

DAR AL ARKAN
REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
FOR THE THREE- MONTH PERIOD ENDED 31 MARCH 2021**

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**INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To the **Shareholders**

Dar Al Arkan Real Estate Development Company
(A Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2021, and the related interim condensed consolidated statements of profit or loss and the other comprehensive income, changes of shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company's management is responsible for the preparation and presentation of these Interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.


Scope of Review:

We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to 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 such an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

For Al-Kharashi Co.


Suliman Al-Kharashi
Certified Public Accountant
License No. (91)

Riyadh:
Ramadan 23, 1442H
May 5, 2021G



DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2021

| | Notes | 31 March 2021 (Unaudited) SR 000 | 31 December 2020 (Audited) SR 000 |
|---|-------|--|---|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties, net | 5 | 1,507,412 | 1,519,116 |
| Long-term development properties | 6 | 18,152,542 | 18,246,583 |
| Property and equipment, net | 7&22a | 80,350 | 72,180 |
| Investments in associates and joint ventures | 8 | 1,177,073 | 1,173,547 |
| Other assets, net | 9 | 241 | 492 |
| Total non-current assets | | 20,917,618 | 21,011,918 |
| Current assets | | | |
| Short-term development properties | 6 | 345,094 | 341,860 |
| Trade receivables and others | 10 | 5,000,797 | 4,649,178 |
| Cash and cash equivalents | 11 | 4,549,107 | 4,931,660 |
| Total current assets | | 9,894,998 | 9,922,698 |
| TOTAL ASSETS | | 30,812,616 | 30,934,616 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Non-current liabilities | | | |
| Borrowing -long-term maturity portion | 12 | 9,708,559 | 9,781,391 |
| End of service indemnities | 13 | 21,191 | 21,323 |
| Total non-current liabilities | | 9,729,750 | 9,802,714 |
| Current liabilities | | | |
| Borrowings-short-term maturity portion | 12 | 436,362 | 436,062 |
| Trade payables and others | 14 | 1,256,103 | 1,232,466 |
| Zakat provision | 15a | 335,704 | 437,194 |
| Total current liabilities | | 2,028,169 | 2,105,722 |
| Total liabilities | | 11,757,919 | 11,908,436 |
| Shareholders' Equity | | | |
| Share capital | 16 | 10,800,000 | 10,800,000 |
| Statutory reserve | | 1,141,895 | 1,141,895 |
| Retained earnings | | 7,112,802 | 7,084,285 |
| Total shareholders' equity | | 19,054,697 | 19,026,180 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 30,812,616 | 30,934,616 |

Authorized Board of
Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

| | | Three-month period ended | |
|---|--------------|--|--|
| | <u>Notes</u> | 31 March 2021 (Unaudited) SR 000 | 31 March 2020 (Unaudited) SR 000 |
| Revenue | 17 | 554,836 | 593,021 |
| Cost of revenue | 18 | (350,297) | (432,989) |
| GROSS PROFIT | | 204,539 | 160,032 |
| Operating expenses: | | | |
| General and administrative expenses | 19 | (37,368) | (46,304) |
| OPERATING PROFIT | | 167,171 | 113,728 |
| Finance costs | 20 | (166,133) | (150,474) |
| Other income, net | | 24,684 | 44,456 |
| Share of net profits from associates and joint ventures | 8 a | 3,526 | 5,025 |
| PROFIT BEFORE ZAKAT | | 29,248 | 12,735 |
| Zakat provisions | 15a | (731) | (319) |
| NET PROFIT FOR THE PERIOD | | 28,517 | 12,416 |
| Other comprehensive income: | | | |
| Re-measurement (loss)/ gain on end of service indemnities | 13 | - | - |
| Total comprehensive income for the period | | 28,517 | 12,416 |
| Total comprehensive income attributable to: | | | |
| Dar Al Arkan shareholders | | 28,517 | 12,416 |

Earnings per share (in Saudi Riyal):

Basic and diluted

Authorised Board of
Directors Member

21

Chief Executive Officer

0.03

0.01

Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements

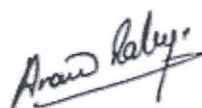
**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE- MONTH PERIOD ENDED 31 MARCH 2021**

| | <u>Share capital</u> SR 000 | <u>Statutory reserve</u> SR 000 | <u>Retained earnings</u> SR 000 | <u>Total equity</u> SR 000 |
|---|--------------------------------|--|--|-------------------------------|
| 2021 | | | | |
| Balance as at 1 January 2021 | 10,800,000 | 1,141,895 | 7,084,285 | 19,026,180 |
| Net profit for the period | - | - | 28,517 | 28,517 |
| Other comprehensive (loss)/income | - | - | - | - |
| Total comprehensive income for the period | - | - | 28,517 | 28,517 |
| Balance as at 31 March 2021 | 10,800,000 | 1,141,895 | 7,112,802 | 19,054,697 |
| 2020 | | | | |
| Balance as at 1 January 2020 | 10,800,000 | 1,140,016 | 7,069,472 | 19,009,488 |
| Net profit for the period | - | - | 12,416 | 12,416 |
| Other comprehensive (loss)/income | - | - | - | - |
| Total comprehensive income for the period | - | - | 12,416 | 12,416 |
| Balance as at 31 March 2020 | 10,800,000 | 1,140,016 | 7,081,888 | 19,021,904 |



Authorised Board of
Directors Member



Chief Executive Officer



Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
SAUDI JOINT STOCK COMPANY**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

| | Notes | Three-month period ended 31 March 2021 (Unaudited) SR 000 | 31 March 2020 (Unaudited) SR 000 |
|---|-----------|--|--|
| OPERATING ACTIVITIES | | | |
| Profit before Zakat | | 29,248 | 12,735 |
| Adjustment for: | | | |
| Depreciation | 5,7 & 22a | 13,922 | 13,793 |
| Amortisation | 9 | 251 | 252 |
| Provisions for end of service indemnities | 13 | 1,026 | 1,392 |
| Finance costs | 20 | 166,133 | 150,474 |
| Share of net profit from associates and joint ventures | 8a | (3,526) | (5,025) |
| Operating cash flows before movements in working capital | | 207,054 | 173,621 |
| Development properties, net | | 91,510 | (132,952) |
| Trade receivables and others | | (351,619) | (296,003) |
| Trade payables and others | | 13,365 | 59,457 |
| Cash used in operations | | (39,690) | (195,877) |
| Finance costs paid | | (158,125) | (137,412) |
| Zakat paid | 15a | (102,221) | (42,443) |
| End-of-service indemnities paid | 13 | (1,158) | (263) |
| NET CASH USED IN OPERATING ACTIVITIES | | (301,194) | (375,995) |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 7 | (606) | (397) |
| Investment Properties | 5 | (213) | (956) |
| NET CASH USED IN INVESTING ACTIVITIES | | (819) | (1,353) |
| FINANCING ACTIVITIES | | | |
| Long term borrowings | | (80,540) | 1,306,975 |
| NET CASH (USED IN)/ FROM FINANCING ACTIVITIES | | (80,540) | 1,306,975 |
| (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | | (382,553) | 929,627 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD | | 4,931,660 | 3,950,020 |
| CASH AND CASH EQUIVALENTS, END OF THE PERIOD | 11 | 4,549,107 | 4,879,647 |

Non-cash transaction related to transfer of investment property (Note 5)

Addition to lease assets and trade payables and others
Transfer of investment properties to development properties

10,272

703

Authorised Board of
Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial statements

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

1. GENERAL INFORMATION

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (the "Company"), is a Saudi Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No. 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development, sale and leasing of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarised below:

DAR AL ARKAN PROPERTIES (REAL ESTATE) COMPANY – is a closely held joint stock company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010254063, dated 25/7/1429 H (corresponding to 28/7/2008 G). It operates in development and acquisition of commercial and residential real estate. It provides management, operation and maintenance of residential and commercial buildings and public facilities.

DAR AL-ARKAN COMMERCIAL INVESTMENT COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010247585, dated 28/3/1429 H (corresponding to 5/4/2008 G). It operates in purchase and acquisition, lease of real estate investments.

DAR AL-ARKAN SUKUK COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010256421, dated 16/9/1429 H (corresponding to 16/9/2008 G). It operates in Real Estate investments and development.

SUKUK AL-ARKAN COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010274407, dated 11/10/1430 H (corresponding to 01/10/2009 G). It operates in development, maintenance and management of real estates, purchase of land and general contracting.

DAR SUKUK INTERNATIONAL COMPANY – is a limited liability company, formerly known as Siyada investment Company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010275448, dated 30/10/1430 H (corresponding to 19/10/2009 G). It operates in Real Estate investments and development.

DAR AL-ARKAN CONTRACTING COMPANY – is a limited liability company (previously known as Dar Al-Arkan Real Estate Investment Company), a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010521509, 22/6/1438 H (corresponding to 21/3/2017 G). It operates in Real Estate investments and developments, leasing and property management.

MAAQEL REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600708, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in Real Estate, leasing and property management.

BAWADI FOR REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600710, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in general construction, and purchase and sale, acquisition, leasing of real estate and property management.

AL-ENTESHAR REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600709, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in sale, and purchase, acquisition, leasing of real estate and property management.

