

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 Month Period Ended Rajab 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	1
The Interim Condensed Statement of Financial Position (unaudited) as of Rajab 30, 1443(H)	2
The Interim Condensed Statement of Income and Other Comprehensive Income (unaudited) for the three month period ended Rajab 30, 1443(H)	3
The Interim Condensed Statement of Changes in Shareholders' Equity (unaudited) for the three month period ended Rajab 30, 1443(H)	4
The Interim Condensed Statement of Cash Flows (unaudited) for the three month period ended Rajab 30, 1443(H)	5
Notes to the financial statements (unaudited) for the three month period ended Rajab 30, 1443(H)	6 – 21



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

Independent Auditor's Review Report on the Interim Condensed Financial Statements

Introduction

We have reviewed the interim condensed statement of financial position of **Makkah Construction and Development Company - A Saudi joint stock company** (The Company) as of Rajab 30, 1443(H), the interim condensed statement of income and other comprehensive income, the interim condensed statement of changes in shareholders' equity and the interim condensed statement of cash flows for the three-month period ended on that date and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Basis of Review

We conducted our review in accordance with 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 condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of **Makkah Construction and Development Company - A Saudi joint stock company** as of Rajab 30, 1443(H) is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

Talal Abu-Ghazaleh & Co.

Abdul Wahab Ismail Khonkar
Certified Public Accountant - Licence No. 432
Ramadan 13, 1443(H) corresponding to April 14, 2022(G)
Jeddah – Kingdom of Saudi Arabia



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 Rajab 30, 1443(H)
(Saudi Riyal)

	Note	Rajab 30, 1443(H) (Unaudited)	Rabi' II 29, 1443(H) (Audited)
<u>ASSETS</u>			
<u>Non-Current Assets</u>			
Property and equipment		1,321,494,731	1,328,334,663
Investment properties		221,816,532	223,389,824
Investments in financial assets at fair value through other comprehensive income	5	2,184,894,690	2,504,666,739
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		4,052,667,933	4,380,853,206
<u>Current Assets</u>			
Inventory		1,745,852	1,703,453
Trade receivables		110,389,180	119,521,943
Prepayments and other receivables		37,400,575	29,395,592
Cash and cash equivalents		165,590,631	162,815,957
Total Current Assets		315,126,238	313,436,945
Total Assets		4,367,794,171	4,694,290,151
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>Shareholders' Equity</u>			
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		(984,696)	(984,696)
Unrealized gains from investments in financial assets at fair value through other comprehensive income		1,214,945,295	1,534,717,344
Retained earnings		173,835,201	165,070,534
Total Shareholders' Equity		3,872,238,885	4,183,246,267
<u>Liabilities</u>			
<u>Non-Current Liabilities</u>			
Employee benefits	8	32,987,536	32,738,269
Credit facilities- non current	9	149,998,850	174,998,850
Total Non-Current Liabilities		182,986,386	207,737,119
<u>Current Liabilities</u>			
Credit facilities- current	9	25,000,000	-
Deferred revenues		4,774,596	11,124,918
Accounts payable		31,979,810	30,118,366
Accrued expenses and other payables		51,961,272	54,041,928
Dividends payable	10	190,126,648	192,364,589
Provision for Zakat	11	8,726,574	15,656,964
Total Current Liabilities		312,568,900	303,306,765
Total Liabilities		495,555,286	511,043,884
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,367,794,171	4,694,290,151

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

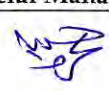
Authorized Board of Director Member



General Manager

2 

Financial Manager



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

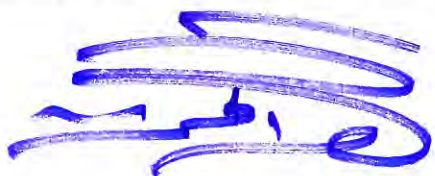
**The Interim Condensed statement of Income and Other Comprehensive Income (Unaudited) for the
three-month period Ended Rajab 30, 1443(H)**

(Saudi Riyal)

