

**KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT**

KNOWLEDGE ECONOMIC CITY COMPANY
(A Saudi joint stock company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor's report to the shareholders of Knowledge Economic City Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Knowledge Economic City Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with Code's requirements.

Our audit approach

Overview

Key audit matter • Impairment of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



Independent auditor’s report to the shareholders of Knowledge Economic City Company (continued)

Our audit approach (continued)

Key audit matter

Key audit matters is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
<p style="color: #C8513E;"><i>Impairment of investment properties</i></p> <p>The Group owns a portfolio of investment properties, comprising lands with infrastructures and properties under development. At 31 December 2022, investment properties amounting to Saudi Riyals 2.9 billion, which represents significant balances in the Group’s consolidated statement of financial position as of that date.</p> <p>Investment properties are carried at cost, net of accumulated depreciation. The Group assesses whether there are indicators of impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.</p> <p>Management engaged professionally qualified external valuer (the “Valuer”) licensed by the Saudi Authority for Accredited Valuers (TAQEEM) who performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).</p> <p>The Valuers apply certain assumptions such as capitalisation rates and discount rates which are influenced by prevailing market yields and comparable market transactions and specific characteristics, such as property location and occupancy rate of each property in the portfolio, to arrive at the final valuation.</p>	<p>We performed the following procedures in relation to the Group’s assessment of the impairment of its investment properties:</p> <ul style="list-style-type: none"> • Assessed the competence, capabilities and objectivity of the Valuer engaged by management. • Involved our internal valuation experts who performed the following procedures: <ul style="list-style-type: none"> ○ Reviewed the methodology applied by the valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the fair value of the investment properties for the purpose of the consolidated financial statements; and ○ Assessed the reasonableness of key underlying assumptions used by management. • Checked the accuracy of the input data used by the Valuer by comparing the source data used to the accounting records. • Reviewed the sensitivity analysis performed by management around the impact of any change in key assumptions and estimates used by management to the fair value.



Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of investment properties (continued)</i></p> <p>The valuation of the Group's investment property portfolio, for the purpose of impairment assessment and the disclosure of the fair value in the Group's consolidated financial statements, is inherently subjective due to, among other factors, the individual nature of each property, location for the properties valued under the 'residual value approach' and comparable selling prices for the properties that have been valued using the 'market comparable approach'.</p> <p>We considered this to be a key audit matter because the significance of the estimates and judgements involved in the valuations warranted specific audit focus in this area.</p> <p>Refer to Notes 3.2.1, 4.9 and 9 in the accompanying consolidated financial statements for the significant accounting judgements, estimates and assumptions, accounting policies and other related financial information.</p>	<p>We also reviewed the adequacy and appropriateness of the disclosures and the associated accounting policy included in the accompanying consolidated financial statements.</p>

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report of the Group, but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent auditor's report to the shareholders of Knowledge Economic City Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379



March 29, 2023

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2022	2021
Assets			
Non-current assets			
Property and equipment	7	48,227,753	48,796,461
Investment properties	9	2,901,126,345	2,608,768,661
Right-of-use asset	29	1,103,669	2,307,671
Intangible assets	8	189,378	461,458
Derivative financial instrument	18	17,145,619	-
Trade receivable	13	73,852,103	98,208,785
Investment held at amortised cost	12	124,772,392	124,772,392
Total non-current assets		3,166,417,259	2,883,315,428
Current assets			
Development properties	10	58,151,760	67,151,326
Trade receivables	13	40,440,325	63,126,630
Contract assets	14	12,355,669	4,537,667
Prepayments and other current assets	15	54,179,504	25,738,125
Financial assets at fair value through profit or loss	16	49,065,048	150,676,588
Cash and cash equivalents	17	128,124,482	99,652,420
Total current assets		342,316,788	410,882,756
Total assets		3,508,734,047	3,294,198,184
Equity and liabilities			
Equity			
Share capital	25	3,393,000,000	3,393,000,000
Hedge reserve	18	2,509,406	-
Accumulated losses		(336,038,339)	(316,877,718)
Equity attributable to equity holders of the parent		3,059,471,067	3,076,122,282
Non-controlling interests	11	93,446,015	92,893,309
Total equity		3,152,917,082	3,169,015,591
Liabilities			
Non-current liabilities			
Borrowings	19	220,237,162	-
Employee benefits	23	9,263,893	8,062,405
Payable to other unitholders of Fund	20	53,191,815	53,589,325
Lease liabilities	29	-	1,340,901
Total non-current liabilities		282,692,870	62,992,631
Current liabilities			
Lease liabilities	29	1,987,362	1,264,363
Contract liabilities	14	4,309,339	-
Trade payables		5,193,805	8,128,857
Accruals and other current liabilities	21	54,329,689	44,286,055
Zakat	24	7,303,900	8,510,687
Total current liabilities		73,124,095	62,189,962
Total liabilities		355,816,965	125,182,593
Total equity and liabilities		3,508,734,047	3,294,198,184

These consolidated financial statements including the attached notes and other explanatory information were approved and authorised for issue by the Board of Directors.


Chief Financial Officer


Chief Executive Officer


Chairman of Board of Directors

The attached notes from 1 to 37 form an integral part of these consolidated financial statements.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2022	2021
Revenue	26.1	56,686,593	42,454,283
Cost of revenue	26.2	(38,666,604)	(31,983,740)
Gross profit		18,019,989	10,470,543
Selling and marketing expenses	27	(10,973,859)	(9,759,864)
General and administrative expenses	28	(46,310,439)	(46,838,196)
Other income, net	30	8,325,095	31,748,868
Operating loss		(30,939,214)	(14,378,649)
Finance income		2,991,849	2,471,629
Unrealized gain from investments at fair value through profit or loss	16	1,388,460	676,588
Fair value gain on derivative financial instrument	18	14,636,213	-
Finance cost	29	(116,347)	(163,847)
Loss before zakat		(12,039,039)	(11,394,279)
Zakat expense	24	(6,796,987)	(11,134,463)
Net loss for the year		(18,836,026)	(22,528,742)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
<i>Derivative financial instrument – effective portion of changes in fair value of cash flow hedge</i>	18	2,509,406	-
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement gain/(loss) on defined benefit plans	23	228,111	(134,210)
Total comprehensive loss for the year		(16,098,509)	(22,662,952)
<i>Net loss attributable to:</i>			
Equity holders of the parent		(19,388,732)	(22,088,547)
Non-controlling interests		552,706	(440,195)
		(18,836,026)	(22,528,742)
<i>Total comprehensive loss attributable to:</i>			
Equity holders of the parent		(16,651,215)	(22,222,757)
Non-controlling interests		552,706	(440,195)
		(16,098,509)	(22,662,952)
Loss per share attributable to equity holders of the Company:			
Basic and diluted loss per share (Saudi Riyals)	31	(0.057)	(0.065)

These consolidated financial statements including the attached notes and other explanatory information were approved and authorised for issue by the Board of Directors.



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 37 form an integral part of these consolidated financial statements.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Attributable to the equity holders of the parent</u>					Total equity
	Share capital	Hedge reserve	Accumulated losses	Total	Non-controlling interest	
Balance as at 1 January 2021	3,393,000,000	-	(294,654,961)	3,098,345,039	93,333,504	3,191,678,543
Net loss for the year	-	-	(22,088,547)	(22,088,547)	(440,195)	(22,528,742)
Other comprehensive loss for the year	-	-	(134,210)	(134,210)	-	(134,210)
Total comprehensive loss for the year	-	-	(22,222,757)	(22,222,757)	(440,195)	(22,662,952)
Balance as at 31 December 2021	3,393,000,000	-	(316,877,718)	3,076,122,282	92,893,309	3,169,015,591
Net loss for the year	-	-	(19,388,732)	(19,388,732)	552,706	(18,836,026)
Other comprehensive income for the year	-	2,509,406	228,111	2,737,517	-	2,737,517
Total comprehensive loss for the year	-	2,509,406	(19,160,621)	(16,651,215)	552,706	(16,098,509)
Balance as at 31 December 2022	3,393,000,000	2,509,406	(336,038,339)	3,059,471,067	93,446,015	3,152,917,082

These consolidated financial statements including the attached notes and other explanatory information were approved and authorised for issue by the Board of Directors:



