the year	2,983,129,284	2,789,154,958

– The company has sent a confirmation request to Jabal Omar Development Company on the shares owned by Makkah Construction and Development Company as of Rabi' II 30, 1442(H), however, based on the reply letter from Jabal Omar Development Company, there was a difference in number of shares owned by Makkah Construction and Development Company by around 1,198,571 shares. Accordingly, Makkah Construction and Development Company contacted the lawyer to clarify this difference, who stated that the shares of real estates that title deeds have not been transferred up to date were assessed when Makkah Construction and Development Company invested as a shareholder in Jabal Omar Company, and this value should remain the same since there is no amendment or change on status of the title deeds which was considered the basis of determining the number of shares at the time of Makkah Construction and Development Company entered as a shareholder in Jabal Omar Company. Therefore, it is not allowed for any amendment or change on the shares related to the deeds except after completing the technical and Sharia procedures by adding the area on it by the competent Sharia departments and before adding the final amount of the deeds area by the competent authorities and departments. The value of the contribution remains constant and it is not subject to any modification or change until the total area of the deeds is added by the related authorities.

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

٦. Investment in an associate company

The Board of Directors unanimously decided, in their meeting no. (133) on Shawwal 25, 1435(H) corresponding to November 28, 2013(G) to contribute a cash share in the capital of Jarham Development Company which work in the field of real estate development, and will develop the area of Jabal Al- Sharashif, moreover, according to this decision the company on Jumada Al-Awwal 11, 1435(H) paid an amount of SR 28,84 million, which represents 27.5% of the company's capital which amounted to SR 104,84 million. Movement in investment in associate company was as follows:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
Balance at beginning of the period/ the year	14,897,030	14,897,030
Balance at ending of the period/ the year	14,897,030	14,897,030

(*) The investment in Jarham Development Company was measured based on the latest audited financial statements for the year ended December 31, 2017, while the financial statements of the associate for the year 2018 were issued during the year, which showed an increase in the company's assets as a result of recognizing an intangible asset that appeared mainly as a result of adjustments of previous years, the company decided not to recognize the increase due to the uncertainty in the absence of recent audited financial statements.

The capital of Jarham Company was reduced according to the resolution of the Extraordinary General Assembly dated November 13, 2018(G), to become its capital of SR 49,8 million, however, the legal procedures required to reduce the capital have not been completed until the date of the financial statements.

٧. Due from a related party

The amounts due from a related party (Jabal Omar Development Company) amounting to SR 309,564,950 as of Muharram 30, 1443(H) represents the amount due against the remaining cash share paid by Makkah Construction and Development Company to Jabal Omar Development Company on behalf of the owners of real estate who did not complete the legal procedures of transfer their ownership to Jabal Omar Development Company. However once those owners complete all the legal procedures of transferring ownership of these real states to the name of Jabal Omar Development Company, Jabal Omar Development Company will pay this amount to Makkah Construction and Development Company, noting that these amounts do not have any interest or murabaha calculated on the due balance.

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

^. Employees' Benefits

General description of the employees' defined benefit obligations:

The entity is required to pay end of service benefits (defined benefits plan) in accordance with the Saudi Labor Law. The end of service benefit is equivalent to half salary of the last month of each of the first five years of service, including the fractions of the year in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year. Due factors are applied in cases of resignation. The end of service indemnity is unfunded.

Valuation Methodology and Key Assumptions for the Actuarial Study:

- In compliance with the requirements of International Accounting Standard No. (19) "employee benefits", the projected unit credit method was applied to determine the plan's obligations. Under this method, the expected cost of the accrued benefits is calculated for each benefit to which the plan members who are still working. The expected cost of the accrued benefits depends on the accrual formula and the period of service at the valuation date. The benefits are calculated based on the last salary expected to be received by the employee at the retirement age. The plan's obligations are the current actuarial value of the expected accrued benefits of all employees who are still working at the date of valuation.
- The valuation is prepared by an independent external actuary using the following key assumptions:
 - In accordance with IAS 19, actuarial assumptions must be unbiased and consistent. Assumptions are considered best estimation from company's side for variables that will determine the ultimate cost of providing EOS. The main assumptions used are as following:

Discount rate:

This rate is used to obtain the present actuarial value of the expected benefits. In accordance with IAS 19, the rate used to discount post-employment benefit obligations is determined by reference to market returns at the end of the reporting period on high-quality commercial bonds. In accordance with our practice, the discount rate is derived by reference to US dollar market returns at the end of the reporting year on **AA-AAA** rated commercial bonds with a term maturity consistent with the estimated duration of the post-employment benefit obligations. The average duration of post-employment benefit liabilities is 10 years.