	Note	Rajab 30, 1443(H)	Rajab 29, 1442(H)
Revenues		55,249,209	23,314,271
Cost of revenues		(40,673,587)	(26,264,865)
Gross profit (loss)		14,575,622	(2,950,594)
General and administrative expenses		(5,578,220)	(5,992,821)
Net profit (loss) from operations		8,997,402	(8,943,415)
Donation		(8,000)	-
Borrowing cost		-	(1,559,700)
Net profit (loss) before Zakat		8,989,402	(10,503,115)
Zakat	11	(224,735)	-
Net profit (loss) after Zakat		8,764,667	(10,503,115)
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		(319,772,049)	(150,868,919)
Total other comprehensive loss for the period		(319,772,049)	(150,868,919)
Total comprehensive loss for the period		(311,007,382)	(161,372,034)
<u>Earnings per share:</u>			
Basic and diluted earnings/ (loss) per share	12	0.05	(0.06)

**The Accompanying Notes from (I) to (IA) 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 Changes in Shareholders' Equity (Unaudited) for the three-month period ended Rajab 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 three-month ended Rajab 30, 1443(H)						
Balance at beginning of the period (Audited)	1,648,162,400	836,280,685	(984,696)	1,534,717,344	165,070,534	4,183,246,267
Net profit after Zakat	--	--	--	--	8,764,667	8,764,667
Total other comprehensive loss	--	--	--	(319,772,049)	--	(319,772,049)
Total comprehensive loss for the period						
Balance on Rajab 30, 1443(H) (Unaudited)	1,648,162,400	836,280,685	(984,696)	(319,772,049)	8,764,667	(311,007,382)
				1,214,945,295	173,835,201	3,872,238,885
For the three-month ended Rajab 29, 1442(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	--	--	--	--	(10,503,115)	(10,503,115)
Total other comprehensive loss	--	--	--	(150,868,919)	--	(150,868,919)
Total comprehensive loss for the period						
Balance on Rajab 29, 1442(H) (Unaudited)	1,648,162,400	836,280,685	(536,282)	(150,868,919)	(10,503,115)	(161,372,034)
				1,668,336,644	150,322,307	4,302,565,754

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



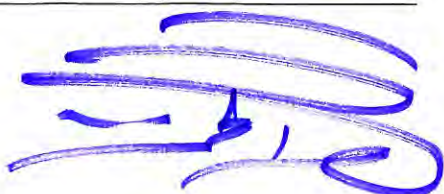
Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

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

	Rajab 30, 1443(H)	Rajab 29, 1442(H)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) before Zakat	8,989,402	(10,503,115)
Adjustments to reconcile net profit (loss) before Zakat to net cash from (used in) operating activities		
Depreciations	8,531,559	7,049,871
Employees' benefits - charged	1,325,501	901,174
	18,846,462	(2,552,070)
Changes in Operating Assets and Liabilities		
Trade receivables	9,132,763	(29,763,892)
Inventory	(42,399)	84,116
Prepayments and other receivables	(8,004,983)	(5,909,987)
Deferred revenues	(6,350,322)	10,226,577
Accounts payable	1,861,444	6,943,053
Accrued expenses and other payables	(2,080,656)	7,157,659
Cash flows from operations	13,362,309	(13,814,544)
Zakat - Paid	(7,155,125)	-
Employees' benefits - Paid	(1,076,234)	(1,135,470)
Net Cash flows from (used in) Operating Activities	5,130,950	(14,950,014)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property and equipment	(118,335)	(2,508,338)
Net cash flows used in investing activities	(118,335)	(2,508,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(2,237,941)	(753,641)
Credit facilities	-	24,999,850
Net Cash flows (used in) from Financing Activities	(2,237,941)	24,246,209
Net increases in cash and cash equivalents	2,774,674	6,787,857
Cash and cash equivalents at beginning of the period	162,815,957	194,475,554
Cash and cash equivalents at end of the period	165,590,631	201,263,411
<u>Significant non-cash transactions</u>		
Unrealized loss from investments in financial assets at fair value through other comprehensive income	(319,772,049)	(150,868,919)

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

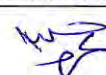
Authorized Board of Director Member



General Manager



Financial Manager



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

Notes to The Interim condensed Financial Statements (Unaudited) for the three-month period Ended
Rajab 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.
- On the Shawwal 11, 1440(H) corresponding to June 14, 2019(G), the company announced termination of the contractual relationship with the Millennium Company, who is the management and operating company of the hotel and towers (five-star hotels) owned by the company in its first project located in front of the Holy Mosque in Makkah. On Shawwal 10, 1440(H) corresponding to June 13, 2019(G) Makkah Construction and Development Company used its right to terminate the agreement with Millennium Company for invoking force majeure circumstances as an excuse for not implementing some of the essential provisions of the agreement, and Millennium Company was notified accordingly. The hotel and the towers continued its operations, and they are managed by Makkah Construction and Development Company. In addition, Makkah Construction and Development Company has emphasized that the termination of contractual relationship will not lead to negative impact on the financial statements.
- 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
A Saudi joint stock company
Makkah Al-Mukarramah - Kingdom of Saudi Arabia

