

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

**UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

**KNOWLEDGE ECONOMIC CITY COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 March 2023**

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## Report on review of Condensed Consolidated Interim Financial Statements

To the shareholders of Knowledge Economic City Company (A Saudi Joint Stock Company)

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Knowledge Economic City Company (the “Company”) and its subsidiaries (together the “Group”) as of 31 March 2023 and the related condensed consolidated interim statement of comprehensive income for the three-month period then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial statement based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### PricewaterhouseCoopers

Ali A. Alotaibi  
License Number 379



May 25, 2023

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position**  
(Amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		47,941,788	48,227,753
Investment properties	4	2,970,603,151	2,901,126,345
Right-of-use asset		802,669	1,103,669
Intangible assets		268,136	189,378
Derivative financial instruments	10	10,168,523	17,145,619
Trade receivables	6	69,080,768	73,852,103
Investment held at amortised cost		124,232,685	124,772,392
<b>Total non-current assets</b>		<b>3,223,097,720</b>	<b>3,166,417,259</b>
<b>Current assets</b>			
Development properties	5	54,545,378	58,151,760
Trade receivables	6	47,429,975	40,440,325
Contract assets	7	9,623,583	12,355,669
Prepayments and other current assets		38,206,842	54,179,504
Financial assets at fair value through profit or loss		25,732,215	49,065,048
Cash and cash equivalents		145,422,883	128,124,482
<b>Total current assets</b>		<b>320,960,876</b>	<b>342,316,788</b>
<b>Total assets</b>		<b>3,544,058,596</b>	<b>3,508,734,047</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		3,393,000,000	3,393,000,000
Hedge reserve	10	(4,467,690)	2,509,406
Accumulated losses		(345,118,957)	(336,038,339)
<b>Equity attributable to equity holders of the parent</b>		<b>3,043,413,353</b>	<b>3,059,471,067</b>
Non-controlling interests		93,378,963	93,446,015
<b>Total equity</b>		<b>3,136,792,316</b>	<b>3,152,917,082</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	9	251,333,532	220,237,162
Employee benefits		9,875,270	9,263,893
Payable to other unitholders of Fund		56,320,000	53,191,815
<b>Total non-current liabilities</b>		<b>317,528,802</b>	<b>282,692,870</b>

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position** (continued)  
(Amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<b>Current liabilities</b>			
Lease liabilities		2,011,680	1,987,362
Trade payables		11,397,962	5,193,805
Contract liabilities	7	8,003,430	4,309,339
Accruals and other current liabilities		59,687,718	54,329,689
Zakat	11	8,636,688	7,303,900
<b>Total current liabilities</b>		<b>89,737,478</b>	<b>73,124,095</b>
<b>Total liabilities</b>		<b>407,266,280</b>	<b>355,816,965</b>
<b>Total equity and liabilities</b>		<b>3,544,058,596</b>	<b>3,508,734,047</b>

The attached notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements including the accompanying notes were approved and authorized for issue by the Board of Directors and were signed on their behalf by:

		
_____ Chief Financial Officer	_____ Chief Executive Officer	_____ Chairman of Board of Directors

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of comprehensive income (Unaudited)**  
(Amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 31 March	
		2023	2022
<b>Continuing operations</b>			
Revenue		18,051,991	15,730,885
Cost of revenue		(11,483,150)	(10,847,276)
<b>Gross profit</b>		<b>6,568,841</b>	<b>4,883,609</b>
Selling and marketing expenses		(2,804,342)	(2,444,792)
General and administrative expenses		(10,697,154)	(10,090,514)
Other (expenses)/income, net		(2,226,322)	1,774,780
<b>Operating loss</b>		<b>(9,158,977)</b>	<b>(5,876,917)</b>
Finance income		1,001,246	545,968
Unrealized gain from investments at fair value through profit or loss		367,167	-
Finance cost		(24,318)	(34,239)
<b>Loss before zakat from continuing operations</b>		<b>(7,814,882)</b>	<b>(5,365,188)</b>
Zakat expense	11	(1,332,788)	(1,369,839)
<b>Net loss for the period</b>		<b>(9,147,670)</b>	<b>(6,735,027)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Derivative financial instrument – effective portion of changes in fair value of cash flow hedge	10	(6,977,096)	-
<b>Total comprehensive loss for the period</b>		<b>(16,124,766)</b>	<b>(6,735,027)</b>
<i>Net loss attributable to:</i>			
Equity holders of the parent		(9,080,618)	(6,728,277)
Non-controlling interests		(67,052)	(6,750)
		<b>(9,147,670)</b>	<b>(6,735,027)</b>
<i>Total comprehensive loss attributable to:</i>			
Equity holders of the parent		(16,057,714)	(6,728,277)
Non-controlling interests		(67,052)	(6,750)
		<b>(16,124,766)</b>	<b>(6,735,027)</b>
<b>Losses per share attributable to equity holders of the Company:</b>			
Basic and diluted losses in Saudi Riyals per share	12	(0.027)	(0.020)