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 37 form an integral part of these consolidated financial statements.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		<u>For the year ended 31 December</u>	
	Note	2022	2021
Operating activities			
Loss before zakat		(12,039,039)	(11,394,279)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>			
Finance income		(2,991,849)	(2,471,629)
Unrealized gain from investments at fair value through profit or loss	16	(1,388,460)	(676,588)
Fair value gain on derivative financial instrument	18	(14,636,213)	-
Revaluation of payable to other unitholders of Fund	30	(397,510)	(1,410,675)
Income from lawsuits won and related legal fees	30	-	(28,246,939)
Provision for employee benefits	23	2,160,442	1,759,131
Finance cost for lease liabilities	29	116,347	163,847
Write off of property and equipment	7	-	32,266
Depreciation of property and equipment	7	2,292,194	1,445,572
Amortization of right-of-use assets	29	1,204,002	1,204,003
Amortization of intangible assets	8	379,023	466,211
		(25,301,063)	(39,129,080)
<i>Working capital adjustments:</i>			
Development properties		8,999,566	18,657,464
Trade receivables		47,042,987	23,418,328
Contract assets		(7,818,002)	(4,537,667)
Prepayments and other current assets		(28,441,379)	(4,080,135)
Trade payable		(2,935,052)	6,033,221
Contract liabilities		4,309,339	-
Accruals and other current liabilities		8,219,884	2,661,436
Cash generated from operations		4,076,280	3,023,567
Cash received on liquidation of bank guarantees	30	-	40,667,238
Employees' benefits paid	23	(730,843)	(1,237,658)
Zakat paid	24	(8,003,774)	(14,551,268)
Net cash (used in) / generated from operating activities		(4,658,337)	27,901,879
Investing activities			
Short-term investments made		(50,000,000)	-
Proceeds from short-term investments		50,000,000	46,000,000
Finance income received		2,991,849	2,559,796
Proceeds from sale of financial assets at fair value through profit or loss		103,000,000	(150,000,000)
Additions to investment properties	9	(290,533,934)	(60,011,173)
Additions to property and equipment	7	(1,723,486)	(476,144)
Additions to intangible assets	8	(106,943)	(19,688)
Net cash flows used in investing activities		(186,372,514)	(161,947,209)
Financing activities			
Contribution by other unitholders of the Fund		-	55,000,000
Borrowings	19	220,237,162	-
Lease payment	29	(734,249)	(1,345,283)
Net cash flows generated from financing activities		219,502,913	53,654,717

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
 (All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Increase /decrease in cash and cash equivalents		28,472,062	(80,390,613)
Cash and cash equivalents at the beginning of the year		99,652,420	180,043,033
Cash and cash equivalents at the end of the year	17	128,124,482	99,652,420
Supplementary non-cash information			
Adjustment to investment properties on settlement of claims	30	-	26,773,966
Adjustment of accruals and other payables on settlement of claims	30	-	14,353,667
Additions in investment properties through accrued expenses		1,823,750	9,815,312

These consolidated financial statements including the attached notes and other explanatory information were approved and authorised for issue by the Board of Directors.

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The attached notes from 1 to 37 form an integral part of these consolidated financial statements.

**Knowledge Economic City Company
(A Saudi Joint Stock Company)**

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Knowledge Economic City Company (“KEC” or the “Company”) and its subsidiaries (collectively the “Group”) consist of the Company and its various Saudi Arabian subsidiaries. The Group is engaged in developing real estate, economic cities and other development projects including infrastructure, telecommunication networks, electricity plants, water treatment plant and other works related to developing economic cities in the Kingdom of Saudi Arabia. The Company owns land parcels in Madinah Al-Munawarah and is the lead developer for transforming such land parcels into an economic city.

The Company is a Saudi joint stock company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce resolution number 256/Q dated 15 Sha’ban 1431H (corresponding to 27 July 2010) and registered under commercial registration number 4650071196 issued in Madinah Al Munawarah dated 23 Sha’ban 1431H (corresponding to 4 August 2010). The Company’s shares are listed on the Saudi Stock Exchange Tadawul.

The registered address of the Company is Diwan Al Marefah, King Abdulaziz Road, P. O. Box 43033, Madinah Al Munawarah 41561, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company, and its following subsidiaries operating under individual commercial registrations.

Subsidiaries	Country of incorporation	Paid up capital	Effective ownership	
			2022	2021
Mounshaat Al Maarifa Al Akaria Company	Saudi Arabia	1,000,000	100%	100%
Mashariaa Al Maarifa Al Akaria Company	Saudi Arabia	633,000,000	100%	100%
Al Garra International Company for Real Estate	Saudi Arabia	467,765,000	80%	80%
Al Maarifa Al Akaria Company Limited	Saudi Arabia	10,000,000	100%	100%
Makarem Al Maarifa for Hospitality Company	Saudi Arabia	56,400,000	100%	100%
Riyadh Real Estate Development Fund -	Saudi Arabia	220,000,000	68.82%	68.82%

During 2021, the shareholder of Amaak have resolved to decrease the share capital of Amaak from Saudi Riyals 50 million to Saudi Riyals 10 million and such formalities have been completed and effective during the year ended 31 December 2022.

During the year ended 31 December 2021, the Group invested in a newly established private real estate fund namely Riyadh Real Estate Development Fund - Madinah Gate (the “Fund”). The Group transferred the entire ownership of Madinah Gate that owned the real estate asset in favour of the Fund amounting to Saudi Riyals 68 million in exchange of units in the Fund. Moreover, the Group also invested Saudi Riyals 97 million in cash to subscribe units in the Fund. This total investment of Saudi Riyals 165 million represents 75% ownership of the Fund (44.1% is direct ownership, and 30.9% indirect ownership through the subsidiary Al Garra company as the Group owns 80% of it). The Group signed an agreement with Riyadh Capital for the management of the Fund. Please see Note 3.

Mounshaat and Mashariaa have not commenced their operations as at 31 December 2022.

During the year ended 31 December 2021, the Group signed an agreement with the Saudi Tourism Development Fund and Riyadh Bank to provide financing facility to an extent of Saudi Riyals 782 million for development execution of the KEC Hub project. Refer to note 9 for more details.

Also, during the year, the Company has signed an agreement with Riyadh Bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. As of 31 December 2022, the Company has not withdrawn any amount from the said facility.

Furthermore, during the year, the Company has signed an agreement with Saudi National Bank to provide the financing facility amounting to Saudi Riyals 100 million for working capital requirement against the pledge of the Company’s investment in Saudi Government SAR Sukuk amounting to Saudi Riyals 125 million. As of 31 December 2022, the Company has not withdrawn any amount from the said facility.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 28 March 2023.

**Knowledge Economic City Company
(A Saudi Joint Stock Company)**

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered Professional Accountants (“SOCPA”) (collectively referred to as “IFRS endorsed in KSA”).

2.2 Basis of measurement

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept. For employees benefit liabilities, actuarial present value calculations are used.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals, which is also the functional currency of the Group.

3 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Other disclosures relating to the Group’s exposure to risks and uncertainties includes:

- Sensitivity analyses disclosures (notes 9, 23 and 34)
- Financial instruments risk management (note 34)
- Capital management (note 35)

3.1 Judgements

The Group has exercised judgement on the consolidated financial statements. In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1.1 Revenue recognition

Revenue for the sale of residential villas is recognised over time. In order to determine the appropriate method of recognising revenue, the Group assesses its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time. The Group has assessed that based on the sale agreements entered into with customers, relevant laws and regulations in particular Economic Cities and Special Zones Authority (“ECZA”) and by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract termination. The matter would be decided by ECZA as per applicable laws and therefore management’s judgement is based on their interpretation of law (as per legal advice obtained by management), that they would be compensated for the payments due from the customer. Also the contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group. Based on this, the Group recognises revenue over time. The Group considers that the use of the input method, which requires revenue recognition based on the Group’s efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognised.

**Knowledge Economic City Company
(A Saudi Joint Stock Company)**

Notes to the consolidated financial statements for the year ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

3 Significant accounting judgements, estimates and assumptions (continued)

3.1 Judgements (continued)

3.1.2 Going concern

The Group's management has made a cash flow assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue the business for the foreseeable future. The Group current assets increase its current liabilities by Saudi Riyals 348,692,794. The Group has also obtained loan facilities amounting to Saudi Riyals 782 million to finance the Group for the cost of developing the first phase of the KEC Hub project. See Note 1. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are continued to be prepared on the going concern basis.

3.1.3 Classification of investments

The Group is managing investments through different holdings in investees. The Group applies significant judgement with respect to the classification of investments with respect to control (including de-facto control), joint control and significant influence exercised on those investments or an investment is simply a financial investment.

For assessing control, the Group has considered power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns. Management's assessment considered the Group's ability to exercise control in the event of a deadlock situation with other vote holders and in situations where the Group holds convertible instruments, the Group has considered potential voting rights.

3.1.4 Consolidation of a Riyadh Real Estate Development Fund - Madinah Gate

As noted above, the Group invested in the Riyadh Real Estate Development Fund – Madinah Gate (the "Fund") by way of contributing in kind the full shares of its wholly owned subsidiary (Madinah Gate Co.) and cash contribution. Due to these contributions to the Fund, the Group holds 75% of the units and accordingly such voting rights of the Fund. As part of the arrangement, the Group is appointed as the development manager of the Fund. On this basis, management assessed if the Fund should be consolidated by the Group.