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

2. Basis of preparation

a) Applicable accounting standards

- These interim condensed financial statements for the three-month ended as of Rajab 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 for Chartered and Professional Accountants (SOCPA), and it should be read in conjunction with the annual financial statements as at Rabi’ II 29, 1443(H), in addition to, the business results for the three-month ended Rajab 30,1443(H) are not necessarily indicative of the results expected on Rabi’ II 30, 1444(H), moreover, providing of provisions have not been performed on the profits of the three-month period ended Rajab 30,1443(H) which is provided 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 statement of income and 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.

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 three-month period
Ended Rajab 30, 1443(H) – (Continued)
(Saudi Riyal)

3. 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 29, 1443(H), except for effect of adoption new or revised/amended standards ,effective as from or after January 1 , 2022,as following:

International Financial Reporting Standards of new and amended interpretations issued:

a) International Financial Reporting Standards of new and amended interpretations and effective:

The following new and revised international financial reporting standards, which became effective for financial periods beginning on or after January 1, 2022(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
Amendments to IAS (16) Property, Plant and Equipment.	The amendments prohibit an entity from 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.
Reference to the Conceptual Framework (Amendments to IFRS 3).	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	January 1, 2022.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).	The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	January 1, 2022.
IFRS Standards 2018-2020.	Annual Improvements to IFRS 9, IFRS 16, IFRS 1 and IAS 41.	January 1, 2022.

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 three-month period
Ended Rajab 30, 1443(H) – (Continued)
(Saudi Riyal)

b) International Financial Reporting Standards of new and amended interpretations and 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
IFRS (17) Insurance Contracts	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts . It requires a current measurement model where estimates are remeasured in each reporting period . Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.	January 1, 2023 (deferred from January 1, 2021).
Classification of Liabilities as Current or Non-Current Amendments to IAS (1).	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date . The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	January 1, 2023 (deferred from January 1, 2022).

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 three-month period
Ended Rajab 30, 1443(H) – (Continued)
(Saudi Riyal)

Standard or Interpretation No.	Description	Effective Date
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement (2). The amendments are to be applied prospectively	January 1, 2023.
Definition of Accounting Estimates (Amendments to IAS 8).	On February 12, 2021, the International Accounting Standards Board (IASB) published "Definition of Accounting Estimates “. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to IAS 12 Income Taxes	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and affected entities would be requiring recognition of additional deferred tax assets and liabilities. That means the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023

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 three-month period
Ended Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

Standard or Interpretation No.	Description	Effective Date
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	The Amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	January 1, 2023
IFRS 10 and IAS 28 amendments. Sale of contribution 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/early adoption permitted.

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

4. Financial instruments

a. 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 Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
 - **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - **Level 2:** inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 three-month period Ended Rajab 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 Rajab 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	2,079,750,192	--	--	2,079,750,192
Unquoted shares	According to the latest available financial information	--	--	105,144,498	105,144,498
Total		2,079,750,192	--	105,144,498	2,184,894,690

For the year ended Rabi' II 29, 1443 (H)

Financial assets at fair value:

Quoted shares	Prices quoted in the financial markets	2,397,632,921	--	--	2,397,632,921
Unquoted shares	According to the latest available financial information	--	--	107,033,818	107,033,818
Total		2,397,632,921	--	107,033,818	2,504,666,739

- 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 period ending Rajab 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.

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 three-month period Ended Rajab 30, 1443(H) – (Continued)
(Saudi Riyal)

b. 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 Rajab 30, 1443(H).