The attached notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements including the accompanying notes were approved and authorized for issue by the Board of Directors and were signed on their behalf by:



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in equity**  
(Amounts in Saudi Riyals unless otherwise stated)

	Attributable to the equity holders of the parent					Total equity
	Share capital	Hedge reserve	Accumulated losses	Total	Non-controlling interest	
Balance as at 1 January 2022	3,393,000,000	-	(316,877,718)	3,076,122,282	92,893,309	3,169,015,591
Net loss for the period	-	-	(6,728,277)	(6,728,277)	(6,750)	(6,735,027)
Other comprehensive loss for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	(6,728,277)	(6,728,277)	(6,750)	(6,735,027)
<b>Balance as at 31 March 2022</b>	<b>3,393,000,000</b>	<b>-</b>	<b>(323,605,995)</b>	<b>3,069,394,005</b>	<b>92,886,559</b>	<b>3,162,280,564</b>
Balance as at 1 January 2023	<b>3,393,000,000</b>	<b>2,509,406</b>	<b>(336,038,339)</b>	<b>3,059,471,067</b>	<b>93,446,015</b>	<b>3,152,917,082</b>
Net loss for the period	-	-	(9,080,618)	(9,080,618)	(67,052)	(9,147,670)
Other comprehensive loss for the period	-	(6,977,096)	-	(6,977,096)	-	(6,977,096)
Total comprehensive loss for the period	-	(6,977,096)	(9,080,618)	(16,057,714)	(67,052)	(16,124,766)
<b>Balance as at 31 March 2023</b>	<b>3,393,000,000</b>	<b>(4,467,690)</b>	<b>(345,118,957)</b>	<b>3,043,413,353</b>	<b>93,378,963</b>	<b>3,136,792,316</b>

The attached notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements including the accompanying notes were approved and authorized for issue by the Board of Directors and were signed on their behalf by:



**Chief Financial Officer**



**Chief Executive Officer**



**Chairman of Board of Directors**

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of cash flows (unaudited)**  
(Amounts in Saudi Riyals unless otherwise stated)

	<b>Three-month period ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Loss before zakat	<b>(7,814,882)</b>	(5,365,188)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Finance income	<b>(1,001,246)</b>	(545,968)
Unrealized gain from investments at fair value through profit or loss	<b>(367,167)</b>	-
Revaluation of payable to other unitholders of Fund	<b>3,128,184</b>	(139,500)
Provision for employee termination benefits	<b>611,377</b>	294,779
Finance cost for lease liabilities	<b>24,318</b>	34,239
Depreciation of property and equipment	<b>561,393</b>	390,332
Depreciation of right-of-use assets	<b>301,001</b>	301,001
Amortization of intangible assets	<b>17,002</b>	295,757
	<b>(4,540,020)</b>	(4,734,548)
<i>Working capital adjustments:</i>		
Development properties	<b>3,606,382</b>	947,930
Trade receivables	<b>(2,218,315)</b>	8,012,937
Contract assets	<b>2,732,086</b>	(3,952,786)
Prepayments and other current assets	<b>15,972,662</b>	(18,353,140)
Trade payable	<b>6,204,157</b>	1,781,819
Contract liabilities	<b>3,694,091</b>	3,222,639
Accruals and other current and non-current liabilities	<b>3,218,161</b>	(4,984,398)
Cash generated from/(used in) operations	<b>28,669,204</b>	(18,059,547)
Employees' termination benefits paid	-	(130,662)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>28,669,204</b>	(18,190,209)
<b>Investing activities</b>		
Investment in short-term investments	<b>(150,000,000)</b>	-
Proceeds from short-term investments	<b>150,000,000</b>	-
Finance income received	<b>1,540,953</b>	1,003,379
Financial assets at fair value through profit or loss	<b>23,700,000</b>	92,000,000
Additions to investment properties	<b>(67,336,938)</b>	(89,742,899)
Additions to property and equipment	<b>(275,428)</b>	(324,322)
Additions to intangible asset	<b>(95,760)</b>	(24,860)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(42,467,173)</b>	2,911,298