IKTIFA REAL ESTATE COMPANY – is a limited liability company, (previously known as Sawaed Real Estate Company), a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600711, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in sale, and purchase, acquisition, leasing of real estate and property management.

Dar Al-Arkan Real Estate Development Company wholly owns directly and indirectly the above mentioned subsidiaries.

The accompanying interim condensed consolidated financial statements include the assets, liabilities and the results of operations of the subsidiaries mentioned above.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by SOCPA and adopted in KSA, consistent with the Group's accounting policies.

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional currency.

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current period, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2021.

| | | |
|-----------------------------|-----------|--|
| IFRS 4, 7, 9, 16 and IAS 39 | Amendment | - Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). |
|-----------------------------|-----------|--|

Generally; the adoption of these interpretations has not led to any changes in the Group's accounting policies and disclosures provided in the interim condensed consolidated financial statements.

Standards, amendments and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these interim condensed consolidated financial statements.

The impact of the adoption of these standards is currently being assessed; however, the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

| | | |
|---------|--------------|--|
| IFRS 9 | Amendment | - Applicable annual periods beginning on or after 1 January 2022. Fees in the '10 percent' test for derecognition of financial liabilities. |
| IAS 16 | Amendment | - Applicable annual periods beginning on or after 1 January 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. |
| IAS 37 | Amendment | - Applicable annual periods beginning on or after 1 January 2022. The changes 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 or an allocation of other costs that relate directly to fulfilling contracts. |
| IFRS 3 | Amendment | - Applicable annual periods beginning on or after 1 January 2022. The IASB issued 'Reference to the Conceptual Framework' that update an outdated reference without significantly changing its requirements. |
| IAS 1 | Amendment | - Applicable annual periods beginning on or after 1 January 2023. 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. They: - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and - Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. - Disclose material accounting policy information rather than significant accounting policies. |
| IFRS 17 | New standard | - Insurance Contract applicable annual periods beginning on or after 1 January 2023. |
| IAS 8 | Amendment | - Amendments regarding the definition of accounting estimates applicable annual periods beginning on or after 1 January 2023. |

2.3 ACCOUNTING CONVENTION

The interim condensed consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments at fair value and investment in associates at equity method. The obligation of post-employment benefits is accounted for the present value of future obligation. The principal accounting policies are set out below.

2.4 BASIS OF CONSOLIDATION

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

The Group consolidates the financial statements of the Company and entities where the group has power over the investees, it is exposed, or has rights, to variable return from its involvements and has the ability to use its power to control and affect its return from the investees or subsidiaries. The interim condensed consolidated financial statements of the Group consist of operations of the Company and entities controlled the Company or its Subsidiaries made up to 31 March 2021.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The equity method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any non-controlling interests. The interests of non-controlling shareholders are stated at the non-controlling proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the parent.

The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the consolidated statement of profit or loss and comprehensive income.

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in associates and joint venture

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint venture is a joint arrangement where the parties to the joint venture have rights to the net assets of the joint arrangement and have contractually agreed sharing of joint control over the relevant activities through which the parties to the arrangement can participate to the decision making of the relevant activities require unanimous consents and joint control.

Equity method

Under equity method of accounting, the investments in associates or a joint venture is initially recognised in the interim condensed consolidated financial position at cost and adjusted by the post-acquisition changes in the Group's share of the profit or loss and other comprehensive income and the net assets of the associate or a joint venture, less any impairment in the value of individual investments. The results, assets and liabilities of associates or joint ventures are incorporated in these interim condensed consolidated financial statements using the equity method of accounting except when classified as held for sale. Losses of the associates or a joint venture in excess of the Group's interests in those associates or joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in associates or a joint venture is accounted under equity method of accounting from the date of acquisition. Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or a joint venture at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of identifiable net assets of the associate or a joint venture at the date of acquisition (i.e. discount on acquisition) is recognised in the interim condensed consolidated statement of profit or loss and comprehensive income.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

When the investment in associates or a joint venture is classified as held for sale or ceases to be an associates or a joint venture, from that date, the group discontinue the use of equity accounting. When a partial sale of an associate or a joint venture which results in losing significant influence over that associate or a joint venture, the remaining investment is measured at fair value on the date of sale and recognised as a financial asset. The differences between the attributable shares of carrying amount for the retaining interest in that associate or a joint venture and its fair value is included in the determination of gain or loss of the disposal of the associates or a joint venture. In addition, the Group reclassifies the gains or losses from equity, previously recognised in the other comprehensive income to the statement of profit or loss and comprehensive income.

Where a Group company transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate or a joint venture. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Investment in joint operation

A joint operation is an arrangement where Group entities have joint control of an arrangement and have legally binding rights to the assets and obligations for the liabilities of the arrangement. A Joint control is a legally agreed sharing of control of an arrangement and all the relevant activities of the arrangement require unanimous consent of the parties sharing control.

When the Group entity carry out its activities under joint operations, the Group recognises its interest under the joint operation as follows:

- The asset belongs to the Group, including its share of any assets acquired and held jointly;
- The Liabilities associated with the Group, including its share of any liabilities incurred jointly;
- Group's share of revenue arising from the joint operation;
- Group's expenses, including the share of expenses incurred jointly in the joint operations.

The Group accounts for the assets, liabilities, revenues and expenses associated with its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses. When the Group entity is a joint operator and the Group is involved with a sale or asset contribution to the joint operation, the profit and losses resulting from such transitions are recognised in the Groups consolidated financial statement only to the extent of other parties' share in the joint operation. When the Group entity is a joint operator and the Group is involved with a purchase transaction with the joint operation, the Group does not recognise the share of its gain or loss until such assets are resold to a third party.

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes all directly attributable expenses incurred in bringing the property and equipment to their present location, condition until the property and equipment is available for use. The management periodically review and reassess the estimated future useful life and residual value and accordingly may change or modify the depreciation rates.

Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land, over their estimated useful lives, using the straight-line method, on the following rates:

| | |
|------------------------|-----------|
| Buildings | 3% |
| Leasehold improvements | 5% - 20% |
| Vehicles | 25% |
| Machinery and tools | 20% |
| Office equipment | 20% - 25% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in consolidated profit or loss immediately.

2.6 INVESTMENT PROPERTIES

Investment properties principally comprise completed projects (including properties and developed land held for long term capital appreciation) and projects under development (including property projects under construction, land projects under development and land waiting for development). Investment properties are held to earn rentals and/or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative function. Projects under development include those properties in progress of development or waiting for development to commence. These properties are not used for generating sales revenues through normal business operations. The investment properties are initially recognised at cost and the cost of an acquisition is measured at fair value of the assets acquired / transferred. All developments costs (design, development and staff cost) that are directly attributable to the acquisition/development of the properties are capitalized to derive the total cost.

An investment property is derecognised on sale or disposal when permanently withdrawn or transferred to development properties. Any gain or loss arising from de-recognition of the property is recognised in the consolidated profit or loss immediately.

Investment properties are held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

| | |
|-----------|----|
| Buildings | 3% |
|-----------|----|

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the consolidated profit or loss for the year of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

All development properties are initially measured at acquisition cost and subsequently measured and accounted for lower of cost and net realisable value. This principally consists of projects under progress and land parcels under development for sales in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost comprises all directly attributable cost including direct material cost, direct labour costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Impairment is tested comparing with net realisable value, which represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of development properties are held for longer period and will not be realised within 12 months. If there is a change in management intention and identify any development property for immediate sale, then the same is split between long-term and short-term development properties representing non-current and current portion of development properties respectively.

At each reporting date management categorises development properties projects as long term or short term depending on its estimated completion date. If the completion date of a project is expected to be within a year from the date of the consolidated statement of financial position, the project is classified as short term development properties.

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2.8 IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Group reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the interim condensed consolidated profit or loss.

2.9 ISLAMIC BORROWING COSTS

Islamic borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. During the period, the company has not capitalised any portion of its borrowing cost. Accordingly, all borrowing costs are recognised as finance costs in the interim condensed consolidated profit or loss in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's interim condensed consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

The Group initially measure financial assets and financial liabilities at their fair value. All directly attributable transaction costs for the origination, acquisition or issuance of a financial assets and financial liabilities (except for financial assets and financial liabilities accounted at fair value through profit or loss) are added or deducted, as appropriate, from the respective fair value of the financial assets or financial liabilities on initial recognition. Transaction costs that are incurred for financial assets or financial liabilities accounted at fair value through profit or loss are recognised immediately in the interim condensed consolidated profit or loss.

Classification and measurement – financial assets

Classification and measurement of financial assets are based on the underlying business model and estimated cash flows on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Any derivatives embedded in the contracts are not separated and is considered as a whole for classification. The financial assets are principally categorised as under;

- Measured at amortised cost
- Fair value through other comprehensive income(FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets that are initially recognised at fair value are subsequently measured at amortised cost based on expected credit loss (ECL) described below:

- 12-month expected credit losses- expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date.
- Lifetime expected credit losses- expected credit losses that result from all possible default events over the life of the financial instrument.

