

**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 NINE-MONTH PERIODS
ENDED 30 SEPTEMBER 2022**

**KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 September 2022**

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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 September 2022 and the related condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-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



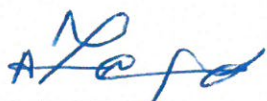
November 14, 2022

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 September 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Non-current assets			
Property and equipment		48,139,772	48,796,461
Investment properties	4	2,827,700,007	2,608,768,661
Right-of-use asset		1,404,670	2,307,671
Intangible assets		158,500	461,458
Derivative financial instruments measured at fair value through profit or loss			
Trade receivables	10	11,844,703	-
Investment held at amortised cost	6	73,078,114	98,208,785
Total non-current assets		124,232,683	124,772,392
		3,086,558,449	2,883,315,428
Current assets			
Development properties	5	65,000,734	67,151,326
Trade receivables	6	56,772,730	63,126,630
Contract assets	7	10,816,284	4,537,667
Prepayments and other current assets		59,904,300	25,738,125
Financial assets at fair value through profit or loss		59,640,885	150,676,588
Cash and cash equivalents		152,202,416	99,652,420
Total current assets		404,337,349	410,882,756
Total assets		3,490,895,798	3,294,198,184
Equity and liabilities			
Equity			
Share capital		3,393,000,000	3,393,000,000
Accumulated losses		(327,614,660)	(316,877,718)
Equity attributable to equity holders of the parent		3,065,385,340	3,076,122,282
Non-controlling interests		92,984,187	92,893,309
Total equity		3,158,369,527	3,169,015,591
Liabilities			
Non-current liabilities			
Borrowings		185,138,651	-
Employee benefits	9	8,527,651	8,062,405
Payable to other unitholders of Fund		53,372,115	53,589,325
Lease liabilities		-	1,340,901
Total non-current liabilities		247,038,417	62,992,631
Current liabilities			
Lease liabilities		1,964,983	1,264,363
Trade payables		6,470,189	8,128,857
Contract liabilities		4,588,242	-
Accruals and other current liabilities		67,306,530	44,286,055
Zakat		5,157,910	8,510,687
Total current liabilities	11	85,487,854	62,189,962
Total liabilities		332,526,271	125,182,593
Total equity and liabilities		3,490,895,798	3,294,198,184

The attached notes from 1 to 16 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



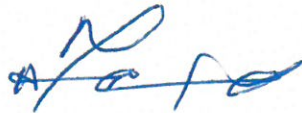
Chairman of Board of Directors

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 30 September		Nine-month period Ended 30 September	
		2022	2021	2022	2021
Revenue		10,154,730	1,495,378	39,577,567	33,511,939
Cost of revenue		(6,457,783)	(1,418,524)	(26,488,747)	(24,836,903)
Gross profit		3,696,947	76,854	13,088,820	8,675,036
Selling and marketing expenses		(2,442,695)	(2,452,498)	(7,651,457)	(6,956,636)
General and administrative expenses		(10,259,968)	(9,869,423)	(32,378,035)	(26,421,125)
Other income, net		1,636,453	12,390,105	6,158,294	29,413,114
Operating (loss)/ profit		(7,369,263)	145,038	(20,782,378)	4,710,389
Finance income		886,593	589,295	2,072,279	1,853,413
Unrealized gain from investments at fair value through profit or loss		340,485	-	964,297	-
Fair value gain on derivative financial instruments measured at fair value through profit or loss	10	11,844,703	-	11,844,703	-
Finance cost		(46,380)	(28,010)	(93,968)	(111,264)
Profit(loss) before zakat		5,656,138	706,323	(5,995,067)	6,452,538
Zakat expense	11	(1,031,969)	(3,000,000)	(4,650,997)	(9,086,421)
Net profit(loss) for the period		4,624,169	(2,293,677)	(10,646,064)	(2,633,883)
Other comprehensive income		-	-	-	-
Total comprehensive profit(loss) for the period		4,624,169	(2,293,677)	(10,646,064)	(2,633,883)
<i>Net profit(loss) and total comprehensive loss attributable to:</i>					
Equity holders of the parent		4,631,058	(2,503,380)	(10,736,942)	(2,575,071)
Non-controlling interests		(6,889)	209,703	90,878	(58,812)
		4,624,169	(2,293,677)	(10,646,064)	(2,633,883)
Profit(loss) per share attributable to equity holders of the Company:					
Basic and diluted (losses)/profit in Saudi Riyals per share	12	0.014	(0.007)	(0.032)	(0.008)