In performing the assessment whether the Group controls the fund consideration was given to the purpose and design of the Fund, the level of predetermined activities, the substantive rights held by the Group over the relevant activities of the Fund and the Group's exposure to the variable returns of the Fund.

The key objective of the Fund is to achieve capital growth through direct investment in the real estate sector of Madinah Al Munawarah in the Kingdom of Saudi Arabia and the Fund was designed to ensure the property is developed as per the budget and business plans and agreed with the Group prior to the establishment of the Fund to achieve maximum return for the unitholders. The Group was involved in the purpose and design of the Fund, selecting the appropriate Fund structure, preparing the budget and business plans in collaboration with the advisors, securing key contracts (contractors, tenants and preliminary financing terms) and ensuring sufficient substantive rights were retained to continue to have power over the Fund.

The most relevant activity was determined as development of the project and leasing the properties to facilitate the sale of the properties to achieve an internal rate of return for the unitholders. As part of the Fund structure, the Fund has appointed the Group as the development manager to develop the properties and secure the tenants to achieve a high selling price. Furthermore, the Group retained special voting rights which further provided the Group with substantive rights. As such, it was concluded that the Group has power over the Fund.

Currently, the Group holds 75% of the units in the Fund as at 31 December 2022 and is also entitled to fees on the services performed as the development manager. As a result, the Group has the most substantial exposures to the variable returns.

Given, the Group has its power to direct the relevant activities of the Fund, has the most significant variable returns and has the ability to use the power to affect the variable returns, management is of the view, the Group should consolidate the Fund. Accordingly, the Fund is consolidated in these consolidated financial statements.

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3 Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

3.2.1 Impairment of investment properties

Investment properties are stated at cost and an assessment of fair value of investment properties and the land held for sale classified as development properties is carried out at each reporting date by an external valuation firm who hold recognised and relevant professional qualifications and has recent experience in the location and category of the investment property being valued. In determining the valuation, the valuer used the market valuation and residual value methodologies that are based on significant assumptions and estimates. These approaches entail significant judgement and estimates like comparable sale prices, growth rate, disposal period, discount rate, capitalization rate and infrastructure cost, including economic fluctuations. The valuation methodologies, key assumptions and their sensitivity analysis are explained in note 9.

3.2.2 Net realizable value of development properties

Development property is stated at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling prices in ordinary course of business less estimated cost of completion and estimated cost to make the sale.

NRV for villas is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the property at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions.

Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality by an independent professionally qualified valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the land parcel being valued. Estimated costs to complete the development are deducted from estimated selling price to arrive at NRV.

3.2.3 Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted prospectively where the management believes the useful lives differ from previous estimates.

3.2.4 Provision for expected credit losses (ECL) of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed and incorporated if considered relevant and significant.

The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about ECL of trade receivables is disclosed in note 34.

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3 Significant accounting judgements, estimates and assumptions (continued)

3.2 Estimates and assumptions (continued)

3.2.5 Defined benefit plan

The defined benefit plan and the present value of the obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 23.

3.2.6 Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.2.7 Recognition of cost of revenue

The Group has projects “Dar Aljewar II” and “Town house” for selling the villas and townhouses. In order to determine cost of revenues related to each villa and townhouse sold during the period, management estimates the infrastructure costs of the entire development. These costs are then allocated to each plot. These estimates are reviewed regularly 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.

3.2.8 Cost to complete the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include, amongst other items, the construction costs. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements:

4.1 Basis of consolidation

The Group’s consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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4 Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income, expenses, gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

4.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

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4 Summary of significant accounting policies (continued)

4.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

Assets

An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income “fair value through OCI”, and fair value through profit or loss “FVTPL”.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of comprehensive income when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group's does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

i) Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors and the economic environment where there is correlation between these factors and customers default rate.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any collateral or credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities at amortised cost

After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognised in the consolidated statement of comprehensive income.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income .

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

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4 Summary of significant accounting policies (continued)

4.4 Financial instruments (continued)

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.5 Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The management uses fair value less cost to sell approach for its investment properties and development properties and as the recoverable amount using fair value approach is higher than the carrying amount the management does not determine value in use.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

4.6 Derivative financial instrument

Derivative financial instruments and hedge accounting

The Group holds financial instruments to hedge variable interest rate related exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range as per risk management policy. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income. Derivatives are recognized initially at fair value until these are formally designated and recognised in the consolidated statement of comprehensive income. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

When a hedging instrument is expires, terminated, sold or exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit or loss in the consolidated statement of comprehensive income.

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4 Summary of significant accounting policies (continued)

4.7 Property and equipment

Recognition and measurement

Items of property and equipment are initially recorded at cost and measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the consolidated statement of comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of comprehensive income as incurred.

Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment, please refer note 3.2.3.

The estimated useful lives are as follows:

Class	Useful life in years
• Buildings	40 years
• Furniture and fixtures	5 years
• Computers and office equipment	3 to 25 years
• Leasehold improvement	10-20 years (or the period of lease whichever is shorter)
• Motor vehicles	4 years

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4 Summary of significant accounting policies (continued)

4.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category that is consistent with the function of the intangible assets. Intangible assets for the Group comprises software. The estimated useful lives is 5 years.

4.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entity is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing cost. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment loss, if any.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

If an investment property becomes owner-occupied, it is reclassified as property and equipment.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to development property at its carrying cost for subsequent accounting as development property.

4.10 Development properties

Cost of development principally includes the cost of the land, infrastructure costs, construction cost and all other costs which are necessary to get such properties ready for sale. The cost of the land and infrastructure is transferred whenever there is a change in use of investment properties as evidenced by the commencement of development with a view to sale and accordingly, such investment properties are reclassified as development properties at their carrying cost at the date of their reclassification. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

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4 Summary of significant accounting policies (continued)

4.11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Group as a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Refer note 4.20.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets is 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, amortization is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment, refer note 3.2.3.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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4 Summary of significant accounting policies (continued)

4.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Short-term investments having original maturities of more than three months and less than twelve months are classified as short-term investments.

4.13 Liability to the unitholders

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognised at the fair value of the units. All subsequent changes in liability are recognised in the consolidated statement of comprehensive income. The liability represents a pro-rata share of net assets, entitled to other unitholders, in the event of liquidation of the fund. This is determined by way of division of the fund's net assets by the number of units held by unitholders.

4.14 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of comprehensive income (refer to note 23).

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of comprehensive income (refer note 24).

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

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4 Summary of significant accounting policies (continued)

4.17 Segment reporting

A business segment is a group of assets, operations or entities:

- (i) Engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- (ii) The results of its operations are continuously analysed by chief operating decision maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
- (iii) For which financial information is discretely available.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Since the Group operates in the Kingdom of Saudi Arabia only, hence, no geographical segments are being presented in these consolidated financial statements.

4.18 Contract balances

Contract assets

Contract assets relate to off-plan sales of development properties where the properties are not handed over to the customers and the Group has outstanding performance obligation. The contract assets represent Group's right to receive the payments from the customers based on the revenue recognised over time based on the stage of completion of the properties sold to the customers less any amounts that are due from the customers under the contractual terms. Contract assets are subject to impairment assessment.

Trade receivables

A trade receivable is initially recognised for revenue earned from sales transaction. Trade receivable is the Group's right to consideration in exchange for sale of the plots, villas, properties or other related maintenance services to the customers. When the Group satisfies a performance obligation by delivering the promised properties or services, it transfers the amounts from contract asset to trade receivables (unbilled). When the amounts are due from the customers as per the agreed terms and invoices are sent to the customers, the amounts are reclassified from trade receivables (unbilled) to trade receivables (billed). Trade receivables are subject to impairment assessment.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the plots, villas, properties or other related maintenance services to the customer. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related assets or services to the customer).

4.19 Revenue from contracts with customers

Sale of properties and maintenance services

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

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(All amounts in Saudi Riyals unless otherwise stated)

4 Summary of significant accounting policies (continued)

4.19 Revenue from contracts with customers (continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognised in the consolidated statement of comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue from rendering of services is recognised over a period of time when the outcome of the transaction can be estimated reliably, the costs incurred to the satisfaction of a performance obligation (e.g., resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used). Where the outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Significant financing component

The Group receives payments from customers in arrears for the sale of residential villas with a timeline of three years to seven years after signing the contract and receipt of payment. There is a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the villas, as well as the prevailing interest rate in the market. As such, the transaction price for these contracts is discounted, using the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Leases revenues (revenue of real estate leases)

The leases revenues from investment property are recognised in the consolidated statement of comprehensive income on a straight-line-basis over the lease period. Rental incentives granted are included as part of total rental payments over the lease period.