**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of cash flows (unaudited)** (continued)  
(Amounts in Saudi Riyals unless otherwise stated)

	<b>Three-month period ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2022</b>
<b>Financing activity</b>		
Proceeds from borrowings	<b>31,096,370</b>	144,917,000
Payment of principal portion of lease liabilities	-	(734,250)
<b>Net cash flows generated from financing activities</b>	<b>31,096,370</b>	144,182,750
Net increase in cash and cash equivalents	<b>17,298,401</b>	128,903,839
Cash and cash equivalents at the beginning of the period	<b>128,124,482</b>	99,652,420
<b>Cash and cash equivalents at the end of the period</b>	<b>145,422,883</b>	228,556,259

**SUPPLEMENTARY NON-CASH INFORMATION**

Additions in investment properties through accrued expenses	<b>2,139,868</b>	13,260,382
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The attached notes from 1 to 15 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements including the attached notes were approved and authorized for issue by the Board of Directors and were signed on their behalf by:

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2023**  
(Amounts in Saudi Riyals unless otherwise stated)

**1 Corporate 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.

These condensed consolidated interim financial statements include the accounts of the Company and its following subsidiaries operating under individual commercial registrations.

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Paid up capital</b>	<b>Effective ownership</b>	
			<b>31 March 2023</b>	<b>31 December 2022</b>
Mounshaat Al Maarifa Al Akaria Company Limited	Saudi Arabia	1,000,000	<b>100%</b>	100%
Mashariaa Al Maarifa Al Akaria Company Limited	Saudi Arabia	633,000,000	<b>100%</b>	100%
Al Garra International Company for Real Estate	Saudi Arabia	467,765,000	<b>80%</b>	80%
Al Maarifa Al Akaria Company Limited	Saudi Arabia	10,000,000	<b>100%</b>	100%
Makarem Al Maarifa for Hospitality Company Limited	Saudi Arabia	56,400,000	<b>100%</b>	100%
Riyadh Real Estate Development Fund	Saudi Arabia	220,000,000	<b>68.82%</b>	68.82%

Mounshaat and Mashariaa have not commenced their operations as at 31 March 2023.

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors in May 22, 2023.

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2023**  
(Amounts in Saudi Riyals unless otherwise stated)

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## **2 Basis of preparation**

### **2.1 Statement of compliance**

The condensed consolidated interim financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

### **2.2 Basis of consolidation**

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023 as mentioned in Note 1. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to risks, 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.

### **2.3 Basis of measurement**

These condensed consolidated interim financial statements are prepared under the historical cost convention, except for employee benefits, where actuarial present value calculations are used and derivative financial instrument measured at fair value.

The Capital Market Authority ("CMA") announced on 30 December 2019 that obligates the listed entities to continue to use the cost model to measure property, plant and equipment (IAS 16) and investment properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which starts before the year of 2022. CMA also obligates listed entities to continue to use the cost model to measure equipment and intangible assets for five years starting from 1 January 2020. The Group has complied with the requirements in the accompanying condensed consolidated interim financial statements.

### **2.4 Functional and presentation currency**

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

### **2.5 Accounting policies**

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 except for the policies mentioned in below.

### **2.6 New and amended standards adopted by the Group**

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

### **2.7 Standards and interpretations issued but not yet effective and not applied by the Group**

There are no other relevant standards, amendments or interpretations issued by IFRS Interpretation Committee that are issued but not yet effective that would be expected to have a material impact on the Group's condensed consolidated interim financial statements.

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2023**  
(Amounts in Saudi Riyals unless otherwise stated)

**3 Significant accounting judgements, estimates and assumptions**

The preparation of condensed consolidated interim financial statements 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 recognized 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual consolidated financial statements for the year ended 31 December 2022.

