

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 29, 1442(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 29, 1442(H)	2
The Interim Condensed Statement of Income and Other Comprehensive Income (unaudited) for the three month period ended Rajab 29, 1442(H)	3
The Interim Condensed Statement of Changes in Shareholders' Equity (unaudited) for the three month period ended Rajab 29, 1442(H)	4
The Interim Condensed Statement of Cash Flows (unaudited) for the three month period ended Rajab 29, 1442(H)	5
Notes to the financial statements (unaudited) for the three month period ended Rajab 29, 1442(H)	6 - 20



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 29,1442(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 notes to the interim condensed financial statements which include summary of significant accounting policies. 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 29, 1442(H) is not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Talal Abu-Ghazaleh & Co.



Abdul Wahab Ismail Khonkar
Certified Public Accountant - Licence No. 432
Ramadan 10, 1442(H) corresponding to April 22, 2021(G)
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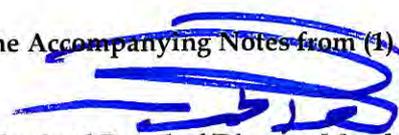
فرع جدة - طريق الملك عبدالعزيز فرعي - حي الخالدية
مبنى صباح سنتر رقم (٦٣٧٤) الطابق الثالث
هاتف : +٩٦٦ ١٢ ٦٠ ٦٠ ٤٣٠
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ص.ب : ٢٠١٣٥ جدة ٢١٤٥٥ السعودية

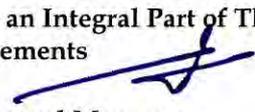
Makkah Construction and Development Company
A Saudi joint stock company
Makkah Al-Mukarramah – Kingdom of Saudi Arabia

The Interim Condensed Statement of Financial Position as of Rajab 29, 1442(H)
(Saudi Riyal)

	Note	Rajab 29, 1442(H) (Unaudited)	Rabi' II 30, 1442(H) (Audited)
ASSETS			
Non-Current Assets			
Property and equipment		1,296,809,877	1,299,928,977
Investment properties		223,340,936	224,763,369
Investments in financial assets at fair value through other comprehensive income	5	2,638,286,039	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		4,482,898,832	4,638,309,284
Current Assets			
Inventory		2,099,110	2,183,226
Trade receivables		96,827,946	67,064,054
Prepayments and other receivables		63,280,099	57,370,112
Cash and cash equivalents		201,263,411	194,475,554
Total Current Assets		363,470,566	321,092,946
Total Assets		4,846,369,398	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		1,668,336,644	1,819,205,563
Retained earnings		150,322,307	160,825,422
Total Shareholders' Equity		4,302,565,754	4,463,937,788
Liabilities			
Non-Current Liabilities			
Employee benefits	8	32,523,759	32,758,055
Credit facilities	9	174,998,850	149,999,000
Total Non-Current Liabilities		207,522,609	182,757,055
Current Liabilities			
Deferred revenues		27,939,754	17,713,177
Accounts payable		35,488,740	28,545,687
Accrued expenses and other payables		60,600,432	53,442,773
Dividends payable	10	204,289,379	205,043,020
Provision for Zakat	11	7,962,730	7,962,730
Total Current Liabilities		336,281,035	312,707,387
Total Liabilities		543,803,644	495,464,442
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,846,369,398	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-month period Ended Rajab 29, 1442(H)

(Saudi Riyal)

	Note	Rajab 29, 1442(H)	Rajab 29, 1441(H)
Revenues		23,314,271	94,385,690
Cost of revenues		(26,264,865)	(44,846,385)
Gross (loss) profit		(2,950,594)	49,539,305
General and administrative expenses		(5,992,821)	(7,716,095)
Net (loss) profit from operations		(8,943,415)	41,823,210
Borrowing cost		(1,559,700)	-
Net (loss) profit before Zakat		(10,503,115)	41,823,210
Zakat	11	-	(1,045,580)
Net (loss) profit after Zakat		(10,503,115)	40,777,630
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		(150,868,919)	(423,346,415)
Total other comprehensive loss for the period		(150,868,919)	(423,346,415)
Total comprehensive loss for the period		(161,372,034)	(382,568,785)
Earnings per share:			
Basic and diluted loss /earnings per share	12	(0.06)	0.25