4.20 Cost of revenue

Cost of revenue for residential villas project includes the cost of land, development and other service related costs. The cost of revenue is based on the proportion of the cost incurred to date related to sold units to the estimated total costs for each unit. The costs of revenues from the conduct of facilities management, and real estate management services is based on actual cost of providing the services.

4.21 Expenses

Selling and marketing expenses are those arising from the Group's efforts underlying the marketing and selling functions. All other expenses, excluding direct costs of revenue and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of revenue and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

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4 Summary of significant accounting policies (continued)

4.22 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

4.23 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of comprehensive income.

4.24 Finance income, dividend income and finance cost

Finance income comprises interest income on funds invested that are recognised in consolidated statement of comprehensive income. Interest income is recognised as it accrues in consolidated statement of comprehensive income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated statement of comprehensive income using the effective interest method.

4.25 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net income or loss attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net income or loss attributable to equity holders of the Group and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

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5 New and amended standards adopted by the group

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Title	Key requirements	Effective date	Impact
<i>Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16</i>	<p>The amendment to IAS 16 <i>Property, Plant and Equipment</i> (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.</p> <p>Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.</p>	1 January 2022	The Group does not have any proceeds from properties before their intended use. Therefore, the amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
<i>Reference to the Conceptual Framework – Amendments to IFRS 3</i>	Minor amendments were made to IFRS 3 <i>Business Combinations</i> to update the references to the <i>Conceptual Framework for Financial Reporting</i> and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and Interpretation 21 <i>Levies</i> . The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022	The Group did not acquire any businesses during the year, therefore, the amendment does not have any impact on the amounts recognised in the current and prior periods. The Group will consider the guidance in future if such case occurs.
<i>Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37</i>	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognises a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022	The Group does not have any onerous contracts, therefore, the amendment does not have any impact on the amounts recognised in the current or prior periods. The Group will consider the guidance in future if such case occurs.
<i>Annual Improvements to IFRS Standards 2018–2020</i>	<p>The following improvements were finalised in May 2020:</p> <ul style="list-style-type: none"> • IFRS 9 <i>Financial Instruments</i> – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 <i>Leases</i> – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 <i>Agriculture</i> – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. 	1 January 2022	The amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

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6 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Title	Key requirements	Effective date	Impact
IFRS <i>Insurance Contracts</i>	<p>17 IFRS 17 was issued in May 2017 as replacement for IFRS 4 <i>Insurance Contracts</i>. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the statement of comprehensive income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p> <p>Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.</p> <p>Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.</p>	1 January 2023 (deferred from 1 January 2021)	The amendment does not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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6 New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective date	Impact
<i>Classification of Liabilities as Current or Non-current – Amendments to IAS 1</i>	<p>The narrow-scope amendments to IAS 1 <i>Presentation of Financial Statements</i> clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>They must be applied retrospectively in accordance with the normal requirements in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p> <p>** Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.</p>	1 January 2023 (deferred from 1 January 2022)	The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Company as at the date of these financial statements.
<i>Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2</i>	<p>The IASB amended IAS 1 to require entities to disclose their <i>material</i> rather than their <i>significant</i> accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.</p> <p>To support this amendment, the IASB also amended IFRS Practice Statement 2 <i>Making Materiality Judgements</i> to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	1 January 2023	The amendments are not expected to have a material impact on the Company.
<i>Definition of Accounting Estimates – Amendments to IAS 8</i>	<p>The amendment to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.</p>	1 January 2023	The amendments are not expected to have a material impact on the Company.

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6 New standards and interpretations not yet adopted (continued)

Title	Key requirements	Effective date	Impact
<p><i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</i></p>	<p>The amendments to IAS 12 <i>Income Taxes</i> require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.</p> <p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. <p>The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.</p> <p>IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>	<p>1 January 2023</p>	<p>The amendments are not applicable as Company has not applied the initial recognition exception to such transactions or events.</p>
<p><i>Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28</i></p>	<p>The IASB has made limited scope amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a ‘business’ (as defined in IFRS 3 <i>Business Combinations</i>).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s interests in the associate or joint venture. The amendments apply prospectively.</p> <p>** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	<p>1 January 2023</p>	<p>The amendments are not applicable as Company has not applied the initial recognition exception to such transactions or events.</p>

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7 Property and equipment

	Land	Buildings	Furniture and fixtures	Computer and office equipment	Leasehold improvements	Motor vehicles	Capital work in progress	Total
Cost:								
At 1 January 2021	8,883,511	39,174,514	5,961,590	3,861,992	743,176	554,732	9,294,368	68,473,883
Additions during the year	-	-	276,304	122,999	-	-	76,841	476,144
Write off	-	-	(32,266)	-	-	-	-	(32,266)
At 31 December 2021	8,883,511	39,174,514	6,205,628	3,984,991	743,176	554,732	9,371,209	68,917,761
Additions during the year	-	-	-	-	-	-	1,723,486	1,723,486
Transfers	-	-	1,258,311	653,683	8,183,315	-	(10,095,309)	-
At 31 December 2022	8,883,511	39,174,514	7,463,939	4,638,674	8,926,491	554,732	999,386	70,641,247
Accumulated depreciation:								
At 1 January 2021	-	9,151,631	5,274,037	3,121,038	574,896	554,126	-	18,675,728
Charge for the year	-	1,018,509	153,676	199,649	73,738	-	-	1,445,572
At 31 December 2021	-	10,170,140	5,427,713	3,320,687	648,634	554,126	-	20,121,300
Charge for the year	-	1,018,509	410,863	612,191	250,032	599	-	2,292,194
At 31 December 2022	-	11,188,649	5,838,576	3,932,878	898,666	554,725	999,386	22,413,494
Net book amounts:								
At 31 December 2022	8,883,511	27,985,865	1,625,363	705,796	8,027,825	7	999,386	48,227,753
At 31 December 2021	8,883,511	29,004,374	777,915	664,304	94,542	606	9,371,209	48,796,461

Capital work in progress at 31 December 2021, mainly represent cost incurred by the Group for constructing fence and concrete walls around its owned land which was completed and transferred to the respective category during the year ended 31 December 2022.

During the year, depreciation of Saudi Riyals 329,051 (2021: Saudi Riyals 100,981) was allocated to the investment properties, which represents depreciation of property and equipment used by investment property project management team of the Group.

There were no impairment charges in 2022 and 2021. The property and equipment are not under lien or pledged.

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7 Property and equipment (continued)

The depreciation charge for the year has been allocated as follows:

	2022	2021
General and administrative expenses	1,915,616	1,303,435
Investment properties	329,051	100,981
Selling and distribution expenses	47,527	41,156
	2,292,194	1,445,572

8 Intangible assets

	2022	2021
Cost		
Balance at the start of the year	4,328,383	4,308,695
Additions	106,943	19,688
Balance at the end of the year	4,435,326	4,328,383
Amortization		
Balance at start of the year	3,866,925	3,400,714
Charge for the year	379,023	466,211
Balance at the end of the year	4,245,948	3,866,925
Net book value at the end of the year	189,378	461,458

9 Investment properties

The Group investment properties are measured at cost.

	2022	2021
At the beginning of the year	2,608,768,661	2,565,716,142
Additions during the year	292,357,684	69,826,485
Adjustments on settlement of claim (Note 30)	-	(26,773,966)
At the end of the year	2,901,126,345	2,608,768,661

The Group's investment properties consist of properties in Madinah, Kingdom of Saudi Arabia. The balances above are split into these categories as follows:

	2022	2021
Lands with infrastructures	2,604,886,404	2,565,045,767
Properties under development	296,239,941	43,722,894
	2,901,126,345	2,608,768,661

The Group determined that the investment properties consist of three classes of assets, land amounting to Saudi Riyals 1.3 billion (31 December 2021: Saudi Riyals 1.3 billion), infrastructure cost amounting to Saudi Riyals 1.3 billion (31 December 2021: Saudi Riyals 1.3 billion), and properties under development amounting to Saudi Riyals 296 million (31 December 2021: Saudi Riyals 44 million) based on the nature, characteristics and risks of each property.

The additional details are as follows:

Description	Location	Carrying value	Fair value
KEC	Madinah, Saudi Arabia	1,767,685,071	4,920,945,027
Al Gharra	Madinah, Saudi Arabia	705,250,305	813,807,630
Makarem	Madinah, Saudi Arabia	333,514,058	474,961,482
Madinah Gate	Madinah, Saudi Arabia	94,676,911	179,814,727
		2,901,126,345	6,389,528,866

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9 Investment properties (continued)

At 31 December 2022, the Group's investment properties related to land plots of the project "KEC Hub" amounting to Saudi Riyals 221 million (2021: Saudi Riyals 221 million) were mortgaged as collateral to the Saudi Tourism Development Fund and Riyadh Bank (Refer Note 19).