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In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

Trade receivables

Trade receivables are classified as financial assets and are initially recognised at the amount of consideration/ transaction price unless they contain significant financing components, when they are recognised at fair value. The Group do not charge interest on trade receivable and holds the principal outstanding of the trade receivables with the objective to collect the contractual cash flows therefore measures them subsequently at amortised cost using the effective interest method less any provision for impairment for expected credit loss. The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics that consider past default experience of the customer and analyse the general economic conditions of the industry in which the customers operate and current financial position specific to the customers and an assessment of both the current as well as the forecast direction of past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms at the reporting date. A provision for credit loss is made where there is an objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement and the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced with the provision for expected credit loss and any impairment loss is recognised in the interim condensed consolidated profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with original maturities of three months or less.

Held for trading investments

Held for trading investments are recognised initially at fair value; transaction costs are taken directly to the interim condensed consolidated statement of income and thereafter stated at fair value by reference to exchange quoted market bid prices at the close of business on the interim condensed consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the interim condensed consolidated statement of income.

Financial liabilities

Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the interim condensed consolidated statement of profit or loss over the term of the instrument.

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Trade payables

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

2.11 REVENUE RECOGNITION

The management Revenue represents the sale of completed real estate properties, revenue from construction/development of real estate properties and leasing of residential properties.

Sale of completed Properties – recognised at the point of sale:

Real estate properties which are sold as a completed product are immediately recognised as revenue at the point of sale. The revenue for these categories of assets are only recognised when the control with significant risks and rewards of ownership have been transferred to the buyer and the Company had enforceable right to payment for the performance completed. The transfer of ownership and the controls are assessed at the time of legal completion of the sale or transfer of assets. Revenue is measured at the fair value of consideration entitled in a contract.

Properties constructed/developed under contract with customer– recognised over the time

The group develop and sale properties under long term construction/development contract or agreement. Usually such contracts are entered before the start of the construction and the terms of the contracts restrict the transfer of asset to another customer and has no other alternative use and the Company had enforceable right to payment for the performance completed to date where the objective and the outcome of such contracts can be estimated reliably, the revenue and cost of such developments are recognised in proportion to the performed/measured stages of completion against the total contractual obligations/miles stones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

Where the outcome of the contract cannot be estimated reliably, the contract revenue is recognised to the extent of cost incurred and probability recoverable against such contract. All the cost incurred is recognised as expenses in the period in which it is incurred.

The Company will recognise all the incremental costs of obtaining or performing a contract as assets if it expects to recover those costs from the transaction price. The incremental costs are those costs that the Company would not have incurred if the contract had not been obtained. All costs to fulfil its obligations under an existing contract, or an anticipated contract, are capitalised in accordance with IFRS 15 if the costs:

- directly relates to such specific contract;
- are expected to be recovered.
- Create, enhance or generate the resources of the company which will be used in performing the current or future performance obligations

All asset recognised in relation to contract costs is systematically amortised on a basis consistent with the pattern or proportion of transfer of the obligation under the contract to which the asset relates.

If the overall amortisation period of such expenses is one year or less the Company may expense such cost when incurred. All advance payments and the milestone payment which received in excess of the revenue recognised to date will be recognised as contract liability. Considering the short period between the milestone payment and revenue recognition under the cost-to-cost method there is not considered to be a significant financing component in the construction contracts with customers.

The Company will follow an impairment test to assess the carrying value of such assets and when it is probable that the total contract cost will exceed total contract revenue, the estimated loss is recognised as expenses immediately

Leases

With respect to lease rental income, the Group recognises revenue on a straight line basis over the lease term.

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2.12 ZAKAT

Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognised in the respective subsidiaries or in the consolidated statement of profit or loss in each year. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued by the General Authority of Zakat and Tax ("GAZT"). Any change in the estimate resulting from the final assessment is recognised in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gains or losses are recognised in the interim condensed consolidated statement of profit or loss and comprehensive income.

2.14 STATUTORY RESERVE

According to the article (129) of the Companies' Regulation (Amendment 2016), the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 30% of the share capital. This reserve is not available for dividend distribution.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provisions of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment, based on the estimated ultimate payment.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

2.16 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organisation for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.17 PROVISIONS

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

2.18 LEASING

Group as a lessor

Rentals receivable under leases are recognised to the interim condensed consolidated profit or loss on a straight-line basis over the term of the relevant lease.

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Group as a lessee

At the inception of non-cancellable leases an asset identified as "right-of-use assets" measured at cost with appropriate discounting applied on relevant components of lease term and payment obligations including initial direct cost, lease escalations and lease incentives mentioned in the underlying lease agreement. Subsequent to the initial measurement and recognition, the "right-of-use assets" are periodically measured by using cost model which comprises initially measured cost and any re-measurement adjustments less accumulated depreciation.

Corresponding to this commencement date a "lease liability" is measured at the net present value of all the unpaid lease payments as on that date discounted by using the rate implicit in the lease, if this rate cannot be readily determined, the Group uses its incremental borrowing rate. Subsequent to the initial measurements "lease liability" are periodically measured by increasing the carrying cost to reflect the interest charge on unpaid future lease liability and any re-measurement adjustment less lease payments made up to that date.

The depreciation cost for "right-of-use assets" and the interest cost for "lease liability" is charged to the interim condensed consolidated profit or loss as depreciation and finance charges.

In case of existing, short term, small value leases the entity continues to charge the periodic lease payments to the interim condensed consolidated profit or loss as an expense on straight-line basis over the term of the relevant lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods are discussed below:

Revenue Recognition

The Group recognises revenue (refer note 2.11) when the control with significant risks and rewards of ownership is transferred to the buyer. The Group measures the revenue based on the consideration entitled in a contract with a customer excluding amounts, if any, collected for and on behalf of third parties.

With respect to land properties/projects, the Group receives an initial non-refundable deposit upon signing the sale contract with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognises the full amount of the consideration as revenue at the point in time when the control of the property is transferred to the buyer through a legally enforceable sale contract is signed between the buyer and the Group.

With respect to residential and commercial projects, the Group typically receives an initial deposit on the signature of the sales contract and the balance is collected over a period as per the terms of the contract. Revenue from the sale of these properties is only recognized at the point in time when the control of the property is transferred to the buyer through a legally enforceable sale contract is signed between the buyer and the Group and the completed property is delivered to the purchaser.

With respect to residential and commercial projects sold under a construction contract, usually such contracts are entered before the start of the construction and the terms of the contracts restrict the transfer of asset to another customer and has no other alternative use and the Company had enforceable right to payment for the performance completed to date where the objective and the outcome of such contract or agreement can be estimated reliably, the revenue and cost of such developments are recognised when the control is passed with significant risks and rewards of ownership to the buyer. The revenue against these customer contract is recognised over the time as per under IFRS 15 in proportion to the performed/measured stages of completion

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against the total contractual obligations/milestones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

A performance obligation is considered satisfied over the time when at least one of the following criteria is met:

- The customer receives and consumes the benefits of the Companies' performance as it performs.
- The performance creates and enhances the value of the customer-controlled asset.
- The Company has no alternative use to the asset being created and has the legally enforceable right to payment for all obligations performed or completed to date.

With respect to lease rental income, the Group recognises revenue on a straight line basis over the lease term in accordance with IFRS 16.

Recognition of cost of sales

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the period the management estimates and average the costs of the entire developments, including infrastructure costs and overall construction and other directly attributable costs to arrive the total estimated cost of the project. These estimated costs are allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

Measurement of contract assets and trade receivables

The group management makes significant assumptions on the estimation of expected credit loss (ECL) in connection with contract assets and/or trade receivables which is assessed based on the terms of contracts. The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics giving considerations for past default experience of the customer, analyse the general economic conditions of the industry in which the customers operate, current financial position specific to the customers and an assessment of both the current as well as the forecast direction of past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms at the reporting date. A provision for credit loss is made where there is an objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement and the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate.

Based on such periodic assessment the Company recognise for full lifetime expected losses for all contract assets and/or all trade receivables with or without significant financing transaction and for lease receivables. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses in accordance with IFRS 9.

Classification of properties

The Group's properties are classified as either investment properties or development properties. Management has made various judgments to determine whether a property qualifies as an investment property which is held to earn rentals and/or for capital appreciation or both. These are not used for generating sales revenues through normal business operations. A development property comprises completed properties, developed land, property projects under construction, land projects under development and land awaiting development predominantly identified for sale in the ordinary course of business. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed as part of normal business operation, their carrying cost will be transferred to development properties for final completion of development and transfer.

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Subsequent transfer of Investment Properties

Investment properties are the interests in land and/or buildings that are held for their investment potential and not for sale in the ordinary course of business. Management assesses the intended use of its real estate properties on continuous basis and summarises the portfolio at every reporting period. When the periodic management assessment identifies any change in the use of a property previously classified as investment properties, their carrying cost is transferred to development properties for further development and final transfer under ordinary course of business. While re-assessing the intended use, management considers the holding period, possibility of further appreciations, related economic activities around such properties and need for further development to make the property ready for sale.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with the intent to sale.