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 Changes in Shareholders' Equity (Unaudited) for the three-month period ended Rajab 29, 1442(H)
(Saudi Riyal)

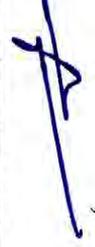
	Capital	Statutory reserve	Accumulated change in actuarial losses in employee benefits	Unrealized gains on investments in financial assets at fair value through other comprehensive income	Retained earnings	Net Shareholders' Equity
For the three-month ended Rajab 29, 1442(H)						
Balance at beginning 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	--	--	--	(150,868,919)	(10,503,115)	(161,372,034)
Balance on Rajab 29, 1442(H) (Unaudited)	1,648,162,400	836,280,685	(536,282)	1,668,336,644	150,322,307	4,302,565,754
For the three-month ended Rajab 29, 1441(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
Net profit after Zakat	--	--	--	--	40,777,630	40,777,630
Total other comprehensive loss	--	--	--	(423,346,415)	--	(423,346,415)
Total comprehensive loss for the period	-	-	-	(423,346,415)	40,777,630	(382,568,785)
Balance on Rajab 29, 1441(H) (Unaudited)	1,648,162,400	836,280,685	(536,007)	922,599,192	507,704,778	3,914,211,048

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
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The Interim Condensed Statement of Cash Flows (Unaudited) for the three-month period Ended
Rajab 29, 1442(H)
(Saudi Riyal)

	<u>Rajab 29, 1442(H)</u>	<u>Rajab 29, 1441(H)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) profit before Zakat	(10,503,115)	41,823,210
Adjustments to reconcile net (loss) profit before Zakat to net cash (used in) from operating activities		
Depreciations	7,049,871	7,538,563
Employees' benefits - charged	901,174	936,350
	<u>(2,552,070)</u>	<u>50,298,123</u>
Changes in Operating Assets and Liabilities		
Trade receivables	(29,763,892)	6,176,308
Inventory	84,116	(89,552)
Prepayments and other receivables	(5,909,987)	(1,927,306)
Deferred revenues	10,226,577	8,377,251
Accounts payable	6,943,053	9,010,172
Accrued expenses and other payables	7,157,659	(35,720,460)
Cash flows from operations	<u>(13,814,544)</u>	<u>36,124,536</u>
Zakat - Paid	-	(31,570,449)
Employees' benefits - Paid	(1,135,470)	(541,953)
Net Cash flows (used in) from Operating Activities	<u>(14,950,014)</u>	<u>4,012,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of property and equipment	(2,508,338)	(181,266)
Additions of investment properties	-	(1,350,051)
Net cash flows used in investing activities	<u>(2,508,338)</u>	<u>(1,531,317)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends	(753,641)	(54,211)
Credit facilities	24,999,850	-
Net Cash from (used in) Financing Activities	<u>24,246,209</u>	<u>(54,211)</u>
Net increases in cash and cash equivalents	<u>6,787,857</u>	<u>2,426,606</u>
Cash and cash equivalents at beginning of the year	194,475,554	241,082,468
Cash and cash equivalents at end of the year	<u>201,263,411</u>	<u>243,509,074</u>
Significant non-cash transactions		
Unrealized loss from investments in financial assets at fair value through other comprehensive income	<u>(150,868,919)</u>	<u>(423,346,415)</u>