The investment properties amounting to Saudi Riyals 15 million (2021: Saudi Riyals 15 million) are leased to tenants under operating leases with rentals payable annually. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

Amounts recognised in statement of comprehensive income for investment properties are as follows:

	For the year ended 31 December	
	2022	2021
Rental income from operating leases	371,280	258,370

There are no direct operating expenses during the year on properties that generated rental income.

Minimum lease payments receivable on leases of investment properties are as follows:

	2022	2021
Within the next 12 months	371,280	371,280
Between 1 and 5 years	1,485,120	1,485,120
Above 5 years	6,795,950	7,167,230
	8,652,350	9,023,630

The fair value of the Group's investment properties as at 31 December 2022 was valued at Saudi Riyals 6.4 billion (31 December 2021: Saudi Riyals 5.8 billion) by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach and have recent experience in the locations and segments of the investment properties valued. A valuation model is recommended by the Saudi Authority for Accredited Valuers has been applied. The Group has concluded that there is no impact on the Group considering the significant headroom between the book value and fair value of investment properties determined by independent valuer as 31 December 2022 as mentioned above and accordingly, there is no indication of impairment.

During the period ended 31 December 2022, a borrowing cost amounting to Saudi Riyals 6.7 million was capitalised and as amortization of transaction cost for the construction amounting to Saudi Riyals 320,162 was capitalised as well.

Valuation processes

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the management.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques underlying management's estimation of fair value

The valuation has been undertaken using both the market comparable approach and the residual value approach based on significant unobservable inputs and the fair value measurement was classified as Level 3.

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9 Investment properties (continued)

Valuation techniques underlying management's estimation of fair value (continued)

These significant unobservable inputs include:

Discount rate	Reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.
Price of comparable plots	Reflecting the price of comparable residential and commercial land plots.
Disposal period	Reflecting the assumed period of time it would take in order to dispose of an asset.
Infrastructure costs	Reflecting costs associated with road infrastructure, sewage, water, electricity networks and drainage systems.

The following is the impact of sensitivity analysis of the unobservable inputs:

Significant unobservable input	Rate	Sensitivity of the input to fair value
Discount rate	0.5%	0.5% increase (decrease) would result in an (decrease) increase in fair value by Saudi Riyals (154) million and Saudi Riyals 148 million respectively.
Price of comparable plots	10%	10% increase (decrease) would result in an increase (decrease) in fair value by Saudi Riyals 709 million and Saudi Riyals (699) million respectively.
Disposal period	1 year	1 year increase (decrease) would result in an (decrease) increase in fair value by Saudi Riyals (39) million and Saudi Riyals 12 million respectively.
Infrastructure costs	10%	10% increase (decrease) would result in an (decrease) increase in fair value by Saudi Riyals (146) million and Saudi Riyals 130 million respectively.

There were no changes to the valuation techniques during the year.

10 Development properties

	2022	2021
At the beginning of the year	67,151,326	85,808,790
Additions during the year	22,487,171	7,766,847
Transfer to cost of revenue relating to properties sold	(31,486,737)	(26,424,311)
At the end of the year	58,151,760	67,151,326

The additions during 2022 and 2021 mainly relate to advances and progress payments to a contractor for construction work on the Group's projects. The fair value of the Group's development properties as per Century21 Saudi Arabia ("Century21") valuation report at 31 December 2022 is approximately Saudi Riyals 93.17 million (2021: Saudi Riyals 93.9 million). The Group has considered any impairment indicators to show that the estimated net realizable value (NRV) for development properties are less than the carrying values and concluded that there is no impact.

The development properties are not under lien or pledged.

The balances above are split into these categories as follows:

	2022	2021
Parcels of land	43,009,356	46,585,932
Properties under development	15,142,404	20,565,394
	58,151,760	67,151,326

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11 Non-controlling interests

Set out below is summarised financial information for Al-Gharra that has non-controlling interests and which are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised Statement of Financial Position

	2022	2021
Current assets	245,090	2,792,668
Current liabilities	(50,693,102)	(52,956,974)
Current net liabilities	(50,448,012)	(50,164,306)
Non-current assets	517,678,088	514,630,853
Non-current liabilities	-	-
Non-current net assets	517,678,088	514,630,853
Net assets	467,230,076	464,466,547
Accumulated non-controlling interest	93,446,015	92,893,309

Summarized statement of comprehensive income

	2022	2021
Revenue	-	-
Profit/(Loss) for the year	2,763,530	(2,200,972)
Other comprehensive income	-	-
Total comprehensive profit/(loss)	2,763,530	(2,200,972)
Profit/(Loss) allocated to non-controlling interest	552,706	(440,195)
Total comprehensive profit/(loss) allocated to non-controlling interest	552,706	(440,195)

12 Investment held at amortised cost

During November 2020, the Group invested in Saudi Government SAR Sukuk amounting to Saudi Riyals 124.79 million with original maturity of 7 years. This placement yields finance income at coupon rate of 1.73% per annum.

At 31 December 2022, the Group's investment held at amortised cost were mortgaged as collateral to the Saudi National Bank (Refer Note 19).

Note 34 sets out information about the impairment of financial assets and the group's exposure to credit risk. The investment held at amortised cost is denominated in Saudi Riyals. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

13 Trade receivables

Trade receivables – billed (current)

	2022	2021
Trade customers for sale of residential villas	8,840,979	9,813,359
Trade customers for services	4,885,915	5,132,276
	13,726,894	14,945,635

Trade receivables – unbilled

	2022	2021
Trade customers for sale of residential villas	100,565,534	146,389,780
Less: current portion	(26,713,431)	(48,180,995)
Trade customers for sale of residential villas (non-current)	73,852,103	98,208,785

The Group accounted for significant financing component for all residential contracts discounted at a rate of 5% that reflects the financing component in contracts between the Group and the customers.

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13 Trade receivables (continued)

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 34.

The following is the contractual undiscounted maturity analysis of the trade receivables of the Group:

	Within 1 year	1 to 5 years	More than 5 years	Total
2022	29,511,872	78,020,291	-	107,532,163
2021	66,799,856	92,120,848	13,044,703	171,965,407

14 Contract assets and contract liabilities

	2022	2021
Contract assets	12,355,669	4,537,667
Contract liabilities	4,309,339	-

The Group accounted for significant financing component for all residential contracts discounted at a rate of 5% that reflects the financing component in contracts between the Group and the customers.

Information about the impairment of contract assets and the Group's exposure to credit risk can be found in note 34.

15 Prepayments and other current assets

	2022	2021
VAT refundable	51,729,419	23,543,020
Advances to employees	861,217	760,474
Advances to suppliers	612,522	852,985
Prepayments	129,873	162,145
Others	846,473	419,501
	54,179,504	25,738,125

16 Financial assets at fair value through profit or loss

	Carrying value as at 31 December		Unrealized gain as at 31 December		Realized gain as at 31 December	
	2022	2021	2022	2021	2022	2021
Riyad Saudi Riyal Trade Fund	49,065,048	150,676,588	1,388,460	676,588	868,090	-

This represents 21,518 units (2021:67,428 unit) investment in Riyad Saudi Riyal Trade Fund which is a public investment fund domiciled in KSA and managed by Riyad Capital. The objective of the investee is to invest in Murabaha Contracts which complies with Islamic Shari'a.

The investment in Riyad Saudi Riyal Trade Fund is denominated in Saudi Riyal. As a result, there is no exposure to foreign currency risk. More information about the group's exposure to price risk is provided in note 34. For information about the methods and assumptions used in determining fair value see note 36.

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17 Cash and cash equivalents

	2022	2021
Cash at banks	77,794,002	54,431,801
Murabaha deposits*	<u>50,330,480</u>	<u>45,220,619</u>
	<u>128,124,482</u>	<u>99,652,420</u>

*Murabaha deposits are placed with local commercial banks and denominated in Saudi Riyal. Murabaha deposit yields finance income ranging from 1% to 4.5% with a maturity of three months or less.

The Group is required to maintain escrow accounts for off plan sales of development properties as authorised by Economic Cities and Special Zones Authority ("ECZA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence it is considered as cash and cash equivalents. The balance as at 31 December 2022 amounted to Saudi Riyal 22.22 million (31 December 2021: 4.48 million). These deposits are not under lien.

18 Derivative financial instrument

	2022	2021
Profit rate swap – cash flow hedge	<u>17,145,619</u>	-

On 5 July 2022, Makarem entered into a profit rate swap agreement (the "Swap Contract"), with Riyadh bank to hedge the future fluctuation in interest rates on its loans. The arrangement has been designated as hedging arrangement starting from 1 October 2022. The Company relies on the counterparty and management's expert for the valuation of this derivative. The valuation techniques applied by the counterparty has been explained in note 36.

Hedge effectiveness is determined at the designated date of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. Hedge ineffectiveness in relation to the profit rate swap was negligible for 2022.