Carrying value of development properties

The Group's principal activity is currently the development and sale of land, residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the interim condensed consolidated statement of financial position at 31 March 2021 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realisable value of its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and estimated future costs to complete with the expected selling price per unit based on historical activities and available comparable in the surrounding location. As a result of this process, there have been no instances where the estimated net realisable value of the site/unit was less than its current carrying value within the interim condensed consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique.

While estimating the fair value of an asset or a liability the group take into consideration of the assumptions that market participants would use when pricing the asset or liability for their best economic interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the best use or by selling it to another market participant for the best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For the financial reporting purpose, The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities;

- Level 1: Quoted prices in active markets for the same instrument (i.e., without modification or additions);
- Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data and;
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

For the determination of the fair value of the properties, valuations are arrived internally by using group management's subjective expertise and location knowledge together with comparable transactions recorded

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in the surrounding area for non-related arms lengths transactions. The group also engage third party independent real estate valuation experts using recognised valuation methods to value the properties wherever it is possible and practical. The fair value arrived using these methodologies disclosed as a percentage (%) of net-margin over the carrying cost.

The group also estimates the fair value of its investment properties and development properties by using the Internal Rate of Return and Income Capitalisation Method.

Under IRR method the group estimates future cash flows from assets considering future revenue streams, development costs and all directly attributable cost including financing cost, market risk and targeted profit. These assumptions and estimates are reviewed periodically based on the market conditions existing at the end of every reporting period, to arrive a targeted IRR.

Under capitalisation method the income receivable under existing lease agreements are extrapolated to arrive at projected future rental revenues, which is capitalised at appropriate rates reflecting the investment market conditions at the valuation dates.

The groups future rental stream estimations are based on certain assumptions and are subject to market volatility, uncertainty and can materially differ from the actual results. The absence of well-developed and active market condition brings greater degree of uncertainty and volatility to estimated fair valuation of investment properties than which exists in a more active market.

Below are the key assumptions the group used to estimate fair value of its investments assets:

| | 2021 | 2020 |
|---|------------------|-----------|
| | Range | Range |
| Profit margin on carrying cost –development properties | 20% - 25% | 20% - 25% |
| Targeted IRR –development properties | 4-6% | 4-6% |
| Estimated Capitalisation of yields- investment properties | 6-8% | 6-8% |

4 REPORTING SEGMENTS

Management has organised the Group majorly into two segments for the purpose of reporting to the chief operating decision maker. Management develops its strategic planning, resource allocation and business model around these segments and therefore Group's reportable segment under IFRS 8 is as follows:

- Development Properties – The Group Categorise all its real estate properties under development and sale into development properties, it includes the residential and commercial properties completed or constructed under a customer contract and the sale of units on such projects ("Residential and Commercial Projects"), land and investment in land properties which are undeveloped, developed with or without infrastructure development and the sale of such properties ("Land Projects").
- Asset Management – leasing and management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities for generating recurring revenues.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the period ended 31 March 2021 and 31 March 2020 was generated from the development properties segment. The Group provided breakdown of revenue, profit, assets and liabilities by operation segment. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

The Group mainly in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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The segment wise revenue, gross margin, operating expenses, profit, assets and liabilities from sales of development properties (land, residential and commercial projects) and leasing of properties are presented below:

| | Notes | For the three-month period ended 31 March 2021 | | |
|--|-------|--|-----------------------|-------------------|
| | | (Unaudited) | | |
| | | Sale of Developed Properties | Leasing of Properties | Group Total |
| | | SR 000 | SR 000 | SR 000 |
| SEGMENT WISE PROFIT & LOSS | | | | |
| Revenue | | 524,661 | 30,175 | 554,836 |
| Cost of revenue | | (339,083) | (11,214) | (350,297) |
| GROSS PROFIT | | 185,578 | 18,961 | 204,539 |
| Operating expenses: | | | | |
| General and administrative expenses | 19 | | | (37,368) |
| OPERATING PROFIT | | | | 167,171 |
| Finance costs | 20 | | | (166,133) |
| Other income, net | | | | 24,684 |
| Share of net profit from associates and joint ventures | 8 a | | | 3,526 |
| SEGMENT PROFIT FOR THE PERIOD | | | | 29,248 |
| SEGMENT WISE ASSETS & LIABILITIES | | | | |
| TOTAL ASSETS | | 29,217,149 | 1,595,467 | 30,812,616 |
| TOTAL LIABILITIES | | 10,928,062 | 829,857 | 11,757,919 |

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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| | <u>Notes</u> | For the three-month period ended 31 March 2020 | | |
|--|--------------|--|-----------------------|-------------------|
| | | (Unaudited) | | |
| | | Sale of Developed Properties | Leasing of Properties | Group Total |
| | | SR 000 | SR 000 | SR 000 |
| SEGMENT WISE PROFIT & LOSS | | | | |
| Revenue | | 555,644 | 37,377 | 593,021 |
| Cost of revenue | | (421,704) | (11,285) | (432,989) |
| GROSS PROFIT | | <u>133,940</u> | <u>26,092</u> | <u>160,032</u> |
| Operating expenses: | | | | |
| General and administrative expenses | 19 | | | (46,304) |
| OPERATING PROFIT | | | | <u>113,728</u> |
| Finance costs | 20 | | | (150,474) |
| Other income, net | | | | 44,456 |
| Share of net profit from associates and joint ventures | 8 a | | | 5,025 |
| SEGMENT PROFIT FOR THE PERIOD | | | | <u>12,735</u> |
| SEGMENT WISE ASSETS & LIABILITIES | | | | |
| TOTAL ASSETS | | <u>27,645,256</u> | <u>1,754,888</u> | <u>29,400,144</u> |
| TOTAL LIABILITIES | | <u>9,578,735</u> | <u>799,505</u> | <u>10,378,240</u> |

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5. INVESTMENT PROPERTIES, NET

The movement in investment properties is as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| COST | | |
| At beginning of the period/year | 1,881,251 | 1,968,537 |
| Transfer to development properties | (802) | (88,568) |
| Additions | 213 | 1,282 |
| At end of the period/year | 1,880,662 | 1,881,251 |
| ACCUMULATED DEPRECIATION | | |
| At beginning of the period/year | 362,135 | 317,180 |
| Transfer to development properties | (99) | (49) |
| Charged during the period/year | 11,214 | 45,004 |
| At end of the period/year | 373,250 | 362,135 |
| CARRYING AMOUNT AT THE END OF THE PERIOD/YEAR | 1,507,412 | 1,519,116 |

Included within investment properties is land with an original cost of SR 470 million (31 December 2020: SR 470 million).

Fair value estimation:

Fair value of the investment properties is estimated by a recognised valuation agency not related to the Group (ValuStrat Saudi Arabia a license member of Saudi Authority of Accredited Valuers) by using income capitalisation method in December 2020, the range of capitalisation rates are determined based on the nature and the highest and the best designated use of the assets and various external references for similar type of assets. There has been no change in the valuation technique during the period and the management believe the last valuation is valid for the current reporting period. The annualised lease cash flows are estimated by extrapolating and adjusting current lease revenues for optimal occupancy and capitalising it at an annual rent yield of 6-8% between residential and commercial leased properties to arrive the fair value estimated as below:

| | 2021 SR 000 | 2020 SR 000 |
|--|------------------|------------------|
| COST | 1,507,412 | 1,519,116 |
| ESTIMATED FAIR VALUE | | |
| Estimated on rent yield of 6-8 % on Investment properties | 1,927,484 | 1,927,484 |

The fair valuation of investment properties is categorised under Level 2 in the fair value hierarchy

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6. DEVELOPMENT PROPERTIES

The movement in development properties, the principle operation of the Company, are summarised as follows:

| | Three-month period ended 31 March 2021 (Unaudited) | | | | |
|---|--|---------------------------------|---------------------------|--------------------------------|-------------------|
| | Short-term Developed Projects | Short-term Developed land | Developed land/Project | Projects under Developments | Total |
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| COST | | | | | |
| At beginning of the period | 6,880 | 334,980 | 1,020,009 | 17,226,574 | 18,588,443 |
| Additions during the period | - | 3,759 | 6,777 | 237,037 | 247,573 |
| Transfer, net | - | - | 703 | - | 703 |
| Charged to cost of sales during the period | (525) | - | (34,804) | (303,754) | (339,083) |
| CARRYING AMOUNT AT THE END OF THE PERIOD | 6,355 | 338,739 | 992,685 | 17,159,857 | 18,497,636 |
| Short- term development properties | | | | | 345,094 |
| Long-term development properties | | | | | 18,152,542 |

| | Year ended 31 December 2020 (Audited) | | | | |
|---|---------------------------------------|---------------------------------|---------------------------|--------------------------------|-------------------|
| | Short-term Developed Projects | Short-term Developed land | Developed land/Project | Projects under Developments | Total |
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| COST | | | | | |
| At beginning of the year | 13,907 | 321,043 | 1,408,562 | 15,487,042 | 17,230,554 |
| Additions during the year | 723 | 13,937 | 21,115 | 2,458,795 | 2,494,570 |
| Transfer, net | 370 | - | (259,213) | 347,362 | 88,519 |
| Charged to cost of sales during the year | (8,120) | - | (150,455) | (1,066,625) | (1,225,200) |
| CARRYING AMOUNT AT THE END OF THE YEAR | 6,880 | 334,980 | 1,020,009 | 17,226,574 | 18,588,443 |
| Short- term development properties | | | | | 341,860 |
| Long-term development properties | | | | | 18,246,583 |

Projects under development includes investment in land and joint development worth SR 13.79 billion (31 December 2020: SR 13.87 billion), which represents the Group's share of co-ownership with others and advances made for joint development with third parties according to the contracts of land development.

