

**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 AND SIX-MONTH PERIOD  
ENDED 30 JUNE 2023**

**KNOWLEDGE ECONOMIC CITY COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2023 and the related condensed consolidated interim statement of comprehensive income for the three-month and six-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the six-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

August 16, 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	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		47,606,542	48,227,753
Investment properties	4	3,103,455,230	2,901,126,345
Right-of-use asset		501,668	1,103,669
Intangible assets		353,672	189,378
Derivative financial instruments	10	17,147,552	17,145,619
Trade receivables	6	62,058,050	73,852,103
Investment held at amortised cost		124,772,392	124,772,392
<b>Total non-current assets</b>		<b>3,355,895,106</b>	<b>3,166,417,259</b>
<b>Current assets</b>			
Development properties	5	48,159,696	58,151,760
Trade receivables	6	41,948,168	40,440,325
Contract assets	7	14,073,793	12,355,669
Prepayments and other current assets		43,182,478	54,179,504
Financial assets at fair value through profit or loss		-	49,065,048
Cash and cash equivalents		145,680,984	128,124,482
<b>Total current assets</b>		<b>293,045,119</b>	<b>342,316,788</b>
<b>Total assets</b>		<b>3,648,940,225</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	1,207,641	2,509,406
Accumulated losses		(346,637,425)	(336,038,339)
<b>Equity attributable to equity holders of the parent</b>		<b>3,047,570,216</b>	<b>3,059,471,067</b>
Non-controlling interests		93,318,104	93,446,015
<b>Total equity</b>		<b>3,140,888,320</b>	<b>3,152,917,082</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	9	343,430,972	220,237,162
Employee benefits		10,133,171	9,263,893
Payable to other unitholders of Fund		56,870,000	53,191,815
<b>Total non-current liabilities</b>		<b>410,434,143</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	30 June 2023 (Unaudited)	31 December 2022 (Audited)
<b>Current liabilities</b>			
Lease liabilities		2,035,998	1,987,362
Trade payables		8,905,540	5,193,805
Contract liabilities	7	3,277,834	4,309,339
Accruals and other current liabilities		80,791,565	54,329,689
Zakat	11	2,606,825	7,303,900
<b>Total current liabilities</b>		<u>97,617,762</u>	<u>73,124,095</u>
<b>Total liabilities</b>		<u>508,051,905</u>	<u>355,816,965</u>
<b>Total equity and liabilities</b>		<u>3,648,940,225</u>	<u>3,508,734,047</u>

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		Six-month period	
		2023	30 June 2022	2023	Ended 30 June 2022
<b>Continuing operations</b>					
Revenue		34,073,629	13,691,952	52,125,620	29,422,837
Cost of revenue		(20,966,673)	(9,183,688)	(32,449,823)	(20,030,964)
<b>Gross profit</b>		<b>13,106,956</b>	<b>4,508,264</b>	<b>19,675,797</b>	<b>9,391,873</b>
Selling and marketing expenses		(3,725,497)	(2,763,970)	(6,529,839)	(5,208,762)
General and administrative expenses		(11,536,203)	(12,027,553)	(22,233,357)	(22,118,067)
Other income		2,451,318	3,001,271	3,723,796	5,128,422
Other expenses		(600,890)	(254,210)	(4,099,690)	(606,581)
<b>Operating loss</b>		<b>(304,316)</b>	<b>(7,536,198)</b>	<b>(9,463,293)</b>	<b>(13,413,115)</b>
Finance income		929,707	639,718	1,930,953	1,185,686
Realized gain from investments at fair value through profit or loss		156,575	-	523,742	-
Unrealized gain from investments at fair value through profit or loss		-	623,812	-	623,812
Finance cost		(24,318)	(13,349)	(48,636)	(47,588)
<b>Profit/(loss) before zakat</b>		<b>757,648</b>	<b>(6,286,017)</b>	<b>(7,057,234)</b>	<b>(11,651,205)</b>
Zakat expense	11	(2,336,975)	(2,249,189)	(3,669,763)	(3,619,028)
<b>Net loss for the period</b>		<b>(1,579,327)</b>	<b>(8,535,206)</b>	<b>(10,726,997)</b>	<b>(15,270,233)</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	5,675,331	-	(1,301,765)	-
<b>Total comprehensive income (loss) for the period</b>		<b>4,096,004</b>	<b>(8,535,206)</b>	<b>(12,028,762)</b>	<b>(15,270,233)</b>
<i>Net (loss)/ profit and total comprehensive loss attributable to:</i>					
Equity holders of the parent		(1,518,468)	(8,639,723)	(10,599,086)	(15,368,000)
Non-controlling interests		(60,859)	104,517	(127,911)	97,767
		(1,579,327)	(8,535,206)	(10,726,997)	(15,270,233)
<i>Total comprehensive income (loss) attributable to:</i>					
Equity holders of the parent	12	4,156,863	(8,639,723)	(11,900,851)	(15,368,000)
Non-controlling interests		(60,859)	104,517	(127,911)	97,767
		4,096,004	(8,535,206)	(12,028,762)	(15,270,233)
<b>Losses per share attributable to equity holders of the Company:</b>					
Basic and diluted losses in Saudi Riyals per share		(0.004)	(0.025)	(0.031)	(0.045)