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
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Notes to The Interim condensed Financial Statements (Unaudited) for the three-month period Ended
Rajab 29, 1442(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, which is the management and operating company of the hotel and towers (five-star hotels) that affiliated to it in its first project located in front of the Holy Mosque in Makkah, whereas, as of 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 its excuses with circumstances of majeure force for not implementing some of the essential provisions of the agreement, and Millennium Company was notified of this. However the work continues in the hotel and the towers, and they are managed by Makkah Construction and Development Company. In addition to that, Makkah Construction and Development Company emphasis 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 29, 1442(H) - (Continued)
(Saudi Riyal)

2. Basis of preparation

a) Applied accounting standards

- These interim condensed financial statements for the three-month ended as of Rajab 29, 1442(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 30, 1442(H), in addition to, the business results for the three-month ended Rajab 29,1442(H) are not necessarily indicative of the results expected on Rabi' II 29, 1443(H), moreover, providing of provisions have not been performed on the profits of the three-month period ended Rajab 29,1442(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.

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Makkah Al-Mukarramah - Kingdom of Saudi Arabia

Notes to The Interim condensed Financial Statements (Unaudited) for the three-month period
Ended Rajab 29, 1442(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 30, 1442(H), except for effect of adoption new or revised/amended standards ,effective as from or after January 1 , 2021,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, 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 4, IFRS 16 and IAS 39)	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 three-month period
Ended Rajab 29, 1442(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
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 three-month period
Ended Rajab 29, 1442(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, 2022, 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, 2023, 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.

4. 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 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).

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Notes to The Interim condensed Financial Statements (Unaudited) for the three-month period Ended Rajab 29, 1442(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 year ended Rajab29, 1442 (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	2,531,252,221	--	--	2,531,252,221
Unquoted shares	According to the latest available financial information	--	--	107,033,818	107,033,818
Total		2,531,252,221	--	107,033,818	2,638,286,039

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 period ending Rajab 29, 1442(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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Notes to The Interim condensed Financial Statements (Unaudited) for the three-month period Ended Rajab 29, 1442(H) – (Continued)
(Saudi Riyal)

– **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 29, 1442(H).

Rajab 29, 1442(H)	1 year or less	1-3 Years	Accrued interest for future periods	Book value
<u>Non-derivative financial liabilities</u>				
Credit facilities	--	174,998,850	--	174,998,850
Accounts payable	35,488,740	--	--	35,488,740
Accrued expenses and other payables	60,600,432	--	--	60,600,432
Dividends payable	204,289,379	--	--	204,289,379
	300,378,551	174,998,850	--	475,377,401
Rabi' II 30, 1442(H)	1 year or less	1-3 Years	Accrued interest for future periods	Book value
<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
	287,031,480	149,999,000	--	437,030,480

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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 29, 1442(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 29, 1442(H)	Rabi' II 30, 1442(H)
Current assets	363,470,566	321,092,946
Current liabilities	(336,281,035)	(312,707,387)
Working capital	27,189,531	8,385,559

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 29, 1442(H)	Rabi' II 30, 1442(H)
Jabal Omar Development	2,637,321,121	2,788,190,040
Commodity Trading Fund	964,918	964,918
Total	2,638,286,039	2,789,154,958

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

	Rajab 29, 1442(H)	Rabi' II 30, 1442(H)
Balance at beginning of the period/ the year	2,789,154,958	2,315,895,002
Unrealized (losses) gains of financial assets at FVOCI	(150,868,919)	473,259,956
Balance at ending of the period/ the year	2,638,286,039	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 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 29, 1442(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 29, 1442(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.

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 29, 1442(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 three-month period Ended
Rajab 29, 1442(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 2,5% annually (Rabi' II 29 1441(H) 3% annually).
- The rate of salary increase is 2,5% annually (Rabi' II 29, 1441(H), 3% annually).