- The discount rate is 2,5% annually (Rabi' II ٢٠, 144٢(H)).
- The rate of salary increase is 2,5% annually (Rabi' II ٢٠, 144٢(H)).

a) The movement on employee benefit obligations is as follows:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
The present value of the obligation at the beginning of the period/ the year	32,758,055	31,417,209
<u>The components of the current period / year expenditures charged to the statement of comprehensive income</u>		
Current service cost	2,606,382	3,345,520
Benefits cost	-	970,688
Total expenses charged to the statement of income	2,606,382	4,316,208
<u>Elements of other comprehensive income:</u>		
Re-measurement of employee benefit obligations	-	275
Actual benefits paid during the period / the year	(2,937,541)	(2,975,637)
The present value of the obligation at the end of the period / the year	32,426,896	32,758,055

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

9. Credit facilities

- The company signed a general agreement with Bank Albilad on Muharram 3, 1441(H), corresponding to September 2, 2019(G) to obtain credit facilities with an amount of SR 450 million at a SIBOR interest rate + 1.25% (compliant with Islamic Sharia), in accordance with the company's Board of Directors resolution No. 198 dated on Shawwal 13, 1440(H) corresponding to June 16, 2019(G), amended by Board Resolution No. 201 dated on Muharram 5, 1441(H) corresponding to September 4, 2019(G), for the purpose of financing the renovation and development of the hotel and towers of Makkah Construction and Development Company. The following is a summary of the facilities obtained by the company:

	Amount	Date	
		Hijri	Gregorian
First tranche	49,999,600	Rabi' I 3, 1441	October 31, 2019
Second tranche	49,999,700	Ramadan 12, 1441	May 5, 2020
Third tranche	49,999,700	Rabi' II 17, 1442	December 2, 2020
Forth tranche	24,999,850	Rajab 5, 1442	February 17, 2021
	174,998,850		

- The maturity date of the aforementioned bank facilities is on Shaban 21, 1444(H), corresponding to March 13, 2023G.
- The guarantees on the loan are represented by a promissory note to beneficiary of the lending bank by an amount of SR 545,813,000.

10. Dividends payable

- a. The movement of dividends payable is as follows:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
Balance at the beginning of the period/ the year	205,043,020	190,863,231
Declared dividends during the period/ the year	-	247,224,360
Dividends paid during the period/ the year	(11,573,337)	(233,044,571)
Total	193,469,683	205,043,020

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

١١. Zakat

a) Provision for Zakat

The Movement of Zakat provision during the year was as follows:

	Muharram 30, 1443(H)	Muharram 29, 1442(H)
Balance at the beginning of the period	7,962,730	38,871,310
Provision for the period	-	1,045,580
Paid during the period	(277,797)	(38,703,064)
Balance at the end of the period	7,684,933	1,213,826

- b)** The company reached a financial settlement up to the end of the financial year ending on Rabi`II 30, 1436 H, in accordance with the decision of the Zakat, Tax, and Customs Authority with the company's approval to pay an amount of SR ٣١,٥٨٨,٦٩٦. During the current year, the bank guarantee issued under No. 434470 - AFG-WPM, amounting to SR ١٦,٥٩٣,٢٠٧, was released after the company paid the aforementioned amount.