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				Non-controlling interest	Total equity
	Share capital	Hedge reserve	Accumulated losses	Total		
<b>Balance at January 1, 2022</b>	3,393,000,000	-	(316,877,718)	3,076,122,282	92,893,309	3,169,015,591
(Net loss)/income for the period	-	-	(15,368,000)	(15,368,000)	97,767	(15,270,233)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	-	-	(15,368,000)	(15,368,000)	97,767	(15,270,233)
<b>Balance as at 30 June 2022</b>	<b>3,393,000,000</b>	<b>-</b>	<b>(332,245,718)</b>	<b>3,060,754,282</b>	<b>92,991,076</b>	<b>3,153,745,358</b>
<b>Balance at January 1, 2023</b>	<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	-	-	(10,599,086)	(10,599,086)	(127,911)	(10,726,997)
Other comprehensive loss for the period	-	(1,301,765)	-	(1,301,765)	-	(1,301,765)
Total comprehensive loss for the period	-	(1,301,765)	(10,599,086)	(11,900,851)	(127,911)	(12,028,762)
<b>Balance as at 30 June 2023</b>	<b>3,393,000,000</b>	<b>1,207,641</b>	<b>(346,637,425)</b>	<b>3,047,570,216</b>	<b>93,318,104</b>	<b>3,140,888,320</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>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Loss before zakat	<b>(7,057,234)</b>	(11,651,205)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Finance income	<b>(1,930,953)</b>	(1,185,686)
Realized gain from investments at fair value through profit or loss	<b>(523,742)</b>	-
Unrealized gain from investments at fair value through profit or loss	-	(623,812)
Fair value adjustment to derivatives through profit and loss	<b>(1,303,698)</b>	-
Revaluation of payable to other unitholders of Fund	<b>3,678,185</b>	(127,968)
Provision for employee termination benefits	<b>1,215,265</b>	644,221
Finance cost for lease liabilities	<b>48,636</b>	47,588
Depreciation of property and equipment	<b>1,142,963</b>	546,810
Depreciation of right-of-use assets	<b>602,001</b>	602,001
Amortization of intangible assets	<b>36,587</b>	345,263
	<b>(4,091,990)</b>	(11,402,788)
<i>Working capital adjustments:</i>		
Development properties	<b>9,992,064</b>	3,671,719
Trade receivables	<b>10,286,210</b>	22,085,257
Contract assets	<b>(1,718,124)</b>	(8,326,102)
Prepayments and other current assets	<b>10,997,026</b>	(27,462,546)
Trade payable	<b>3,711,735</b>	1,041,861
Contract liabilities	<b>(1,031,505)</b>	4,677,866
Accruals and other current and non-current liabilities	<b>9,431,039</b>	337,600
Cash generated from/ (used in) operations	<b>37,576,455</b>	(15,377,133)
Employees' termination benefits paid	<b>(345,987)</b>	(130,662)
Zakat Paid	<b>(8,366,838)</b>	(8,003,774)
<b>Net cash flows generated from/ (used in) operating activities</b>	<b>28,863,630</b>	(23,511,569)
<b>Investing activities</b>		
Investment in short-term investments	<b>(250,000,000)</b>	(50,100,000)
Proceeds from short-term investments	<b>250,000,000</b>	-
Finance income received	<b>1,930,953</b>	1,933,446
Financial assets at fair value through profit or loss	<b>49,588,790</b>	92,000,000
Additions to investment properties	<b>(185,298,048)</b>	(148,926,099)
Additions to property and equipment	<b>(521,752)</b>	(1,086,248)
Additions to intangible asset	<b>(200,881)</b>	-
<b>Net cash flows used in investing activities</b>	<b>(134,500,938)</b>	(106,178,901)