The movement the derivative financial instrument is as follows;

	2022	2021
At the beginning of the year	-	-
Fair value gain not qualifying as hedge accounting before designation date	14,636,213	-
Cash flow hedges – effective portion of changes in fair value	<u>2,509,406</u>	-
At the end of the year	<u>17,145,619</u>	-

At 31 December 2022, the Swap Contract had a fair value of Saudi Riyals 17 million, based on the valuation confirmed by the counterparty and management's expert. Such fair value is included as derivative financial instruments in non-current assets in the statement of financial position.

Hedge reserve

	2022	2021
At the beginning of the year	-	-
Cash flow hedges – effective portion of changes in fair value	<u>2,509,406</u>	-
At the end of the year	<u>2,509,406</u>	-

Amounts recognised in profit or loss

	2022	2021
Fair value gain not qualifying as hedge accounting before designation date	<u>14,636,213</u>	-

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19 Borrowings

	2022	2021
Murabaha facilities	225,000,000	-
Less: unamortized transaction costs	(4,762,838)	-
Accrued interest	3,764,308	-
	224,001,470	-

Borrowings are presented as follows:

Current maturity under presented under accruals and other current liabilities	3,764,308	-
Long-term borrowings	220,237,162	-
	224,001,470	-

Movements in unamortized transaction costs are as follows:

Transaction cost paid	5,083,000	-
Less: capitalised amortization	(320,162)	-
	4,762,838	-

During the year ended 31 December 2021, the Group signed an agreement with the Saudi Tourism Development Fund (“TDF”) and Riyadh Bank (the “agreement”) to provide financing facility to an extent of Saudi Riyal 782 million for development execution of the KEC Hub project. According to the agreement, the TDF and Riyadh Bank will provide financing to the Group for the cost of developing the first phase of the KEC Hub project. These facilities are principally secured by corporate guarantees provided by the Group. The Group provided collateral in the form of plots of land from the Group’s land portfolio (refer to note 9).

During the year, the Group has withdrawn facilities from TDF and Riyadh Bank amounting to Saudi Riyals 112.5 million each with total withdrawn facilities of Saudi Riyals of 225 million. The unused balance of this facility as of 31 December 2022 amounted to Saudi Riyals 557 million.

The facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period is ranging from 5.79% to 7.88%. The facilities are repayable in semi-annual instalments, commencing after six months grace period from the earlier of project completion date or 3 years from 31 December 2021.

During the year, the Company has signed an agreement with Riyadh Bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. As of 31 December 2022, the Company has not withdrawn any amount from this facility.

During the year, the Company has also signed an agreement and with Saudi National Bank to provide the financing facility amounting to Saudi Riyals 100 million for working capital requirement. As of 31 December 2022, the Company has not withdrawn any amount this said facility. The Group provided collateral in the form of investment in Saudi Government SAR Sukuk to Saudi National Bank (refer to note 12).

The carrying amount and fair value of the above loans are not materially different.

Maturity profile of Murabaha

	31 December 2022	31 December 2021
Year ended 31 December:		
2025	22,500,000	-
2026	22,500,000	-
2027	22,500,000	-
2028	22,500,000	-
2029	22,500,000	-
Thereafter	112,500,000	-
	225,000,000	-

Loan covenants

Under the terms of the borrowing facilities, the Group is required to comply with some financial and non-financial covenants. The Group has complied with the covenants throughout the reporting period.

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20 Payable to other unitholders of the Fund

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognised at the fair value of the units. All subsequent changes in liability are recognised in the consolidated statement of comprehensive income. The liability represents a pro-rata share of net assets, entitled to the unitholders, in the event of liquidation of the fund. This is determined by way of division of the fund's net assets by the number of units held by other unitholders.

Set out below is summarised financial information of Riyadh Real Estate Development Fund - Madinah Gate that has non-controlling interests and which are material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised Statement of Financial Position

	2022	2021
Current assets	54,656,599	220,664,796
Current liabilities	(17,890,489)	(6,307,496)
Current net assets	36,766,110	214,357,300
Net assets	212,767,260	214,357,300
Payable to other unitholders of Fund	53,191,815	53,589,325

Summarized statement of comprehensive loss

	2022	2021
Revenue	-	676,588
Loss for the year	(1,590,040)	(5,642,700)
Other comprehensive income	-	-
Total comprehensive loss	(1,590,040)	(5,642,700)
Loss allocated to other unitholders	(397,510)	(1,410,675)
Total comprehensive loss allocated to other unitholders	(397,510)	(1,410,675)

21 Accruals and other current liabilities

	2022	2021
Accrued expenses	37,577,114	38,252,267
Retention payable	15,067,820	4,786,310
Others	1,684,755	1,247,478
	54,329,689	44,286,055

22 Related parties transactions and balances

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

22.1 Related party transactions

There were no material transactions with related parties during the year ended 31 December 2022 and 31 December 2021. Further, all transactions within the Group are eliminated for consolidation purposes. Pricing policies and terms of these transactions are approved by the Board of Directors of the Group.

22.2 Key management compensation

	2022	2021
Directors' remuneration and related expenses	3,900,000	3,726,000
Remuneration to the key management personnel – current	4,980,247	6,247,498
End of service benefits of key management personnel – long term	1,041,753	654,337

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22 Related parties transactions and balances (continued)

22.2 Key management compensation (continued)

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

22.3 Due to balances with key management are summarized below:

	2022	2021
Directors' remuneration	156,056	1,833,000

23 Employee benefits

General description of the plan

The Group operates a defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they fall due upon termination of employment.

The following table represents the movement of the defined benefits plan as at 31 December:

	2022	2021
Defined benefits plan at beginning of the year	8,062,405	7,406,722
<i>Included in statement of comprehensive income</i>		
Current service cost	1,983,411	1,609,797
Interest cost on defined benefits plan	177,031	149,334
	2,160,442	1,759,131
<i>Included in other comprehensive income</i>		
Actuarial gain/(loss) on the plan	(228,111)	134,210
Payments during the year	(730,843)	(1,237,658)
Defined benefits plan at the end of the year	9,263,893	8,062,405

Allocation of defined benefit plans charge between cost of revenue, selling and marketing expenses and general and administrative expenses is as follows:

	2022	2021
General and administrative expenses	1,613,187	1,367,858
Selling and marketing expenses	547,255	391,273
	2,160,442	1,759,131

Significant assumptions used in determining defined benefits obligations for the Group are shown below:

	2022	2021
Discount rate	4.01%	2.30%
Future salary growth	5.00%	5.00%
Mortality rate	0.32%	0.27%
Employee turnover	25%	11.69%
Retirement age	60 years	60 years

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23 Employee benefits (continued)

A quantitative sensitivity analysis for significant assumptions on the defined benefits plan as at 31 December:

	Increase/(decrease) in defined benefit obligation at 31 December	
	2022	2021
Discount rate:		
1% increase	(411,632)	(415,056)
1% decrease	457,592	465,344
Future salary growth rate:		
1% increase	475,437	472,980
1% decrease	(436,272)	(431,157)
Mortality rate:		
1 year decrease	2,524	(5,052)
1 year increase	(2,806)	4,561
Employee turnover rate		
10% increase	(120,822)	(158,509)
10% decrease	133,240	178,717

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit plan as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit plan as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit plan is 5 years (2021: 5 years).

The following is the breakup of the actuarial loss:

	2022	2021
Experience adjustment	586,225	178,354
Financial assumptions	(814,336)	(44,144)
	(228,111)	134,210

The following payments are expected to the defined benefit plans in future years:

	2022	2021
Within the next 12 months (next annual reporting period)	2,582,068	1,973,588
Between 1 and 5 years	6,542,663	4,168,032
Above 5 years	21,815,439	15,172,791
Total expected payments	30,940,170	21,314,411

24 Zakat

From 2017, the Company and its 100% owned subsidiaries file a combined zakat return on consolidated basis. The subsidiaries where the Company's ownership is less than 100% are required to file their separate zakat returns. Prior to 2017, the subsidiaries were filing separate zakat declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property and equipment, investment properties, development properties and investments.

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24 Zakat (continued)

The movement in zakat provision is as follows:

	2022	2021
Balance at the beginning of the year	8,510,687	11,927,492
<i>Provision for:</i>		
Current year	6,796,987	7,929,090
Prior years	-	3,205,373
<i>Payments for:</i>		
Current year	(8,003,774)	(11,345,895)
Prior years	-	(3,205,373)
Balance at the end of the year	7,303,900	8,510,687

Status of assessments

The Company and its 100% subsidiaries

The Company and its subsidiaries have filed the zakat returns for the years up to 2021. For 2017 to 2021, the Company has filed a consolidated zakat returns for the Company and its 100% owned subsidiaries and has obtained a zakat certificate valid till 30 April 2023.