During the period ended 31 March 2021 the Group has not capitalised Islamic borrowing costs to development properties (31 December 2020: nil).

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Fair value estimation:

During the period the Group's management and directors conducted an internal review and valuation of the real estate portfolio of development properties which resulted in a fair value indicating an average uplift of 20% (31 December 2020: 20%) across the development property portfolio. The management believes that the resultant uplift on the book value is a conservative indication of the fair value of the properties of the Group.

In view of the continuing volatility and uncertainty in the real estate market the transaction volumes are showing considerable stabilisation on lowering price trend. Hence to normalise the fair value assumptions along with known comparable transaction at arms-length around properties, the management included additional valuation methodologies and measures of average IRR in the range of 4-6% for development properties to arrive at the fair value estimate.

| Three-month period ended 31 March 2021 (Unaudited) | | | | | |
|---|---|--|------------------------------------|--|-------------------|
| | Short-term Developed Project | Short-term Developed land | Developed land/Projects | Projects under Developments | Total |
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| COST | 6,355 | 338,739 | 992,685 | 17,159,857 | 18,497,636 |
| ESTIMATED FAIR VALUE | | | | | |
| Estimated @ 20% margins on cost – Land | 7,000 | 400,000 | 1,200,000 | 20,550,000 | 22,157,000 |
| Estimated @ 4-6 % IRR- Land | 7,000 | 380,000 | 1,100,000 | 19,850,000 | 21,337,000 |
| Average fair value on land | 7,000 | 390,000 | 1,150,000 | 20,200,000 | 21,747,000 |
| Estimated fair value | 7,000 | 390,000 | 1,100,000 | 20,200,000 | 21,697,000 |

| Year ended 31 December 2020 (Audited) | | | | | |
|--|---|--|------------------------------------|--|-------------------|
| | Short-term Developed Project | Short-term Developed land | Developed land/Projects | Projects under Developments | Total |
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| COST | 6,880 | 334,980 | 1,020,009 | 17,226,574 | 18,588,443 |
| ESTIMATED FAIR VALUE | | | | | |
| Estimated @ 20% margins on cost – Land | 7,000 | 400,000 | 1,220,000 | 20,670,000 | 22,297,000 |
| Estimated @ 4-6 % IRR - Land | 7,000 | 365,000 | 1,100,000 | 19,217,000 | 20,689,000 |
| Average fair value on land | 7,000 | 382,000 | 1,160,000 | 19,943,000 | 21,492,000 |
| Estimated fair value | 7,000 | 380,000 | 1,150,000 | 19,400,000 | 20,937,000 |

**DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY
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Sensitivity in fair value estimation:

The estimated fair value of Group's investment properties and development properties can be impacted by the occurrence of interrelated unobservable inputs determined by existing market conditions. The impact of two unobservable inputs may not be off-setting each other; for example, an increase in capitalisation rate may off-set an increase in annual rent but an increase in annual rent with a decrease in capitalisation rate would boost the fair value.

| | <u>Increase</u> | <u>Decrease</u> |
|---|------------------|-----------------|
| | <u>SR 000</u> | <u>SR 000</u> |
| Change in fair value on land | | |
| 10% change in comparable margins | 1,850,000 | (1,850,000) |
| 1% change in IRR | 875,000 | (825,000) |
| Average change in fair value on land | 1,362,500 | (1,337,500) |
| Change in fair value on Properties | | |
| 50 basis points change in capitalisation rate | 100,000 | (100,000) |
| Sensitivity impact on estimated fair value | 1,462,500 | (1,437,500) |

The fair valuation of investment properties is categorised under Level 3 in the fair value hierarchy

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FOR THE THREE- MONTH PERIOD ENDED 31 MARCH 2021 (CONTINUED)

7. PROPERTY AND EQUIPMENT, NET

31 MARCH 2021 (UNAUDITED)

COST

| | Land and buildings | Leasehold improvement | Vehicles | Machinery and tools | Office equipment | Total |
|---------------------------|-----------------------|--------------------------|--------------|------------------------|---------------------|----------------|
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| Balance at 1 January 2021 | 115,073 | 10,095 | 8,018 | 17,945 | 62,961 | 214,092 |
| Additions for the period | - | 205 | - | - | 401 | 606 |
| Transfer | - | - | - | - | - | - |
| Balance at 31 March 2021 | <u>115,073</u> | <u>10,300</u> | <u>8,018</u> | <u>17,945</u> | <u>63,362</u> | <u>214,698</u> |

ACCUMULATED DEPRECIATION

| Balance at 1 January 2021 | 57,677 | 7,693 | 7,983 | 15,944 | 52,721 | 142,018 |
|----------------------------------|---------------|--------------|--------------|---------------|---------------|----------------|
| Depreciation for the period | 799 | 186 | 6 | 222 | 1,069 | 2,282 |
| Transfer | - | - | - | - | - | - |
| Balance at 31 March 2021 | <u>58,476</u> | <u>7,879</u> | <u>7,989</u> | <u>16,166</u> | <u>53,790</u> | <u>144,300</u> |
| CARRYING AMOUNT AT 31 MARCH 2021 | <u>56,597</u> | <u>2,421</u> | <u>29</u> | <u>1,779</u> | <u>9,572</u> | <u>70,398</u> |

31 DECEMBER 2020 (AUDITED)

COST

| | Land and buildings | Leasehold improvement | Vehicles | Machinery and tools | Office equipment | Total |
|-----------------------------|-----------------------|--------------------------|--------------|------------------------|---------------------|----------------|
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| Balance at 1 January 2020 | 114,997 | 9,683 | 8,018 | 17,945 | 60,811 | 211,454 |
| Additions for the year | 76 | 412 | - | - | 2,151 | 2,639 |
| Transfer | - | - | - | - | (1) | (1) |
| Balance at 31 December 2020 | <u>115,073</u> | <u>10,095</u> | <u>8,018</u> | <u>17,945</u> | <u>62,961</u> | <u>214,092</u> |

ACCUMULATED DEPRECIATION

| Balance at 1 January 2020 | 54,482 | 7,024 | 7,960 | 15,056 | 48,197 | 132,719 |
|-------------------------------------|---------------|--------------|--------------|---------------|---------------|----------------|
| Depreciation for the year | 3,195 | 669 | 23 | 888 | 4,524 | 9,299 |
| Transfer | - | - | - | - | - | - |
| Balance at 31 December 2020 | <u>57,677</u> | <u>7,693</u> | <u>7,983</u> | <u>15,944</u> | <u>52,721</u> | <u>142,018</u> |
| CARRYING AMOUNT AT 31 DECEMBER 2020 | <u>57,396</u> | <u>2,402</u> | <u>35</u> | <u>2,001</u> | <u>10,240</u> | <u>72,074</u> |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE- MONTH PERIOD ENDED 31 MARCH 2021 (CONTINUED)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

Investments in associates and joint venture represent investments in shares of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these Saudi Arabia based privately owned companies ranges from 15% to 67%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level. Movement in investments in associates and joint ventures is as follows:

a. Investments in associates and joint ventures:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Investments, beginning of period/year | 1,173,547 | 1,154,506 |
| Additions | - | 34 |
| Share of profit during the period/year | 3,526 | 19,007 |
| Investments, end of period/year | 1,177,073 | 1,173,547 |

b. Summarised details of holding in respect of the Group's associates and joint venture is set out below:

| Name of the entity | Amount invested SR 000 | % of Holding |
|--|---------------------------|--------------|
| Saudi Home Loans (SHL) (i) | 150,000 | 15% |
| Alkhair Capital Saudi Arabia (ACS) (ii) | 422,000 | 42.2% |
| Khozam Real Estate Development Company (KDC) (iii) | 525,547 | 51% |
| Juman company (iv) | 1,500 | 18% |
| First Brokerage Properties Company (FBPC) (v) | 34 | 67% |
| Accumulated share of profits | 77,992 | |
| Balance, end of the period | 1,177,073 | |