**4 Investment properties**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
At the beginning of the period/year	<b>2,901,126,345</b>	2,608,768,661
Additions	<b>69,476,806</b>	292,357,684
At the end of the period/year	<b>2,970,603,151</b>	2,901,126,345

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

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Lands and lands with infrastructures	<b>2,622,806,197</b>	2,604,886,404
Properties under development	<b>347,796,954</b>	296,239,941
	<b>2,970,603,151</b>	2,901,126,345

The Group determined that the investment properties consist of three classes of assets, land amounting to Saudi Riyals 1.3 billion (31 December 2022: Saudi Riyals 1.3 billion), infrastructure cost amounting to Saudi Riyals 1.3 billion (31 December 2022: Saudi Riyals 1.3 billion) and properties under development amounting to Saudi Riyals 348 million (31 December 2022 Saudi Riyals 296 million) based on the nature, characteristics, and risks of each property. The fair value of the Group's investment properties as at 31 December 2022 was valued at Saudi Riyals 6.4 billion by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach. The Group's management believes that there are no material change in circumstances between 31 December 2022 and 31 March 2023 that would require adjustment or revaluation to the fair value of the investment properties as at 31 March 2023.

During the period ended 31 March 2023, an amount of Saudi Riyals 3.9 million was capitalised as borrowing cost and Saudi Riyals 96,370 was capitalised as amortization of transaction cost for the construction.

At 31 March 2023, the Group's investment properties related to land plots of the project "KEC Hub" amounting to Saudi Riyals 221 million were mortgaged as collateral to the Saudi Tourism Development Fund and Riyadh Bank. Refer to note 9 for the borrowings.

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2023**  
(Amounts in Saudi Riyals unless otherwise stated)

**5 Development properties**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
At the beginning of the period/year	<b>58,151,760</b>	67,151,326
Additions	<b>6,252,172</b>	22,487,171
Transfer to cost of revenue	<b>(9,858,554)</b>	(31,486,737)
At the end of the period/year	<b>54,545,378</b>	58,151,760

The fair value of the Group's development properties as per Century21 Saudi Arabia ("Century21") valuation report at 31 December 2022 approximates Saudi Riyals 93.17 million. The Group's management believes that there are no material change in circumstances between 31 December 2022 and 31 March 2023 that would require adjustment or revaluation to the fair value of the development properties as at 31 March 2023.

The balances above are split into these categories as follows:

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Lands with infrastructures	<b>43,009,356</b>	43,009,356
Properties under development	<b>11,536,022</b>	15,142,404
	<b>54,545,378</b>	58,151,760

**6 Trade receivables**

Trade receivables – billed (current)

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Trade customers for sale of residential villas	<b>10,982,025</b>	8,840,979
Trade customers for services	<b>8,957,911</b>	4,885,915
	<b>19,939,936</b>	13,726,894

Trade receivables – unbilled

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Trade customers for sale of residential villas	<b>96,570,807</b>	100,565,534
Less: current portion	<b>(27,490,039)</b>	(26,713,431)
Trade customers for sale of residential villas (non-current)	<b>69,080,768</b>	73,852,103

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.

**7 Contract asset**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Contract assets	<b>9,623,583</b>	12,355,669
	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Contract liabilities	<b>8,003,430</b>	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.

**Knowledge Economic City Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2023**  
(Amounts in Saudi Riyals unless otherwise stated)

**8 Related party transactions and balances**

**8.1 Key management compensation**

	<b>Three-month period ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Directors' remuneration and related expenses	<b>975,000</b>	975,000
Remuneration to the key management personnel	<b>1,351,250</b>	1,047,997
Employee termination benefits of key management personnel	<b>93,571</b>	62,687

There were no material transactions with other related parties during the for the three-month period ended 31 March 2023. 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.

**8.2 Balances due to related parties**

	<b>31 March</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Board of Directors' remuneration	<b>1,249,205</b>	156,056

**9 Borrowings**

	<b>31 March</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha facilities	<b>256,000,000</b>	225,000,000
Less: unamortized transaction costs	<b>(4,666,468)</b>	(4,762,838)
Accrued interest	<b>2,164,378</b>	3,764,308
	<b>253,497,910</b>	224,001,470

Borrowings are presented as follows:

Current maturity under current liabilities	<b>2,164,378</b>	3,764,308
Long-term borrowings	<b>251,333,532</b>	220,237,162
	<b>253,497,910</b>	224,001,470

Movements in unamortized transaction costs are as follows:

Transaction cost paid	<b>5,083,000</b>	5,083,000
Less: capitalised amortization	<b>(416,532)</b>	(320,162)
	<b>4,666,468</b>	4,762,838

During the year ended 31 December 2021, the Group signed an agreement with the Saudi Tourism Development Fund ("STD") and Riyadh Bank (the "agreement") to provide financing facility to an extent of Saudi Riyals 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 4).