**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>Six-month period ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
<b>Financing activities</b>		
Proceeds from borrowings	<b>123,193,810</b>	145,040,140
Payment of principal portion of lease liabilities	-	(734,250)
<b>Net cash flows generated from financing activities</b>	<b>123,193,810</b>	144,305,890
Net increase in cash and cash equivalents	<b>17,556,502</b>	14,615,420
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>145,680,984</b>	114,267,840

**SUPPLEMENTARY NON-CASH INFORMATION**

Additions in investment properties through accrued expenses	<b>17,030,837</b>	14,107,508
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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**  
(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>30 June 2023</b>	<b>31 December 2022</b>
Mounshaat Al Maarifa Al Akaria Company Limited (“Mounshaat”)	Saudi Arabia	1,000,000	<b>100%</b>	100%
Mashariaa Al Maarifa Al Akaria Company Limited (“Mashaiaa”)	Saudi Arabia	633,000,000	<b>100%</b>	100%
Al Garra International Company for Real Estate (“Al Garra”)	Saudi Arabia	467,765,000	<b>80%</b>	80%
Al Maarifa Al Akaria Company Limited (“Amaak”)	Saudi Arabia	10,000,000	<b>100%</b>	100%
Makarem Al Maarifa for Hospitality Company Limited (“Makarem”)	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%

During the three-month period ended June 30, 2023, KEC signed a framework agreement with China Gezhouba International Engineering Group Company “CGGC” – for joint cooperation to support the development of Knowledge Economic City Company projects. Currently there is no financial impact of this agreement as the financial impact will be determined according to the subsequent detailed agreements related to each of the projects.

During the three-month period ended June 30, 2023, KEC also signed a contract with Alsaad General Contracting Company in respect of electromechanical and finishes works for the KEC HUB project amounting to Saudi Riyals 506 million.

Also, during the three-month period ended Jun 30, 2023, KEC signed a construction contract for the structure of residential buildings in the first phase of Al-Alya Project amounting to Saudi Riyals 66 million with Elkhareiji Commerce and Contracting Company.

Mounshaat and Mashariaa have not commenced their operations as at 30 June 2023.

These condensed consolidated interim financial statements were authorized for issue by the Group’s Board of Directors on August 13, 2023.

## **2 Basis of preparation**

### **2.1 Statement of compliance**

The condensed consolidated interim financial statements for the six-month period ended 30 June 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 30 June 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**  
(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>30 June 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>202,328,885</b>	292,357,684
At the end of the period/year	<b><u>3,103,455,230</u></b>	<u>2,901,126,345</u>

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>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Lands and lands with infrastructures	<b>2,657,083,206</b>	2,604,886,404
Properties under development	<b>446,372,024</b>	296,239,941
	<b><u>3,103,455,230</u></b>	<u>2,901,126,345</u>

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 446 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 30 June 2023 is Saudi Riyals 6.6 billion (31 December 2022: 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 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 30 June 2023, accordingly, there is no indication of impairment.

During the period ended 30 June 2023, an amount of Saudi Riyals 8.3 million was capitalised as borrowing cost and Saudi Riyals 193,810 was capitalised as amortization of transaction cost for the construction.

At 30 June 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 ("TDF") and a local commercial 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**  
(Amounts in Saudi Riyals unless otherwise stated)

**5 Development properties**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
At the beginning of the period/year	58,151,760	67,151,326
Additions	19,215,156	22,487,171
Transfer to cost of revenue	<b>(29,207,220)</b>	<b>(31,486,737)</b>
At the end of the period/year	<b>48,159,696</b>	58,151,760

The fair value of the Group's development properties as per Century21 valuation report at 30 June 2023 approximates Saudi Riyals 66.65 million (31 December 2022 Saudi Riyals 93.17 million).

These amounts above are split into these categories as follows:

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Lands with infrastructures	43,009,356	43,009,356
Properties under development	5,150,340	15,142,404
	<b>48,159,696</b>	58,151,760

**6 Trade receivables**

Trade receivables – billed (current)

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Trade customers for sale of residential villas	11,939,665	8,840,979
Trade customers for services	8,198,859	4,885,915
	<b>20,138,524</b>	13,726,894

Trade receivables – unbilled

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Trade customers for sale of residential villas	83,867,694	100,565,534
Less: current portion	<b>(21,809,644)</b>	<b>(26,713,431)</b>
Trade customers for sale of residential villas (non-current)	<b>62,058,050</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>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Contract assets	<b>14,073,793</b>	12,355,669

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Contract liabilities	<b>3,277,834</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.