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c. Summarised financial information in respect of the Group's associates and joint venture is set out below:

| 31 MARCH 2021 (UNAUDITED) | Juman | KDC | ACS | SHL | FBPC | TOTAL |
|--|---------------|----------------|------------------|------------------|----------------|------------------|
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| Total assets | 8,200 | 542,216 | 1,034,111 | 4,605,346 | 479 | 6,190,352 |
| Total liabilities | - | (36,523) | (23,731) | (2,990,268) | (1,929) | (3,052,451) |
| Net assets | 8,200 | 505,693 | 1,010,380 | 1,615,078 | (1,450) | 3,137,901 |
| KDC net assets includes SAR 250 mn of exclusivity right- refer below note c(iii) | - | 250,000 | - | - | - | 250,000 |
| Group's share of net assets | 1,500 | 507,903 | 426,380 | 242,262 | (972) | 1,177,073 |
| Total revenue for the period | - | - | 17,363 | 75,309 | 276 | 92,948 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total profit for the period | - | (97) | 858 | 29,136 | (1,501) | 28,396 |
| Total cumulative earning at end of the period | - | (35,053) | 7,897 | 614,177 | (1,501) | 585,520 |
| Total cumulative earning at end of last year | - | (34,956) | 6,066 | 588,792 | - | 559,902 |
| Change for the period | - | (97) | 1,831 | 25,385 | (1,501) | 25,618 |
| Group's share of cumulative profit for the period | - | (49) | 773 | 3,808 | (1,006) | 3,526 |
| 31 DECEMBER 2020 (AUDITED) | Juman | KDC | ACS | SHL | FBPC | TOTAL |
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| Total assets | 8,200 | 542,344 | 1,026,338 | 4,554,813 | 245 | 6,131,940 |
| Total liabilities | - | (36,555) | (17,791) | (2,965,121) | (195) | (3,019,662) |
| Net assets | 8,200 | 505,789 | 1,008,547 | 1,589,692 | 50 | 3,112,278 |
| KDC net assets includes SAR 250 mn of exclusivity right- refer below note c(iii) | - | 250,000 | - | - | - | 250,000 |
| Group's share of net assets | 1,500 | 507,952 | 425,607 | 238,454 | 34 | 1,173,547 |
| Total revenue for the year | - | - | 77,652 | 304,900 | 18 | 382,570 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| Total profit for the year | - | 321 | 13,146 | 88,700 | (634) | 101,533 |
| Total cumulative earning at end of the year | - | (34,956) | 6,066 | 588,792 | - | 559,902 |
| Total cumulative earning at end of last year | - | (35,277) | (7,057) | 500,089 | - | 457,755 |
| Change for the year | - | 321 | 13,123 | 88,703 | - | 102,147 |
| Group's share of cumulative profit for the year | - | 164 | 5,538 | 13,305 | - | 19,007 |

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The relevant financial statements of associates and joint ventures listed above are prepared in the order of liquidity, hence the total of assets and liabilities are considered for reporting. Details of transactions with associates and joint ventures are disclosed under note 23 "Related Party Transactions" of these interim condensed consolidated financial statements. The nature of relationship and operations of each reported entities are detailed below;

- (i) **Saudi Home Loans (SHL):** The Group had originally invested SAR 120 million representing 15% of the paid up share capital of SHL and during 2017 the SHL increased the paid up share capital by issuing 20 million shares of SR 10 each to its existing shareholders in the same proportion of their shareholding by transferring an equal amount from its retained earnings (by capitalising profit). This increase in share capital was approved in the EGM meeting held on 24 May 2017 and accordingly, the original investment of SAR 120 million has been revised to SAR 150 million to reflect the capital increase.
- (ii) **Alkhair Capital Saudi Arabia (ACS):** The Group had originally invested SAR 102 million representing 34% of the paid up share capital of ACS and during 2019 the ACS increased the paid up share capital by additional SAR 700 million. The Group has acquired additional capital by investing SAR 320 million and accordingly, the original investment of SAR 102 million has been revised to SAR 422 million to reflect the change in capital investment of the Group with ACS.
- (iii) **Khozam Real Estate Development Company (KDC):** The Group had invested 51% in KDC, with Jeddah Development and Urban Regeneration Company (JDURC). As per the arrangements the power to govern the financial and operating activities which affect the returns of KDC is jointly bestowed with the shareholders. Accordingly, the Group does not have any right to variable returns or absolute power to control with the ability to affect the returns of the investee company consequently, the Group's investment in KDC is accounted for as investment in joint venture under equity method of accounting.

The KDC investment include SR 250 million as an exclusive right to participate in the Khozam project development and SR 276 million as capital contributions fully paid in cash. The other shareholder (JDURC) contributed SR 265 million worth of land as capital contribution. The management believes that the value of the total investment has not diminished.
- (iv) **Eastern Juman Company (Juman):** During 2016 the group had invested in Eastern Juman Company a Limited Liability Company established mainly for the development of Juman project located between Dammam and Ras Tanura. The Company is registered in Riyadh under the Commercial Registration No. 1010462791 dated 15/10/1437H, (corresponding to 20/07/2016) with a share capital of SAR 8.2 million. The group has paid SAR 1.5 million towards the 18.29% of its share capital and management believe that the value of the total investment has not diminished or impaired.
- (v) **First Brokerage Properties Company (FBPC):** During 2020 the group had invested 67% in First Brokerage Properties Company a Limited Liability Company established mainly for the management and rental of real estate owned or leased (residential and non-residential), brokers activities and real estate management activities for a commission.

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9. OTHER ASSETS (DEFERRED CHARGES), NET

The movement during the period is as below:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Balance, beginning of the period/year | 492 | 1,501 |
| Additions during the period/year | - | - |
| Amortisation charge for the period/year | (251) | (1,009) |
| Balance , end of the period/year | 241 | 492 |

10. TRADE RECEIVABLES AND OTHERS

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Trade receivables – net of allowances for doubtful debts of SR 23.54 million (31 December 2020: SR 23.54 million) | 3,894,735 | 3,626,042 |
| Advance payments to purchase land | 794,669 | 709,670 |
| Accrued revenue | 3,488 | 1,461 |
| Prepayments and others | 307,905 | 312,005 |
| Short term investment- trading (note 10c) | - | - |
| Total | 5,000,797 | 4,649,178 |

The fair value of financial assets included above approximates the carrying amount. No penalties or interests are charged for delayed payments.

Trade receivable disclosed above include amounts (see below for ageing analysis) that are past due from the date of invoice, at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality.

a) Ageing of trade receivables that are due but not impaired

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|----------------|---|--|
| . | | |
| 0-60 days | 406,382 | 324,722 |
| 61-120 days | 315,379 | 251,119 |
| 121-180 days | 245,235 | 261,608 |
| Above 180 days | 2,927,739 | 2,788,593 |
| Total | 3,894,735 | 3,626,042 |

Ageing are from the date of invoice and the trade receivables include about 98% (31 December 2020: 98%) receivables against land and project sales which are fully secured against such land and project parcels.

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b) Expected Credit Loss evaluation of Account receivables

The Group consistently measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer/tenant and shall also make a specific analysis of respective customer/ tenant to assess the current financial position and any other related factors along with general economic conditions of the industry in which the customer/tenants operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised full credit allowance against all receivables where the analysis has indicated that these receivables are generally not recoverable. The Group has not made any provisions against the receivables against the sale of land and projects and dues and lease receivables from government departments.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Movement in the expected credit loss

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Balance, beginning of the period/year | 23,535 | 21,019 |
| Allowance for the period/year | - | 2,516 |
| Balance, end of the period/year | 23,535 | 23,535 |

c) Short term investment – Fair value through profit or loss (FVTPL)

The group has an investment, classified as held for trading, through portfolio management account with a leading Saudi Asset Management broking institution ("fund manager") and as per the portfolio management agreement the fund manager is allowed to trade in Islamic debt and equity securities on behalf of the Group. The transaction during the year is detailed below:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Balance, beginning of the period/year | - | 863 |
| Purchased / sold during the period/year | - | - |
| | - | 863 |
| Realised gains | - | - |
| Total | - | 863 |
| Transfers/withdrawals | - | (863) |
| Balance, end of the period/year | - | - |

Investment includes SR nil as at 31 March 2021 (31 December 2020 SR nil) representing cash deposit held with the fund manager.

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11. CASH AND CASH EQUIVALENTS

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|----------------|---|--|
| Cash in hand | 825 | 666 |
| Cash with bank | 4,548,282 | 4,930,994 |
| Total | 4,549,107 | 4,931,660 |

12. LONG-TERM BORROWINGS

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Islamic Sukuk | 7,500,000 | 7,500,000 |
| Islamic Murabaha | 2,723,510 | 2,804,050 |
| | 10,223,510 | 10,304,050 |
| Less: Un-amortised transaction costs (note 12 b) | (78,589) | (86,597) |
| Borrowings end of the period/year | 10,144,921 | 10,217,453 |
| Less: Borrowing -short-term maturity portion | (436,362) | (436,062) |
| Borrowing -long-term maturity portion | 9,708,559 | 9,781,391 |

a. Repayable as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---------------------------------------|---|--|
| Within one year | 436,362 | 436,062 |
| In the second year | 2,343,762 | 2,348,412 |
| In the third to fifth years inclusive | 7,443,386 | 7,519,576 |
| Total | 10,223,510 | 10,304,050 |

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b. Islamic borrowings transaction costs:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Balance, beginning of the period/year | 86,597 | 99,767 |
| Additions during the period/year | - | 23,905 |
| Amortisation charge for the period/year | (8,008) | (37,075) |
| Balance, end of the period/year | 78,589 | 86,597 |

c. Analysis of borrowings:

This represents SR 7.50 billion of Islamic Sukuk comprising:

- 1) SR 1.88 billion (USD 500 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2022.
- 2) SR 1.88 billion (USD 500 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2023.
- 3) SR 2.25 billion (USD 600 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.75% and maturing in 2025.
- 4) SR 1.50 billion (USD 400 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2027.