<u>Rajab 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	25,000,000	160,936,748	(10,937,898)	174,998,850
Accounts payable	31,979,810	--	--	31,979,810
Accrued expenses and other payables	51,961,272	--	--	51,961,272
Dividends payable	190,126,648	--	--	190,126,648
	<u>299,067,730</u>	<u>160,936,748</u>	<u>(10,937,898)</u>	<u>449,066,580</u>

<u>Rabi' II 29, 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	-	185,936,748	(10,937,898)	174,998,850
Accounts payable	30,118,366	--	--	30,118,366
Accrued expenses and other payables	54,041,928	--	--	54,041,928
Dividends payable	192,364,589	--	--	192,364,589
	<u>276,524,883</u>	<u>185,936,748</u>	<u>(10,937,898)</u>	<u>451,523,733</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 three-month period Ended
Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

- 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:

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Current assets	315,126,238	313,436,945
Current liabilities	(312,568,900)	(303,306,765)
Working capital	2,557,338	10,130,180

5. 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:

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Jabal Omar Development	2,183,922,315	2,503,694,364
Commodity Trading Fund	972,375	972,375
Total	2,184,894,690	2,504,666,739

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

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Balance at beginning of the period/ the year	2,504,666,739	2,789,154,958
Unrealized losses of financial assets at FVOCI	(319,772,049)	(284,488,219)
Balance at ending of the period/ the year	2,184,894,690	2,504,666,739

- 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 29, 1443(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 competent 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 three-month period Ended
Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

6. Investment in associate company

The Board of Directors unanimously decided, in their meeting no. (133) on Muharram 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:

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Balance at beginning of the period/ the year	14,897,030	14,897,030
Company shares in the net investment income of an associate (*)	-	-
Balance at ending of the period/ the year	١٤,٨٩٧,٠٣٠	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 years 2018 and 2019 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 for the years 2020 and 2021.

Most significant financial figures of the associate company Jarham Development Company based on last audited financial statement for the year 2019(G):

Financial Year	Total Assets	Total Liability	Total Revenue	Total Expense
2019 (G)	112,023,088	9,552,804	--	5,024,095

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.

7. Due from a related party

The amounts due from a related party (Jabal Omar Development Company) amounting to SR 309,564,950 as of Rajab 30, 1443 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 three-month period Ended
Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

8. 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 constant. 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 2,3% annually (Rabi' II 30 1442(H) 2.5% annually).
- The rate of salary increase is 2,3% annually (Rabi' II 30, 1442(H), 2.5% annually).

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

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
The present value of the obligation at the beginning of the period/ the year	<u>32,738,269</u>	<u>32,758,055</u>
<u>The components of the current year expenditures charged to the statement of comprehensive income</u>		
Current service cost	1,325,501	3,313,714
Benefits cost	-	686,979
Total expenses charged to the statement of comprehensive income	<u>1,325,501</u>	<u>4,000,693</u>
<u>Elements of other comprehensive income:</u>		
Re-measurement of employee benefit obligations	-	448,414
Actual benefits paid during the period / the year	<u>(1,076,234)</u>	<u>(4,468,893)</u>
The present value of the obligation at the end of the period/ the year	<u>32,987,536</u>	<u>32,738,269</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 three-month period Ended
Rajab 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:

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)	Date	
			Hijri	Gregorian
First tranche	49,999,600	49,999,600	Rabi' I 3, 1441	October 31, 2019
Second tranche	49,999,700	49,999,700	Ramadan 12, 1441	May 5, 2020
Third tranche	49,999,700	49,999,700	Rabi' II 17, 1442	December 2, 2020
Forth tranche	24,999,850	24,999,850	Rajab 5, 1442	February 17, 2021
	174,998,850	174,998,850		

- The due date of the first installment of the aforementioned bank facilities is on Shaban 10, 1443(H), corresponding to March 13, 2022G.
- 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.
- The following is a statement of the accrual of the credit facilities as of the date of financial statement:

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Current portion	25,000,000	-
Non- current portion	149,998,850	174,998,850
Total	174,998,850	174,998,850

10. Dividends payable

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

	Rajab 30, 1443(H)	Rabi' II 29, 1443(H)
Balance at the beginning of the period/ the year	192,364,589	205,043,020
Dividends paid during the period/ the year	(2,237,941)	(12,678,431)
Total	190,126,648	192,364,589

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 three-month period Ended
Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

11. Zakat

a) Provision for Zakat

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

	Rajab30, 1443(H)	Rajab 29, 1442(H)
Balance at the beginning of the period	15,656,964	7,962,730
Provision for the period	224,735	--
Paid during the period	(7,155,125)	--
Balance at the end of the period	8,726,574	7,962,730