During 2020, the Zakat, Tax and Customs Authority (“ZATCA”) issued an assessment for the years 2015 to 2018 claiming additional zakat liability of Saudi Riyals 27.76 million and the Company settled Saudi Riyals 1.17 million and objected against the remaining amount. The ZATCA revised the assessment to Saudi Riyals 25.43 million. The Company decided to escalate the case through the General Secretariat of the Tax Committees (“GSTC”) to assign a hearing session to discuss the Company’s objection. GSTC had assigned a hearing session on July 31, 2022 and rejected the objections. Subsequent to the period ended September 30, 2022, the Company has filed the appeal to The Appeal Committee for Tax Violations and Disputes (“ACTVD”) as the decisions is received on September 29, 2022. The management believes that the Company has a strong position and the Company’s view should prevail. Moreover, ZATCA has also issued an assessment for the years 2019 and 2020 claiming additional Zakat liability of Saudi Riyals 11.5 million; the Company settled Saudi Riyals 1,794 and objected against the remaining amounts for which the Company has paid 25% of the claims amounting to Saudi Riyals 2.9 million. For the year 2019 & 2020 ZATCA had issued revised assessment of Saudi Riyals 10.8 million Accordingly, the Company decides to escalate the case through the GSTC to assign a hearing session to discuss the Company’s objection. The Committee for Resolution of Tax Violations and Disputes “CRTVD” issued its decision in which the Company’s objection was accepted, however, ZATCA has the right to appeal against the said decision within 30 days from the following day of issuing the decision to the ACTVD.

The management believes that the Company has a strong position and the Company’s view should prevail.

Al Garra

The Company filed its zakat return till 2021 and obtained the necessary zakat certificate valid till 30 April 2023. The Company has finalised its Zakat assessments till the year 2018.

Amaak

Amaak filed its zakat return for the year 2011 till 2016 and informational returns for the years 2017 to 2021. The Company obtained zakat certificate valid till 30 April 2023.

During 2017, the ZATCA issued an assessment for the years 2015 and 2016 for Amaak separately from the consolidated group assessment because it was not part of the approved consolidated zakat arrangement prior to 2017. The ZATCA claimed additional amount of Saudi Riyals 1.56 million for 2015 and Saudi Riyals 0.33 million for 2016. The assessment for the year 2015 was reduced to Saudi Riyals 0.99 million during 2017. Amaak has filed an appeal against ZATCA for assessments for the years 2015 and 2016 with the GSTC. Amaak’s management is confident that the decision of the above assessments will be finalized in Amaak’s favour.

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24 Zakat (continued)

Makarem

Makarem filed its zakat return till 2021 and obtained the necessary zakat certificate valid till 30 April 2023. During 2021, ZATCA has issued a query in relation to the year 2016 and 2018 which management has already provided responses to ZATCA.

25 Share capital

Following are the major shareholders of the Group:

<i>Name</i>	Place of incorporation	Ownership interest%	
		2022	2021
King Abdullah Foundation for his Parents	Saudi Arabia	29.47	29.47
Knowledge Economic City Developers Company Limited	Saudi Arabia	24.46	24.46

As at 31 December 2022 and 2021, the Company's share capital of Saudi Riyals 3,393,000,000 consists of 339,300,000 fully paid shares of Saudi Riyals 10 each.

26 Revenue and cost of revenue

26.1 Revenue

	For the year ended 31 December	
	2022	2021
Sale of residential villas	51,002,842	36,916,146
Revenue from facility maintenance services	5,312,471	5,279,767
Revenue from operating lease	371,280	258,370
	56,686,593	42,454,283

As at reporting date, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is Saudi Riyals 41,691,371 (2021: Saudi Riyals 7,560,054).

26.2 Cost of revenue

	For the year ended 31 December	
	2022	2021
Cost of residential villas	32,598,102	26,420,311
Cost of facility maintenance services	5,997,907	5,563,429
Others	70,595	-
	38,666,604	31,983,740

27 Selling and marketing expenses

	For the year ended 31 December	
	2022	2021
Employee costs	8,897,713	6,047,828
Advertising and marketing related expenses	1,551,517	3,342,876
Professional fee	226,313	93,074
Business travel	189,020	144,351
Other	109,296	131,735
	10,973,859	9,759,864

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28 General and administrative expenses

	For the year ended 31 December	
	2022	2021
Employee costs	26,228,475	21,142,731
Professional fees	5,377,757	11,723,232
Subscription fees	3,501,800	4,259,188
Board of directors' remuneration (note 22)	3,900,000	3,726,000
Depreciation and amortization	1,915,616	1,796,394
Amortization expense of right-of-use assets (note 29)	1,204,002	1,204,003
Business travel	197,403	30,630
Others	3,985,386	2,956,018
	46,310,439	46,838,196

29 Leases

The Group has lease contract for the office used in its operations with lease term of five years 5 years, with the option to extend the lease.

The Group also has certain leases with lease terms of 12 months or less or with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below is the amortization amount of right-of-use asset recognised and the movement during the year:

	2022	2021
As at 1 January	2,307,671	3,511,674
Amortization expense	(1,204,002)	(1,204,003)
As at 31 December	1,103,669	2,307,671

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	2021
As at 1 January	2,605,264	3,786,700
Accretion of interest	116,347	163,847
Payments	(734,249)	(1,345,283)
As at 31 December	1,987,362	2,605,264
Less: Current portion	1,987,362	1,264,363
Non-current	-	1,340,901

The maturity analysis of lease liabilities are disclosed in note 34.

The following are the amounts recognised in statement of comprehensive income:

	2022	2021
Amortization expense of right-of-use assets	1,204,002	1,204,003
Interest expense on lease liabilities	116,347	163,847
Total amount recognised in statement of comprehensive income	1,320,349	1,367,850

During the year, the Group had total cash outflows for leases of Saudi Riyals 0.73 (2021: Saudi Riyals 1.35 million).

The Group has lease contract that includes termination option. The option is negotiated by management to provide flexibility in managing the leased-asset and align with the Group's business needs. Management exercises significant judgement in determining whether this termination option is reasonably certain to be exercised.

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30 Other income, net

	For the year ended 31 December	
	2022	2021
Reversal of significant financing components	6,083,156	4,299,798
Receipt from Saudi Human Resources Development Fund - HRDF	842,810	238,020
Revaluation of payable to other unitholders of Fund	397,510	1,410,675
Rental income	105,000	105,000
Income from lawsuits won (Note 30 (a))	-	25,695,375
Others, net	896,619	-
	8,325,095	31,748,868

(a) During year 2021, the Group won a lawsuit in respect to liquidation of a performance guarantee amounting to Saudi Riyals 30.4 million and an advance payment guarantee amounting to Saudi Riyals 10.3 million for the advance payments made by the Group to the contractor. The contractor did not complete the project as per the contract in the previous years and the Group liquidated the above guarantees. A related party of the contractor filed cases to restrict KEC from liquidating the above mentioned guarantees. During the year 2021, the court issued its decision and dismissed these cases filed by the related party of the contractor. The court ruling became final and not challengeable by the related party of the contractor in any competent court; accordingly, the Group liquidated the performance guarantee and received the amounts of the above guarantees in its bank account. The Group recognised an income of Saudi Riyals 25.7 million after certain adjustments as follows:

Guarantees liquidated	40,667,238
Less: Related legal fee	(2,551,564)
Less: Investment properties adjustments (including advance payments)	(26,773,966)
Add: Retention payable adjusted	14,353,667
Residual amount recognised as other income	<u>25,695,375</u>

31 Loss per share

Basic loss per share for the year ended 31 December 2022 and for the year ended 31 December 2021, have been computed by dividing the loss for the year attributable to the shareholders of the Company by the weighted average number of shares outstanding during such year. As there are no diluted shares outstanding, basic and diluted loss per share are identical.

The loss per share calculation is given below:

	2022	2021
Loss per share:		
Net loss attributable to equity holders of the Company	(19,388,732)	(22,088,547)
Weighted average number of shares	339,300,000	339,300,000
Basic and Diluted loss per share (Saudi Riyals per share)	(0.057)	(0.065)

32 Operating segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different line of services and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Real estate development segment represents activities related to developing real estate, economic cities and other development projects in the Kingdom of Saudi Arabia.
- Investment segment represents Group's investing activities such as short-term investments, investments held at amortised cost including short-term investment less than three months classified within cash and cash equivalents.