Islamic Sukuks listed above are denoted in US dollars. Since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk. The investment profit is payable to the Saudi SPV, through which the Sukuk was issued, by the sale of properties owned by the Group. The beneficiary rights of these properties are with Dar Al Arkan Real Estate Development Company and its subsidiaries with the rights to buy back the ownership of these properties upon the full repayment of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 March 2021.

Islamic Murabaha

This represents the bilateral Murabaha facilities from local and international commercial banks, secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long- term and short- term tenures ranging from 6 months to 9 years with various repayment schedules like annual roll revolvers, bullet payments and instalment repayments ranging from quarterly and half yearly as detailed below.

Summary of the Murabahas:

| Maturity date | Outstanding Balance | Short-term | Long-term |
|---------------|---------------------|----------------|------------------|
| | SR 000 | SR 000 | SR 000 |
| 2023 | 474,200 | 18,600 | 455,600 |
| 2024 | 707,143 | 171,429 | 535,714 |
| 2025 | 566,667 | 133,333 | 433,334 |
| 2027 | 257,000 | 51,000 | 206,000 |
| 2029 | 718,500 | 62,000 | 656,500 |
| TOTAL | 2,723,510 | 436,362 | 2,287,148 |

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The total weighted average effective annual commission rate for the period ended 31 March 2021 is 6.16% (31 December 2020: 6.71%)

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 March 2021.

13. END OF SERVICE INDEMNITIES

The Group provides a defined end of service benefit plan to its employees in line with the labour law provisions and requirement in the Kingdom of Saudi Arabia for respective entities under the Group. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of cessation of their employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans where the respective entities meet the benefit payment obligations as it falls due. The movement of the obligation accrued is as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Balance, beginning of the period/year | 21,323 | 21,614 |
| Charged to expenses during the period/year | 1,026 | 3,884 |
| Re-measurement loss/ (gain) | - | 2,102 |
| Paid during the period/year | (1,158) | (6,277) |
| Balance, end of the period/year | 21,191 | 21,323 |

a) Effect of defined benefit plan on entity's future cash flows

The weighted average duration of the employee benefit obligation is 8.92 years for the year ended December 31, 2020. The expected maturity analysis of undiscounted defined benefit obligation is as follows:

| | Three-month period ended 31 March 2021 (Unaudited) % | Year ended 31 December 2020 (Audited) SR 000 |
|-------------------------------|--|--|
| Within one year | 5% | 983 |
| In the second year | 15% | 3,158 |
| Between third and fifth years | 23% | 4,754 |
| Above five years | 57% | 11,602 |
| Total | 100% | 20,497 |

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14. TRADE PAYABLES AND OTHERS

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|-----------------------------------|---|--|
| Trade payables | 259,466 | 260,221 |
| Due to related parties (note 23a) | 189,532 | 189,741 |
| Accruals | 163,415 | 209,444 |
| Unpaid dividend | 35,377 | 35,381 |
| Lease liability (note 22b) | 9,151 | 243 |
| Contract liabilities (note 14a) | 532,335 | 518,539 |
| Unearned revenue | 66,827 | 18,897 |
| Total | 1,256,103 | 1,232,466 |

Trade payables and others principally comprise amounts outstanding for trade purchases and on- going costs. The average credit period taken for trade purchases is 30 days (31 December 2020: 30 days). The fair value of financial liabilities included above approximates the carrying amount.

a) **Contract liabilities**

Contract Liabilities represents the advance received towards a duly enforceable customer contracts for sale of properties against which the agreed performance obligations are not fully completed.

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Balance, beginning of the period/year | 518,539 | 108,590 |
| Collected during the period/year | 13,796 | 409,949 |
| Cancellations during the period/year | - | - |
| Transfers to cost of revenue during the period/year | - | - |
| Balance, end of the period/year | 532,335 | 518,539 |

15. ZAKAT PROVISIONS

a) **The movement in provision for Zakat:**

Zakat is recognized and provided for in the financial statements and the movement of Zakat is as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Balance beginning of the period/year | 437,194 | 486,665 |
| Estimated Zakat for the period/year | 731 | 585 |
| Paid during the period/year | (102,221) | (50,056) |
| Estimated Zakat provision, end of the period/year | 335,704 | 437,194 |

b) The Company has received the assessments from GAZT for the years 2003 to 2014. The company had filed the consolidated zakat return for years 2015 to 2020 which are under assessments.

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16. SHARE CAPITAL

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| <i>Authorised:</i> | | |
| 1,080,000,000 ordinary shares of SR 10 each | 10,800,000 | 10,800,000 |
| Issued and fully paid shares of SR 10 each | | |
| At the start of the period/year | 10,800,000 | 10,800,000 |
| At the end of the period/year | 10,800,000 | 10,800,000 |

The Group has one class of ordinary shares which carry no right to fixed income.

17. REVENUE

The Group derives its revenue from development properties through contracts with customers for the transfer of goods at a point in time. The below revenue details are consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 4).

| Disaggregation of revenue | Basis of Recognition | For the three-month ended | |
|--------------------------------|-------------------------|--|--|
| | | 31 March 2021 (Unaudited) SR 000 | 31 March 2020 (Unaudited) SR 000 |
| Sale of development properties | - At a point in time | 480,720 | 490,341 |
| Sale of residential properties | - At a point in time | 43,941 | 65,303 |
| Leasing of properties | - IFRS 16 | 30,175 | 37,377 |
| Total | | 554,836 | 593,021 |

18. COST OF REVENUE

| | For the three-month ended | |
|--|--|--|
| | 31 March 2021 (Unaudited) SR 000 | 31 March 2020 (Unaudited) SR 000 |
| Development properties- cost | 303,754 | 365,887 |
| Residential properties-cost | 35,329 | 55,817 |
| Direct cost on leasing – depreciation (refer note 5) | 11,214 | 11,285 |
| Total | 350,297 | 432,989 |

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19. GENERAL AND ADMINISTRATIVE EXPENSES

| | For the three-month ended | |
|-------------------------------------|------------------------------|------------------------------|
| | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| | SR 000 | SR 000 |
| General and administrative expenses | 34,660 | 43,796 |
| Depreciation (refer note 7 & 22a) | 2,708 | 2,508 |
| Total | 37,368 | 46,304 |

20. FINANCE COSTS

| | For the three-month ended | |
|--|------------------------------|------------------------------|
| | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| | SR 000 | SR 000 |
| Charges on Sukuk | 126,453 | 111,381 |
| Charges on Islamic Murabaha | 31,672 | 26,024 |
| Charges on Lease liability (note 22b) | - | 7 |
| Amortisation of transaction costs (note 12b) | 8,008 | 13,062 |
| Total | 166,133 | 150,474 |

21. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

| | For the three-month ended | |
|--|------------------------------|------------------------------|
| | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| | SR 000 | SR 000 |
| Earnings | | |
| For the purpose of basic earnings per share (Net profit for the period) | 28,517 | 12,416 |
| Number of shares | | |
| Weighted average number of ordinary shares For the purposes of basic earnings per share | 1,080,000,000 | 1,080,000,000 |

There is no dilution of ordinary shares and as such the basic and diluted earnings per share calculation are consistent.

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22. LEASE ARRANGEMENTS

A: GROUP AS LESSEE

a) Right of use assets

Below is the "right of use assets" for the lease arrangements entered and unexpired as at the reporting date, qualifying for accounting under IFRS 16. The details and movements for this assets is summarised as follows, and the depreciation charged to this asset is included in depreciation expenses.

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| COST | | |
| At beginning of the period/year | 3,962 | 3,962 |
| Additions for the period/year | 10,272 | - |
| Transfer/ retirements | (1,528) | - |
| At end of the period/year | 12,706 | 3,962 |
| ACCUMULATED DEPRECIATION | | |
| At beginning of the period/year | 3,856 | 2,932 |
| Charged during the period/year | 426 | 924 |
| Transfer/ retirements | (1,528) | - |
| At end of the period/year | 2,754 | 3,856 |
| NET BOOK VALUE AT THE END OF THE PERIOD/YEAR | 9,952 | 106 |

The balance in right of use assets are included with the property plant and equipment (refer note 7)

b) Lease liability

The "lease liability" to account for its unexpired lease qualified for accounting under IFRS 16 requirements and the details of the movements are as below. The interest cost accrued is included in the financing charges.

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| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| LIABILITY | | |
| At beginning of the period/year | 4,791 | 4,769 |
| Additions for the period/year | 9,306 | - |
| Transfer/ retirements | - | - |
| Finance cost for the period/year | - | 22 |
| At end of the period/year | 14,097 | 4,791 |
| PAYMENTS | | |
| At beginning of the period/year | 4,548 | 3,897 |
| Paid during the period/year | 398 | 651 |
| At end of the period/year | 4,946 | 4,548 |
| BALANCE AT THE END OF THE PERIOD/YEAR | 9,151 | 243 |

The balance in lease liability is included with trade payables and others (refer note 14)

c) **Minimum lease payments**

The minimum lease payments under non-cancellable lease rentals are as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|----------------------------|---|--|
| Amounts due: | | |
| Within one year | 1,121 | 596 |
| Between one and five years | 8,969 | - |
| Above five years | - | - |
| Total | 10,090 | 596 |

B: GROUP AS LESSOR

The Group has investment properties (refer note 5) consists of residential and commercial real estate properties that are retained in its master planned community with an intention to generate consistent recurring income. These properties are leased, both on short term and long term operating lease arrangements to various customers, including corporates, government and individuals for their residential and commercial requirements. For the relevant reporting period, the details of income generated and the direct cost of leasing is detailed segmental reporting (refer note 4).