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**8 Related party transactions and balances**

**8.1 Key management compensation**

	Three-month period ended		Six-month period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	----- (Unaudited) -----			
Board of Directors' remuneration and related expenses	<b>1,211,298</b>	525,000	<b>2,186,298</b>	1,950,000
Remuneration to the key management personnel	<b>1,442,375</b>	1,310,750	<b>2,793,625</b>	2,358,747
Employee benefits of key management personnel	<b>130,333</b>	185,490	<b>223,904</b>	248,177

There were no material transactions with other related parties during the period ended 30 June 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**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Board of Directors' remuneration	<b>2,342,354</b>	156,056

**9 Borrowings**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Murabaha facilities	<b>348,000,000</b>	225,000,000
Less: unamortized transaction costs	<b>(4,569,028)</b>	(4,762,838)
Accrued interest	<b>6,716,308</b>	3,764,308
	<b>350,147,280</b>	224,001,470

Borrowings are presented as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current maturity under current liabilities	<b>6,716,308</b>	3,764,308
Long-term borrowings	<b>343,430,972</b>	220,237,162
	<b>350,147,280</b>	224,001,470

Movements in unamortized transaction cost are as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Transaction cost paid	<b>5,083,000</b>	5,083,000
Less: capitalised amortization	<b>(513,972)</b>	(320,162)
	<b>4,569,028</b>	4,762,838

During the year ended 31 December 2021, the Group signed an agreement with TDF and a local commercial 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, TDF and the local commercial 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 the local commercial bank amounting to Saudi Riyals 112.5 million each with total withdrawn facilities of Saudi Riyals of 225 million. During the period ended 30 June 2023, the Group's has withdrawn additional facilities from TDF and the local commercial bank amounting to Saudi Riyals 37.5 million each with total withdrawn facilities of Saudi Riyals of 75 million. The unused balance of this facility as of 30 June 2023 amounted to Saudi Riyals 482 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 ranging from 5.79% to 8.02%. The facilities are repayable in semi-annual installments, 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 a local commercial bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. During the period ended 30 June 2023, the Company has withdrawn Saudi Riyals 23 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 ranging from 7.59 to 7.63%. The unused balance of this facility as of 30 June 2023 amounted to Saudi Riyals 33 million.

During the year ended December 31, 2022, the Company has also signed an agreement with a local commercial bank to provide the financing facility amounting to Saudi Riyals 100 million for working capital requirement. During the period ended 30 June 2023, the Company has withdrawn Saudi Riyals 25 million from this facility. The Group provided collateral in the form of investment in Saudi Government SAR Sukuk to the local commercial 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 ranging from 6.598% to 6.66%. The unused balance of this facility as of 30 June 2023 amounted to Saudi Riyals 75 million.

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

**Maturity profile of Murabaha**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Period ending June 30:		
2025	<b>15,000,000</b>	22,500,000
2026	<b>34,600,000</b>	22,500,000
2027	<b>59,600,000</b>	22,500,000
2028	<b>34,600,000</b>	22,500,000
2029	<b>34,600,000</b>	22,500,000
2030	<b>34,600,000</b>	22,500,000
Thereafter	<b>135,000,000</b>	90,000,000
	<b>348,000,000</b>	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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**10 Derivative financial instrument**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Profit rate swap – cash flow hedge	<u>17,147,552</u>	17,145,619

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

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 is Saudi Riyals 1.3 million for the period ended 30 June 2023 and was negligible for the year ended 31 December 2022.

The movement the derivative financial instrument is as follows;

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
At the beginning of the period/year	17,145,619	-
Fair value gain not qualifying as hedge accounting before designation date	-	14,636,213
Cash flow hedges – ineffective portion of changes in fair value	1,303,698	-
Cash flow hedges – effective portion of changes in fair value	<u>(1,301,765)</u>	2,509,406
At the end of the period/year	<u>17,147,552</u>	17,145,619

At 30 June 2023, the Swap Contract had a fair value of Saudi Riyals 17.1 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>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
At the beginning of the period/year	2,509,406	-
Cash flow hedges – effective portion of changes in fair value	<u>(1,301,765)</u>	2,509,406
At the end of the period/year	<u>1,207,641</u>	2,509,406



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**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>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Balance at the beginning of the period/year	7,303,900	8,510,687
<i>Provision for:</i>		
Current period/year	3,267,654	6,796,987
Prior period/year	402,109	-
<i>Payments for:</i>		
Current period/year	(7,964,729)	(8,003,774)
Prior period/year	(402,109)	-
Balance at the end of the period/year	<b>2,606,825</b>	<b>7,303,900</b>

**Status of assessments**

**The Company and its 100% subsidiaries**

The Company and its subsidiaries have filed the zakat returns for the years up to 2022. For 2017 to 2022, 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 2024.