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32 Operating segment (continued)

Segment results that are reported to the top management (Chairman Board of Directors, Chief Executive Officer (CEO) and Chief Financial Officer (CFO)) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included in the note. Performance is measured based on segment revenues and net (loss) income, as included in the internal management reports that are reviewed by the top management. Selected financial information as at 31 December 2022 and 31 December 2021 and for the year ended on 31 December 2022 and 31 December 2021, summarized by segment, is as follows:

	Real estate development	Investment	Total
Consolidated Statement of Financial Position			
As at 31 December 2022			
Investment properties	2,901,126,345	-	2,901,126,345
Development properties	58,151,760	-	58,151,760
Cash and cash equivalents	-	50,330,480	50,330,480
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	3,333,631,175	175,102,872	3,508,734,047
Total liabilities	355,816,965	-	355,816,965

	Real estate development	Investment	Total
Consolidated Statement of Financial Position			
As at 31 December 2021			
Investment properties	2,608,768,661	-	2,608,768,661
Development properties	67,151,326	-	67,151,326
Cash and cash equivalents	-	45,220,619	45,220,619
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	3,124,205,173	169,993,011	3,294,198,184
Total liabilities	125,182,593	-	125,182,593

**Consolidated statement of
comprehensive income
Year ended 31 December 2022**

Revenues derived from external customers:			
Revenue - At point in time	10,422,721	-	10,422,721
Revenue – Overtime	46,263,872	-	46,263,872
Finance income	-	2,991,849	2,991,849
Depreciation and amortization	(3,875,219)	-	(3,875,219)
Zakat expense	(6,796,987)	-	(6,796,987)
Net loss	(21,827,875)	2,991,849	(18,836,026)

Year ended 31 December 2021

Revenues derived from external customers:			
Revenue - At point in time	29,513,419	-	29,513,419
Revenue – Overtime	12,940,864	-	12,940,864
Finance income	-	2,471,629	2,471,629
Depreciation and amortization	(3,115,786)	-	(3,115,786)
Zakat expense	11,134,463	-	11,134,463
Net loss	(25,000,371)	2,471,629	(22,528,742)

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33 Contingencies and commitments

At 31 December 2022, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately Saudi Riyals 447.28 million (31 December 2021: Saudi Riyals 350.37 million).

34 Financial instruments risk management

The Group has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by senior management under policies approved by the Board of Directors. The most important types of risk are fair value and cash flow interest rate risk, price risk, credit risk and liquidity risk.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments.

The average effective interest rates of financial instruments at the date of the consolidated statement of financial position, based on reports reviewed by key management personnel, were as follows:

	2022	2021
Cash and cash equivalents	3.21%	1%
Investment held at amortised cost	1.73%	1.73%

Profit or loss is sensitive to higher/lower finance income on murabaha deposits classified under cash and cash equivalents as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Group's profit before tax, through the impact of floating rate with all other variables held constant:

	2022	2021
Interest rate-increases by 100 basis points	82,674	24,716
Interest rate-decreases by 100 basis points	(82,674)	(24,716)

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34 Financial instruments risk management (continued)

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). Since the Group did not have significant transactions and balances in currencies other than Saudi Riyal and US Dollar and does not as the Saudi Riyal is pegged to the US Dollar, therefore, transactions in foreign currencies are not considered to represent significant foreign currency risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's exposure to unit price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss. The Group closely monitors price in order to manage price risk arising from investments in fund.

The table below summarizes the impact of increases/decreases of the NAV of units on the Group's equity. The analysis is based on the assumption that the NAV of units had increased or decreased by 5% with all other variables held constant, and that all the Group's units moved in line with the market price.

	Impact on profit or loss	
	31 December 2022	31 December 2021
NAV of the units – increases by 5%	2,453,252	7,533,845
NAV of the units – decreases by 5%	(2,453,252)	(7,533,845)

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce the exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The Group's exposure to credit risk at the reporting date is as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	128,124,482	99,652,420
Trade receivables	114,292,428	161,335,415
Investment held at amortised cost	124,772,392	124,772,392
Contract assets	12,355,669	4,537,667
	379,544,971	390,297,894

Cash is placed with banks with sound credit ratings and the investment held at amortised cost is with the Saudi Arabian government that has A+ credit rating. There is no significant increase in the credit risk for cash at bank balances and investments held at amortised cost as there is no deterioration in the credit ratings of the counterparties. Due to the positive ratings and no significant increase in the credit risk the credit loss remains at Stage-1 and accordingly, 12 months expected credit loss on cash and cash equivalent and investment held at amortised cost is considered insignificant to the Group.

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34 Financial instruments risk management (continued)

Credit risk (continued)

Trade receivables and contract assets are due from customers who have been assessed for credit worthiness prior to the execution of relevant contracts and they do not have history of default. The Group holds title to the properties sold to these customers and these titles will be transferred to the customers on payment of all the balances from the customers. As per the contractual terms, the Group has right to sell these properties to other parties and collect outstanding balances in case of default by the customers. Accordingly, trade receivables and contract assets are fully secured against these properties. The value of these properties is substantially higher than the outstanding trade receivable and contract assets. Therefore, the loss given default (LGD) is insignificant and hence the credit risk exposure of the Group on trade receivables and contract assets is insignificant.

There is no significant concentration of credit risk with respect to trade receivables and contract assets and the risk is mitigated due to the factors mentioned above.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

	2022				Total
	Current	Upto 180 days	181-365 days	>1year	
Estimated total gross carrying amount at default	114,542,528	2,519,763	6,375,458	8,633,103	132,070,852
Loss given default	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-

	2021				Total
	Current	Upto 180 days	181-365 days	>1year	
Estimated total gross carrying amount at default	150,927,447	3,833,011	3,753,500	7,359,124	165,873,082
Loss given default	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

A summary table with maturity of financial liabilities presented below is used by key management personnel to manage liquidity risks.

The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

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34 Financial instruments risk management (continued)

Liquidity risk (continued)

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

2022	Within 1 year	1 to 5 years	More than 5 years	Total
Payable to other unitholders of Fund	-	-	53,191,815	53,191,815
Borrowings		45,000,000	180,000,000	225,000,000
Trade payable	5,193,805	-	-	5,193,805
Other current liabilities	37,577,114	-	-	37,577,114
Lease liabilities	1,987,362	-	-	1,987,362
	44,758,281	45,000,000	233,191,815	322,950,096

2021	Within 1 year	1 to 5 years	More than 5 years	Total
Payable to other unitholders of Fund	-	-	53,589,325	53,589,325
Trade payable	8,128,857	-	-	8,128,857
Other current liabilities	38,252,267	-	-	38,252,267
Lease liabilities	1,264,363	1,340,901	-	2,605,264
	47,645,487	1,340,901	53,589,325	102,575,713

35 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group considers share capital, accumulated losses and other reserves as the Group's capital. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

36 Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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36 Fair value measurement (continued)

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

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the year.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2022							
	FVTPL	Fair value through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents	-	-	128,124,482	128,124,482	-	-	128,124,482
Trade receivables	-	-	114,292,428	114,292,428	-	-	114,292,428
Contract assets	-	-	12,355,669	12,355,669	-	-	12,355,669
Investment held at amortised cost	-	-	124,772,392	124,772,392	-	-	124,772,392
Financial assets at fair value through profit or loss	49,065,048	-	-	49,065,048	49,065,048	-	-
Derivative financial instrument	14,636,213	2,509,406	-	17,145,619	-	17,145,619	-
Total financial assets	63,701,261	2,509,406	379,544,971	445,755,638	49,065,048	17,145,619	379,544,971
31 December 2021							
	FVTPL	Amortised cost		Total	Level 1	Level 2	Level 3
Financial assets							
Cash and cash equivalents	-	99,652,420	99,652,420	99,652,420	-	-	99,652,420
Trade receivables	-	161,335,415	161,335,415	161,335,415	-	-	161,335,415
Contract assets	-	4,537,667	4,537,667	4,537,667	-	-	4,537,667
Investment held at amortised cost	-	124,772,392	124,772,392	124,772,392	-	-	124,772,392
Financial assets at fair value through profit or loss	150,676,588	-	150,676,588	150,676,588	150,676,588	-	-
Total financial assets	150,676,588	390,297,894	540,974,482	540,974,482	150,676,588	-	390,297,894

There are no transfers in the fair value levels during the year ended 31 December 2022 and 2021. Financial assets at FVTPL comprise of an investment in fund that are fair valued at the quoted market prices and financial assets at fair value through OCI comprise of hedging derivatives – profit rate swap that are fair valued based on hypothetical derivative method at the reporting date.

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36 Fair value measurement (continued)

Trade payables and other current liabilities are measured at amortised cost. Payable to other unitholders of the Fund are measured at fair value.

The carrying value of all the financial assets and liabilities classified as amortised cost approximates their fair value on each reporting date.

37 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities:

	1 January 2022	Cash flows	Additions	Other	31 December 2022
Lease liabilities	2,605,264	(734,249)	-	116,347	1,987,362

	1 January 2021	Cash flows	Additions	Other	31 December 2021
Lease liabilities	3,786,700	(1,345,283)	-	163,847	2,605,264