The company submitted its Zakat declaration for the years from Rabi`II ٣٠, ١٤٣٧(H) until Rabi`II ٣٠, ١٤٤٢(H) and paid the accrued Zakat. The company has received zakat assessments for the years 1438 and 1439, by an amount of SR 15,٠١٩,٥٠٢. The company objected on these assessments while the objection was rejected by the of Zakat, Tax, and Customs Authority, however, the company filed an objection with the General Secretariat of Tax Committees and it's still under review by the committee. The company believes that it is still able to appeal to the internal commission for settlements and obtain a settlement in accordance with the rules of these commissions. Accordingly, the company provided a provision against it by around 50% of these assessments, in accordance with estimates of the company's management, during the subsequent period of the interim condensed financial statements a preliminary assessment was issued on the company for the years 1440(H) and 1441(H) with an amount of SR 28.620.237, however, the company is still in the process of reviewing it in order to object on this assessment.

The company's management believes that the provided provisions are sufficient to meet future zakat obligations.

١٢. Earnings Per Share

a) Basic earnings per share

Basic earnings per share is calculated based on the net profit attributable to the ordinary Shareholders and the weighted average number of outstanding ordinary shares.

b) Diluted earnings per share

- Diluted earnings per share is calculated based on the net profit attributable to the ordinary Shareholders and the weighted average number of outstanding ordinary shares after adjusting the probable dilution effect on ordinary shares.
- During the year there were no diluted shares, and therefore the diluted earnings per share is not different from the basic earnings per share.

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

c) The details of the earning per share calculation are as follows:

	For the nine month period ended	
	Muharram 30, 1443(H)	Muharram 29, 1442(H)
Net loss after zakat for the period	(2,562,281)	(14,063,643)
Weighted average number of shares	164,816,240	164,816,240
Loss per share - Basic and Diluted	(0.02)	(0.09)

١٣. Transactions With Related Parties

Related parties consist of the shareholders, directors, and senior management staff of the company. The terms and conditions of these transactions are approved by the company's management.

– **Senior management staff**

Senior management staff are the people who exercise authority and responsibility in planning, directing and controlling the activities of the company, directly or indirectly, including any director (Whether executive or otherwise).

– **Related parties transactions:**

Transactions with related parties during the year and the resulting balances were as follows:

<u>Transactions with</u>	<u>Nature of Transactions</u>	Muharram 30, 1443(H)	Muharram 29, 1442(H)
Senior management staff	Salary, allowances and incentives	2,848,059	2,743,842
Board of Directors	Rents and consulting contracts	2,896,877	3,412,041

– **Related parties balances:**

The related party's balances are as follows:

	Muharram 30, 1443(H)	Rabi' II 30, 1442(H)
Due from a related party	309,564,950	309,564,950

١٤. Contingent liabilities

The contingent liabilities in respect of letters of guarantee issued by several banks on behalf of the company on Muharram 30, 1443(H), amounted to SR 2,000,000 (Rabi' II 30, 1442(H): SR 2,000,000).

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended Muharram 30, 1443(H) – (Continued)
(Saudi Riyal)

١٥. **Segments information**

The presentation of the major segments has been determined on the basis that the risks and rewards of the company are materially affected by the difference in the products of those segments. These segments are organized and managed separately according to the nature of services and products, so that each of them forms a separate unit. The operating segments shown below are identified by differentiating the business activities from which the company generates revenue and incurs costs. The economic characteristics are reviewed and the operating segments are grouped on the basis of the evaluation made by the operational decision maker at least every quarter, which is reviewed by the senior management of the company. The company operates in the Kingdom of Saudi Arabia through the following basic activities:

- The Commercial center, which includes revenue from renting shops and apartments;
- Hotel and residential towers;
- Investment, including revenue from investments held for trading;
- Others, including rental income in the Jabal Omar development area.

Management 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 on a profit or loss basis and is measured consistently with the profit or loss in the financial statements.