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**9 Borrowings** (continued)

During the year ended 31 December 2022, the Group's has withdrawn facilities from TDF and Riyad Bank amounting to Saudi Riyals 112.5 million each with total withdrawn facilities of Saudi Riyals of 225 million. During the three-months period ended 31 March 2023, the Group's has withdrawn additional facilities from TDF and Riyad Bank amounting to Saudi Riyals 10 million each with total withdrawn facilities of Saudi Riyals of 20 million. The unused balance of this facility as of 31 March 2023 amounted to Saudi Riyals 537 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 are 5.77%. 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 ended December 31, 2022, the Company has signed an agreement with Riyad Bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. During the three-months period ended 31 March 2023, the Company has withdrawn Saudi Riyals 6 million from this facility. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period are 6.536%.

During the year ended December 31, 2022, 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. During the three-months period ended 31 March 2023, the Company has withdrawn Saudi Riyals 5 million from this facility. The Group provided collateral in the form of investment in Saudi Government SAR Sukuk to Saudi National Bank. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period are 7.593%.

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

**Maturity profile of Murabaha**

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Period ending March 31:		
2025	<b>18,375,000</b>	22,500,000
2026	<b>25,700,000</b>	22,500,000
2027	<b>30,700,000</b>	22,500,000
2028	<b>25,700,000</b>	22,500,000
2029	<b>25,700,000</b>	22,500,000
Thereafter	<b>129,825,000</b>	112,500,000
	<b><u>256,000,000</u></b>	<u>225,000,000</u>

**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.

**10 Derivative financial instrument**

	<b>2023</b>	<b>2022</b>
Profit rate swap – cash flow hedge	<b><u>10,168,523</u></b>	<b><u>17,145,619</u></b>

On 5 July 2022, Makarem entered into a profit rate swap agreement (the "Swap Contract"), with Riyad 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.

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**10 Derivative financial instrument** (continued)

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 the year ended 31 December 2022 and the period ended 31 March 2023.

The movement the derivative financial instrument is as follows;

	<b>2023</b>	<b>2022</b>
At the beginning of the year	<b>17,145,619</b>	-
Fair value gain not qualifying as hedge accounting before designation date	-	14,636,213
Cash flow hedges – effective portion of changes in fair value	<b>(6,977,096)</b>	2,509,406
At the end of the year	<b>10,168,523</b>	17,145,619

At 31 March 2023, the Swap Contract had a fair value of Saudi Riyals 10.2 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

	<b>2023</b>	<b>2022</b>
At the beginning of the year	<b>2,509,406</b>	-
Cash flow hedges – effective portion of changes in fair value	<b>(6,977,096)</b>	<b>2,509,406</b>
At the end of the year	<b>(4,467,690)</b>	<b>2,509,406</b>

**11 Zakat**

The Company and its 100% owned subsidiaries file a combined zakat return on consolidated basis since the year 2017. The subsidiaries where the Company's ownership is less than 100% are required to file their separate zakat returns. Prior to the year 2017, the subsidiaries were filing separate zakat declarations on unconsolidated basis. The significant components of the zakat base of each subsidiary 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 any other investments.

The movement in zakat provision is as follows:

	<b>31 March 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Balance at the beginning of the period/year	<b>7,303,900</b>	8,510,687
<u>Provision for:</u>		
Current period/year	<b>1,332,788</b>	6,796,987
<u>Payments for:</u>		
Current period/year	-	(8,003,774)
Balance at the end of the period/year	<b>8,636,688</b>	7,303,900



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**11 Zakat (continued)**

**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 March 31, 2022, the Company has filed the appeal to The Appeal Committee for Tax Violations and Disputes (“ACTVD”) on October 24, 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 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.