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 June 30, 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 2022 and obtained the necessary zakat certificate valid till 30 April 2024. Al Garra has finalised its zakat assessments till the year 2018.

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**11 Zakat (continued)**

**Amaak**

Amaak filed its zakat return for the year 2011 till 2016 and informational returns for the years 2017 to 2022. The Company obtained zakat certificate valid till 30 April 2024.

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 ("CRTVD"). CRTVD issued its decision which accepted the Company's objection for the year 2015 and 2016. However, ZATCA filed an appeal against the CRTVD decision in ACTVDR and during December 2022, Amaak replied to ZATCA's appeal in ACTVDR. Amaak is waiting for the ACTVDR decision. 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 2022 and obtained the necessary zakat certificate valid till 30 April 2024. Makarem has finalised its zakat assessment till 2018.

**12 Losses per share**

The losses per share calculation is given below:

	<b>Three-month period ended</b>		<b>Six-month period ended</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b><u>Losses per share:</u></b>				
Net loss attributable to owners of the Company	<b>(1,518,468)</b>	(8,639,723)	<b>(10,599,086)</b>	(15,368,000)
Weighted average number of shares	<b>339,300,000</b>	339,300,000	<b>339,300,000</b>	339,300,000
Basic losses per share (SAR per share)	<b>(0.004)</b>	(0.025)	<b>(0.031)</b>	(0.045)

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

**13 Segment information**

The Group has two reportable segments which are the Group's strategic business units, as described below. 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.

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**13 Segment information (continued)**

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 30 June 2023 and 31 December 2022 and for the three-month and six-month periods ended on 30 June 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 30 June 2023 (Unaudited)</b>			
Investment properties	<b>3,103,455,230</b>	-	<b>3,103,455,230</b>
Development properties	<b>48,159,696</b>	-	<b>48,159,696</b>
Investment held at amortised cost	-	<b>124,772,392</b>	<b>124,772,392</b>
Total assets	<b>3,524,167,833</b>	<b>124,772,392</b>	<b>3,648,940,225</b>
Total liabilities	<b>508,051,905</b>	-	<b>508,051,905</b>
	<b>Real estate development</b>	<b>Investment</b>	<b>Total</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
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
	<b>Real estate development</b>	<b>Investment</b>	<b>Total</b>
<b>Condensed consolidated interim statement of profit or loss</b>			
<b>Six-month period ended 30 June 2023 (Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	<b>2,705,922</b>	-	<b>2,705,922</b>
Revenue – Overtime	<b>49,419,698</b>	-	<b>49,419,698</b>
Finance income	-	<b>1,930,953</b>	<b>1,930,953</b>
Depreciation and amortization	<b>(1,781,551)</b>	-	<b>(1,781,551)</b>
Zakat expense	<b>(3,669,763)</b>	-	<b>(3,669,763)</b>
Net loss	<b>(12,657,950)</b>	<b>1,930,953</b>	<b>(10,726,997)</b>

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**13 Segment information (continued)**

	<b>Real estate development</b>	<b>Investment</b>	<b>Total</b>
<b>Six-month period ended 30 June 2022 (Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	7,016,984	-	7,016,984
Revenue – Overtime	22,405,853	-	22,405,853
Finance income	-	1,185,686	1,185,686
Depreciation and amortization	(1,494,074)	-	(1,494,074)
Zakat expense	(3,619,028)	-	(3,619,028)
Net loss	(16,455,919)	1,185,686	(15,270,233)
<b>Condensed consolidated interim statement of profit or loss</b>			
<b>Three-month period ended 30 June 2023 (Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	<b>1,360,375</b>	-	<b>1,360,375</b>
Revenue – Overtime	<b>32,713,254</b>	-	<b>32,713,254</b>
Finance income	-	<b>929,707</b>	<b>929,707</b>
Depreciation and amortization	<b>(902,155)</b>	-	<b>(902,155)</b>
Zakat expense	<b>(2,336,975)</b>	-	<b>(2,336,975)</b>
Net loss	<b>(2,509,034)</b>	<b>929,707</b>	<b>(1,579,327)</b>
<b>Three-month period ended 30 June 2022 (Unaudited)</b>			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	950,976	-	950,976
Revenue – Overtime	12,740,976	-	12,740,976
Finance income	-	639,718	639,718
Depreciation and amortization	(506,984)	-	(506,984)
Zakat expense	(2,249,189)	-	(2,249,189)
Net loss	(9,174,924)	639,718	(8,535,206)

**14 Commitments**

As at 30 June 2023, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately Saudi Riyals 1.12 billion (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.

**15 Fair value measurement** (continued)

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 30 June 2023.

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.