<u>Muharram 30, 1443(H)</u>	<u>Commercial center</u>	<u>Hotel and towers</u>	<u>Investment sector</u>	<u>Other</u>	<u>Total</u>
Revenues	69,685,780	31,503,627	--	100,000	101,289,407
Cost of revenues	(20,886,284)	(64,053,544)	--	--	(84,939,828)
Total gross profit	48,799,496	(32,549,917)	--	100,000	16,349,579
General and administrative expenses	--	--	--	(15,510,669)	(15,510,669)
Donations	--	--	--	(15,000)	(15,000)
Borrowing cost	--	--	--	(3,386,191)	(3,386,191)
Zakat	--	--	--	--	--
loss during the period	48,799,496	(32,549,917)	--	(18,811,860)	(2,562,281)
Total assets	471,771,314	1,095,637,264	3,307,591,264	301,254,458	5,176,254,300
Total liabilities	34,026,597	248,949,127	--	237,928,743	520,904,467
<u>Muharram 29, 1442(H)</u>	<u>Commercial center</u>	<u>Hotel and towers</u>	<u>Investment sector</u>	<u>Other</u>	<u>Total</u>
Revenues	48,677,555	54,924,823	--	1,212,500	104,814,878
Cost of revenues	(21,806,522)	(75,834,672)	--	(11,346)	(97,652,540)
Total Gross profit	26,871,033	(20,909,849)	--	1,201,154	7,162,338
General and administrative expenses	--	--	--	(21,354,573)	(21,354,573)
Other revenues	--	--	931,599	242,573	1,174,172
Zakat	--	--	--	(1,045,580)	(1,045,580)
loss during the period	26,871,033	(20,909,849)	931,599	(20,956,426)	(14,063,643)
Total assets	486,956,617	1,072,648,408	3,611,899,218	327,379,439	5,498,883,682
Total liabilities	102,325,373	144,162,184	50,000,000	245,362,059	541,849,616

Other assets and liabilities include the administrative functions of the company.

Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the nine-month period Ended
Muharram 30, 1443(H) - (Continued)
(Saudi Riyal)

١٦. Outstanding lawsuits

a) Outstanding lawsuits raised by the company against others

- There are lawsuits filed by the company against others for an amount of SR 8.188.568, and three lawsuit with undetermined value against property eviction.
- The company has filed a lawsuit against the previous hotel operator, "Millennium & Copthorne Middle East Holding Ltd.", for an amount of approximately SR 39 million against the minimum guaranteed difference in accordance with the signed agreement with Makkah Construction and Development Company at the Economic Court, which is still pending. The company has recorded sufficient provisions against this lawsuit, according to the opinion of the management and its legal advisor.

b) Outstanding lawsuits raised by the others against the company

There are lawsuits against the company for an amount of SR 14.006.642 and a lawsuit with undetermined value related to terminating a contract.

١٧. Impact of Coronavirus pandemic

Throughout the beginning of the 2020, in several geographical regions, the world is going through rapid developments related to the outbreak of the novel Coronavirus Disease (COVID-19). This has caused disturbances to economic activities and businesses. Countries, including the Kingdom of Saudi Arabia, are seeking to take precautionary and preventive procedures to address the spread of the virus and mitigate its effects. Despite the effectiveness of these procedures, they have affected the business environment and the general outcome of society. However, KSA has put in place packages and decisions to mitigate the economic implications of such procedures, in order to help the business sector to overcome this health pandemic with -minimal harm as much as possible.

In view of this, the company's management announced that the occupancy rate in the hotel and towers was affected and the temporary closure of the commercial center in accordance with the precautionary government decisions to confront (COVID-19) to protect citizens and residents, and to confront the spread of (COVID-19), represented in the temporary suspension of Umrah and visit visas, as well as the temporary suspension of Umrah for citizens and residents in the Kingdom in addition to suspension international and domestic flights. This lead to the company's revenues being directly affected, which depend on Hajj, Umrah and visit activities as a result of the decrease in occupancy rates in the hotel and towers, as well as the temporary closure of the commercial center, and consequently its revenues and profits for the financial year 1441/1442 affected by those precautionary decisions.

Given these circumstances, the management, when preparing the financial statements, made an assessment of the expected effects on the company's business and concluded that it has sufficient liquidity available to continue fulfilling its financial obligations in the future when they are due, in addition to other measures that will assist the company in overcoming the consequences from (COVID-19), including granting a discount on the commercial center leases for five months.

١٨. Approval of the Financial Statements

The interim condensed financial statements were approved for issue by the Board of Directors on Rabi' I 14, 1443(H) corresponding to October 20, 2021(G).