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

	Rajab 29, 1442(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 year expenditures charged to the statement of comprehensive income</u>		
Current service cost	901,174	3,345,520
Benefits cost	-	970,688
Total expenses charged to the statement of comprehensive income	901,174	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	(1,135,470)	(2,975,637)
The present value of the obligation at the end of the period/ the year	32,523,759	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 three-month period Ended
Rajab 29, 1442(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. On Rabi' I 3, 1441(H), corresponding to October 31, 2019(G), the company obtained the first tranche of the value of the facilities, at an amount of SR 49,999,600. On Ramadan 12, 1441(H) corresponding to May 5, 2020(G) the company obtained the second tranche of the value of the facilities, at an amount of SR 49,999,700. And on Rabi' II 17, 1442(H) corresponding to December 2, 2020(G) the company obtained the third tranche of the value of the facilities, at an amount of SR 49,999,700 and on Rajab 5,1442(H) corresponding to February 17, 2021(G) the company obtained the fourth tranche of the value of the facilities with an amount of SR 24,999,850 , so that the amount of the facilities obtained reached SR 174,998,850.
- The maturity date of the aforementioned bank facilities is on Shaban 21, 1444(H), corresponding to March 13, 2023G.

10. Dividends payable

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

	Rajab 29, 1442(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	(753,641)	(233,044,571)
Total	204,289,379	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 three-month period Ended
Rajab 29, 1442(H) - (Continued)
(Saudi Riyal)

11. Zakat

a) Provision for Zakat

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

	Rajab 29, 1442(H)	Rajab 29, 1441(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	-	(31,570,449)
Balance at the end of the period	7,962,730	8,346,441

- 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 General Authority for Zakat and Income tax with the company's approval to pay an amount of SR 31,588,696. During the current year, the bank guarantee issued under No. 434470 - AFG-WPM, amounting to SR 16,593,207, 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, ١٤٤١(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 General Authority for Zakat and Income, however, during the current period, the company has objected to general secretariat of tax committees and its 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.

The company's management believes that the provided provisions are sufficient to meet future 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 29, 1442(H)	Rajab 29, 1441(H)
Net (loss) profit after zakat for the period	(10,503,115)	40,777,630
Weighted average number of shares	164,816,240	164,816,240
(loss)Profit per share - Basic and Diluted	(0.06)	0.25

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 29, 1442(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 year and the resulting balances were as follows:

<u>Transactions with</u>	<u>Nature of Transactions</u>	<u>Rajab 29, 1442(H)</u>	<u>Rajab 29, 1441(H)</u>
Senior management staff	Salary, allowances and incentives	802,353	819,364
Board of Directors	Rents and consulting contracts	515,627	1,137,347

– **Related parties balances:**

The related party's balances are as follows:

	<u>Rajab 29, 1442(H)</u>	<u>Rabi' II 30, 1442(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 29, 1442(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 three-month period Ended Rajab 29, 1442(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.

Rajab 29, 1442(H)	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 year	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
Rajab 29, 1441(H)	The mall	Hotel and towers	Investment sector	Other	Total
Revenues	39,205,523	53,967,667	--	1,212,500	94,385,690
Cost of revenues	(10,966,081)	(33,876,549)	--	(3,755)	(44,846,385)
Gross profit	28,239,442	20,091,118	--	1,208,745	49,539,305
General and administrative expenses	--	--	--	(7,716,095)	(7,716,095)
Zakat	--	--	--	(1,045,580)	(1,045,580)
Profit during the year	28,239,442	20,091,118	--	(7,552,930)	40,777,630
Total assets	422,974,172	1,120,957,681	2,364,890,108	372,607,637	4,281,429,598
Total liabilities	39,165,224	91,265,453	--	236,787,873	367,218,550

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 29, 1442(H) - (Continued)
(Saudi Riyal)

16. Outstanding lawsuits

a) Outstanding lawsuits raised by the company against others

- There are lawsuits filed by the company against other with determined value by an amount of SR 5,170,800, and a 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 is a lawsuit against the company 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, 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 two months.

18. Approval of the Financial Statements

The interim condensed financial statements were approved for issue by the Board of Directors on Ramadan 10, 1442(H) corresponding to April 22, 2021(G).