- b) The company reached a financial settlement up to the end of the financial year ending on Rabi`II 30, 1436 H and submitted its Zakat declaration for the years from Rabi`II 30, 1437(H) until Rabi`II, 30 1442(H) and paid the accrued Zakat. The company has received zakat assessments for the years 1438 and 1439, by an amount of SR 15,019,502. The company objected on these assessments while the objection was rejected by the Zakat, Tax and Customs, however, during the current year, the company has objected to general secretariat of tax committees which still under review by general secretariat of tax 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, however, during the financial year ending Rabi`II 29, 1443(H) a preliminary assessment was issued on the company for the years 1440(H) and 1441(H) with an amount of SR 28.620.237. The company objected on the assessment and provided a provision against it by around 25% of the assessment by the amount of SR 7,155,125 during the last year and this amount was also paid during the current quarter, during the subsequent period of the Interim condensed Financial Statements dated Ramadan 2, 1443(H) corresponding to April 3, 2022 the objection related to the assessment for the year 1440 (H) and 1441(H) was rejected and the company will appeal against the ejection of this objection within the legal period for that.
- c) .The company's management believes that the provided provisions are sufficient to meet fuure zakat obligations.

12. 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.

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

	Rajab 30, 1443(H)	Rajab 29, 1442(H)
Net profit (loss) after zakat for the period	8,764,667	(10,503,115.00)
Weighted average number of shares	164,816,240	164,816,240
Profit (loss) per share - Basic and Diluted	0.05	(0.06)

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 three-month period Ended Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

13. 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 period and the resulting balances were as follows:

<u>Transactions with</u>	<u>Nature of Transactions</u>	<u>Rajab 30, 1443(H)</u>	<u>Rajab 29, 1442(H)</u>
Senior management staff	Salary, allowances and incentives	802,353	802,353
Board of Directors	Rents and consulting contracts	1,119,710	515,627

– **Related parties balances:**

The related party's balances are as follows:

	<u>Rajab 30, 1443(H)</u>	<u>Rabi' II 29, 1443(H)</u>
Due from a related party	309,564,950	309,564,950

14. Contingent liabilities

Contingent liabilities against letters of guarantee issued by several banks on behalf of the company on Rajab 30, 1443(H), amounted to SR 2,000,000 (Rabi' II 29, 1443(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 three-month period Ended Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

15. 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>Rajab 30, 1443(H)</u>	Commercial center	Hotel and towers	Investment sector	Other	Total
Revenues	26,708,273	28,540,936	--	--	55,249,209
Cost of revenues	(10,407,038)	(30,266,549)	--	--	(40,673,587)
Gross profit	16,301,235	(1,725,613)	--	--	14,575,622
General and administrative expenses	--	--	--	(5,578,220)	(5,578,220)
Donation	--	--	--	(8,000)	(8,000)
Zakat	--	--	--	(224,735)	(224,735)
Profit during the period	16,301,235	(1,725,613)	--	(5,810,955)	8,764,667
Total assets	466,484,984	1,124,697,554	2,509,356,670	267,254,963	4,367,794,171
Total liabilities	19,073,777	250,681,290	--	225,800,219	495,555,286
<u>Rajab 29, 1442(H)</u>	Commercial center	Hotel and towers	Investment sector	Other	Total
Revenues	18,312,829	4,901,442	--	100,000	23,314,271
Cost of revenues	(6,945,953)	(19,318,912)	--	--	(26,264,865)
Total loss	11,366,876	(14,417,470)	--	100,000	(2,950,594)
General and administrative expenses	--	--	--	(5,992,821)	(5,992,821)
Borrowing cost	--	--	--	(1,559,700)	(1,559,700)
Zakat	--	--	--	--	-
Loss during the period	11,366,876	(14,417,470)	--	(7,452,521)	(10,503,115)
Total assets	449,564,467	1,086,107,215	2,962,748,019	347,949,697	4,846,369,398
Total liabilities	53,215,747	243,881,765	--	246,706,132	543,803,644

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 three-month period Ended
Rajab 30, 1443(H) - (Continued)
(Saudi Riyal)

16. Outstanding lawsuits

a) Outstanding lawsuits raised by the company against others

- There is lawsuits filed by the company against another party for an amount of SR 37,141,667.
- 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 with determined value by an amount of SR 4,043,744 and a lawsuit with undetermined value related to terminating a contract.

17. 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 Suspend international and domestic flights. This may 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, during the current period the Kingdom of Saudi Arabia reduced the precautionary measures which resulted in increase in revenue of the hotel, tower and commercial center.

18. Approval of the Financial Statements

The interim condensed financial statements were approved for issuance by the Board of Directors on Ramadan 13, 1443(H) corresponding to April 14, 2022(G).