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The minimum lease receivables under non-cancellable lease rentals are as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|----------------------------|---|--|
| Amounts Receivable: | | |
| Within one year | 89,613 | 84,393 |
| Between one and five years | 156,687 | 137,088 |
| After five years | 68,170 | 61,696 |
| Total | 314,470 | 283,177 |

23. RELATED PARTY TRANSACTIONS

a) Due to related parties

The Khozam Real Estate Development Company (KDC) is a Jointly controlled entity (for further details please refer note 8). The KDC management requested the group to invest excess cash balance of KDC with the group at a nominal profit charged on the average balance, repayable on demand to fund its operational requirements. The details of the transactions, included in trade payable and other (refer note # 14), are as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Balance, beginning of the period/year | 189,741 | 189,397 |
| Repayment of advances for the period/year | (449) | (616) |
| Profit charged for the period/year | 240 | 960 |
| Balance, end of the period/year | 189,532 | 189,741 |

b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the period are as follows:

| | For the three-month ended 31 March 2021 (Unaudited) SR 000 | 31 March 2020 (Unaudited) SR 000 |
|---|---|--|
| Short-term benefits | 3,149 | 1,620 |
| End-of-service benefits | 787 | 44 |
| Remunerations and attendance fees to Board of Directors and Executive Committee | - | - |
| Total | 3,936 | 1,664 |

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c) Other related party transactions

(i) Saudi Home Loans (SHL):

SHL is an associate of the Group (for shareholding and operational details kindly refer note 8). During the period, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in nonperforming receivables. The details of the transactions, included in trade receivable (refer note # 10), are as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Balance, beginning of the period/year | - | - |
| Sales/ debits during the period/year | 8,872 | 15,471 |
| Collections /adjustments | (8,872) | (15,471) |
| Balance, end of the period/year | - | - |

(ii) Alkhair Capital Dubai Ltd.

The Group engaged Alkhair Capital Dubai, an associate entity, to provide general financial advisory to the group. The details of the transactions, included in trade payable under trade payable and others (refer note # 14), are as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|--|---|--|
| Balance, beginning of the period/year | - | - |
| Fees and expenses on indirect engagement with group AlKhair Capital Dubai during the period/year | - | 1,500 |
| Amount paid during the period/year | - | (1,500) |
| Balance, end of the period/year | - | - |

For the period ended 31 March 2021 and the year ended 31 December 2020, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

In addition, the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

See also note 8.

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24. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the interim condensed consolidated statement of profit or loss and comprehensive income for the period ended 31 March 2021 was SR 1.03 million (31 December 2020: SR 3.88 million), and the outstanding contribution as at 31 March 2021 is SR 265 thousand (31 December 2020: SR 245 thousand).

25. CAPITAL MANAGEMENT

The executive committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007, when the Group diversified its sources of funding and issued two medium term Sukuks ranging from 3-5 years. Considering the track record of timely repayment of the first two Sukuk and the group expertise developed over the past five years to access international markets for shariah' compliant funding, the management continue to maintain its relationship with the capital markets and monitor the markets for future issuance. The Group adhere to international best practices in corporate governance and consider the capital market transactions to create additional shareholders value.

The capital structure of the Group consists of net debt (borrowings adjusted with cash and cash equivalents) and equity (comprising share capital, statutory reserve, and retained earnings). The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements.

The gearing ratio at end of the reporting period was as follows:

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|---|--|
| Islamic borrowings | 10,144,921 | 10,217,453 |
| Cash and cash equivalents and short term deposits | (4,549,107) | (4,931,660) |
| | <u>5,595,814</u> | <u>5,285,793</u> |
| Shareholders' equity | <u>19,054,697</u> | <u>19,026,180</u> |
| Net debt to equity ratio | 29% | 28% |

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26. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any non-Islamic financial variable instrument contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to the following risks:

1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the Group's exposure to losses is limited.

With respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

The summary of financial assets subject to credit risk is detailed below;

| | Three-month period ended 31 March 2021 (Unaudited) SR 000 | Year ended 31 December 2020 (Audited) SR 000 |
|---|--|---|
| Cash and cash equivalents and short term deposits | 4,549,107 | 4,931,660 |
| Trade receivable, net | 3,894,735 | 3,626,042 |
| Other assets | 1,106,062 | 1,023,136 |
| Total | 9,549,904 | 9,580,838 |

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

Commission Rate Risk

Commission Rate Risk is associated with a change in the commission rate available when renegotiating financial instruments that are influenced by the current global financial market conditions. The Group is exposed to commission rate risk with respect to its floating commission covenants agreed for its Islamic Murabaha (revolving credit) facilities obtained from local banks.

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The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the Group.

The Group has no specific shariah' complaint commission rate swap contract to manage its commission rate risk. The Group's international borrowing commission rates are primarily based on LIBOR and its local borrowings are based on SAIBOR. Hence the commission rate exposure of the Group is variable according to the changes in the LIBOR & SAIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the reporting date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the reporting date.

During the period under review the average rate of 3 months LIBOR varied between 0.18% and 0.24% (0.20% and 0.25% for 2020) and SAIBOR varied between 0.80% and 0.82% (0.82% and 0.87% for 2020).

The sensitivity of commission rate variance on the Group's external borrowings which affects the interim condensed consolidated financial statements of the Group is shown below:

| | Three-month period ended 31 March 2021 (Unaudited) | Year ended 31 December 2020 (Audited) |
|-------------------|---|--|
| | SR 000 | SR 000 |
| + 25 basis points | 6,809 | 7,010 |
| - 25 basis points | (6,809) | (7,010) |

The net profit of the Group for the reported period would have been affected by the above amount as a result of such changes in floating commission rates. If there is any capitalisation of borrowing costs directly attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be nil as there were no capitalisation for the current period as explained in note 2.9.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The total weighted average effective annual commission rate for the period ended 31 March 2021 is 6.16% (31 December 2020: 6.71%)

See notes 12 and 14 for further details.

The maturity profile of financial liabilities of the group with undiscounted gross cash flows for the remaining contractual maturities for both principal and interest, wherever applicable, as at 31 March 2021 and 31 December 2020 are as follows:

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| 31 March 2021 | Within 3 Months | 3 months to 1 year | One year to 2 years | 3 year to 5 years | Above 5 years | No Fixed Maturity | Total |
|-------------------------------------|------------------------|---------------------------|----------------------------|--------------------------|----------------------|--------------------------|-------------------|
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| <u>Financial Liabilities</u> | | | | | | | |
| Islamic borrowings | 291,468 | 797,078 | 2,409,711 | 6,638,175 | 2,166,036 | - | 12,302,468 |
| End of service indemnities | - | - | - | - | - | 21,191 | 21,191 |
| Trade payables and others | 56,876 | 973,010 | - | - | - | 226,217 | 1,256,103 |
| Total | 348,344 | 1,770,088 | 2,409,711 | 6,638,175 | 2,166,036 | 247,408 | 13,579,762 |

| 31 December 2020 | Within 3 Months | 3 months to 1 year | One year to 2 years | 3 year to 5 years | Above 5 years | No Fixed Maturity | Total |
|-------------------------------------|------------------------|---------------------------|----------------------------|--------------------------|----------------------|--------------------------|-------------------|
| | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 | SR 000 |
| <u>Financial Liabilities</u> | | | | | | | |
| Islamic borrowings | 288,874 | 802,291 | 2,903,674 | 6,483,971 | 2,112,533 | - | 12,591,343 |
| End of service indemnities | - | - | - | - | - | 21,323 | 21,323 |
| Trade payables and others | 159,762 | 727,163 | - | - | - | 345,541 | 1,232,466 |
| Total | 448,636 | 1,529,454 | 2,903,674 | 6,483,971 | 2,112,533 | 366,864 | 13,845,132 |

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

27. COMMITMENTS AND CONTINGENCIES

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 31 March 2021 amounts to SR 272 million (31 December 2020: SR 284 million) and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2020: SR 74 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At 31 March 2021, there were no significant claims notified (31 December 2020: None).

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28. EFFECTS OF CORONA VIRUS (COVID 19)

With regard to the effects of the spread of the Corona virus (Covid 19) that appeared during the reporting period as a global pandemic and the precautionary procedures that the Government of the Kingdom of Saudi Arabia has taken to face this epidemic, the company believes that this event did not have a material impact on the results of the company's operations up to the date of the interim condensed consolidated financial statements. The company is currently unable to predict the financial impact of this crisis and the company is following the developments and taking all possible financial, administrative and technical procedures in order to mitigate the potential negative impacts of this crisis, changes in future conditions may require some disclosures or adjustments to the financial statements in the subsequent years.

29. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the board of directors and authorized for issue on 5 May 2021.