**Makarem**

Makarem filed its zakat return till 2021 and obtained the necessary zakat certificate valid till 30 April 2023. During 2021, ZATCA issued an assessment claiming for the year 2016 and 2018 additional zakat liability of Saudi Riyals 8,847, the Company settled the objection amounts.

**12 Losses per share**

The losses per share calculation is given below:

	<b>Three-month period ended</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Losses per share:</u></b>		
Net loss attributable to owners of the Company	<b>(9,080,618)</b>	(6,728,277)
Weighted average number of shares	<b>339,300,000</b>	339,300,000
Basic losses per share (SAR per share)	<b>(0.027)</b>	(0.020)

There has been no item of dilution affecting the weighted average number of ordinary shares.

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**13 Segment information**

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 financial position and financial results of Group's equity accounted investees and other short-term investments provided in the Kingdom of Saudi Arabia.

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 March 2023 and 31 December 2022 and for the three-month and three month periods ended on 31 March 2023 and 2022, summarized by segment, is as follows:

	<b>Real estate development</b>	<b>Investment</b>	<b>Total</b>
<b>Condensed consolidated interim statement of financial position</b>			
<b>As at 31 March 2023 (Unaudited)</b>			
Investment properties	2,970,603,151	-	2,970,603,151
Development properties	54,545,378	-	54,545,378
Cash and cash equivalents	-	50,188,119	50,188,119
Financial assets at fair value through profit or loss	-	25,732,215	25,732,215
Investment held at amortised cost	-	124,232,685	124,232,685
<b>Total assets</b>	<b>3,343,905,577</b>	<b>200,153,019</b>	<b>3,544,058,596</b>
<b>Total liabilities</b>	<b>407,266,280</b>	<b>-</b>	<b>407,266,280</b>
<b>As at 31 December 2022 (Audited)</b>			
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
Financial assets at fair value through profit or loss	-	49,065,048	49,065,048
Investment held at amortised cost	-	124,772,392	124,772,392
<b>Total assets</b>	<b>3,284,566,127</b>	<b>224,167,920</b>	<b>3,508,734,047</b>
<b>Total liabilities</b>	<b>355,816,965</b>	<b>-</b>	<b>355,816,965</b>
	<b>Real estate development</b>	<b>Investment</b>	<b>Total</b>
<b>Condensed consolidated interim statement of profit or loss</b>			
<b>Three-month period ended 31 March 2023 (Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	1,345,547	-	1,345,547
Revenue – Overtime	16,706,444	-	16,706,444
Finance income	-	1,001,246	1,001,246
Depreciation and amortization	(879,396)	-	(879,396)
Zakat expense	(1,332,788)	-	(1,332,788)
Net (loss)/income	(10,148,916)	1,001,246	(9,147,670)

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**13 Segment information** (continued)

	<b>Real estate development</b>	<b>Investment</b>	<b>Total</b>
<b>Three-month period ended 31 March 2022</b>			
<b>(Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	6,066,008	-	6,066,008
Revenue – Overtime	9,664,877	-	9,664,877
Finance income	-	545,968	545,968
Depreciation and amortization	(987,090)	-	(987,090)
Zakat expense	(1,369,839)	-	(1,369,839)
Net loss	(7,280,995)	545,968	(6,735,027)

**14 Commitments**

As at 31 March 2023, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately Saudi Riyals 419.29 million (31 December 2022: Saudi Riyals 447.28 million).

**15 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.

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 recognizes 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 period.

There are no transfers in the fair value levels during the period ended 31 March 2023.

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**15 Fair value measurement** (continued)

Cash and cash equivalents, trade receivables, contract assets, investment held at amortised cost are measured at amortised cost. Financial assets at fair value through profit or loss are measured at fair value at the quoted market prices (level 1) at the reporting date.

Derivative financial instrument measured at fair value through profit or loss using the valuation techniques (level 2). The valuation techniques applied by the counterparty include the use of forward pricing standard models using the present value of the estimated future cash flows based on observable yield curves.

Profit rate swap transactions usually involve two counterparties, a firm (or other entity) and a financial institution. The most common type of contract requires one counterparty to pay a fixed interest rate for the term of the contract, while the other counterparty pays a variable interest rate for the same term. Therefore, the fair value of the assets shall reflect the non-performance risk, risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management. All these contracts have been designated as level 2 in the financial statement.

Borrowings, 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.