The attached notes from 1 to 16 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				
	Share capital	Accumulated losses	Total	Non-controlling interest	Total equity
Balance as at 1 January 2021 (audited)	3,393,000,000	(294,654,961)	3,098,345,039	93,333,504	3,191,678,543
Net loss for the period	-	(2,575,071)	(2,575,071)	(58,812)	(2,633,883)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(2,575,071)	(2,575,071)	(58,812)	(2,633,883)
Disposal of a subsidiary	-	87,202	87,202	21,800	109,002
Balance as at 30 September 2021 (unaudited)	3,393,000,000	(297,142,830)	3,095,857,170	93,296,492	3,189,153,662
Balance as at 1 January 2022 (audited)	3,393,000,000	(316,877,718)	3,076,122,282	92,893,309	3,169,015,591
Net loss for the period	-	(10,736,942)	(10,736,942)	90,878	(10,646,064)
Other comprehensive profit for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(10,736,942)	(10,736,942)	90,878	(10,646,064)
Balance as at 30 September 2022 (unaudited)	3,393,000,000	(327,614,660)	3,065,385,340	92,984,187	3,158,369,527

The attached notes from 1 to 16 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)

	Nine-month period ended 30 September	
	2022	2021
Operating activities		
(Loss)/profit before zakat	(5,995,067)	6,452,538
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Finance income	(2,072,279)	(1,853,413)
Revaluation of payable to other unitholders of Fund	(217,210)	-
Unrealized gain from investments at fair value through profit or loss	(964,297)	-
Fair value gain on derivative financial instruments	(11,844,703)	-
Provision for employee benefits	870,786	1,256,078
Finance cost for lease liabilities	93,968	111,264
Depreciation of property and equipment	1,097,150	1,081,546
Depreciation of right-of-use assets	903,001	903,002
Amortization of intangible assets	348,963	358,806
	(17,779,688)	8,309,821
<i>Working capital adjustments:</i>		
Development properties	2,150,592	20,836,924
Trade receivables	31,484,571	412,879
Contract assets	(6,278,617)	12,755,670
Prepayments and other current assets	(34,166,175)	(13,765,590)
Trade payable	(1,658,668)	2,179,785
Contract liabilities	4,588,242	-
Accruals and other current and non-current liabilities	3,956,364	(21,882,879)
Cash (used in)/generated from operations	(17,703,379)	8,846,610
Employees' benefits paid	(405,540)	(60,292)
Zakat paid	(8,003,774)	(11,678,316)
Net cash flows used in operating activities	(26,112,693)	(2,891,998)
Investing activities		
Proceeds from short-term investments	50,000,000	46,000,000
Investment made in short-term investments	(50,000,000)	-
Finance income received	2,611,988	2,481,014
Investment in financial assets at fair value through profit or loss	92,000,000	-
Adjustments of investment properties on settlement of partial lawsuit	-	26,773,966
Additions to investment properties	(199,867,235)	(22,662,057)
Additions to property and equipment	(440,461)	(363,608)
Additions to intangible asset	(46,005)	(19,688)
Net cash flows (used in)/generated from investing activities	(105,741,713)	52,209,627
Financing activity		
Borrowings obtained	185,138,651	-
Contribution by other unitholders of the Fund	-	55,000,000
Disposal of subsidiary	-	109,002
Payment of principal portion of lease liabilities	(734,249)	(1,284,938)
Net cash flows generated from financing activities	184,404,402	53,824,064
Net increase in cash and cash equivalents	52,549,996	103,141,693
Cash and cash equivalents at the beginning of the period	99,652,420	180,043,033
Cash and cash equivalents at the end of the period	152,202,416	283,184,726

SUPPLEMENTARY NON-CASH INFORMATION

Additions in investment properties through accrued expenses

19,064,111

The attached notes from 1 to 16 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 nine-month period ended 30 September 2022
(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.

Subsidiaries	Country of incorporation	Paid up capital	Effective ownership	
			30 September 2022	31 December 2021
Mounshaat Al Maarifa Al Akaria Company Limited ("Mounshaat")	Saudi Arabia	1,000,000	100%	100%
Mashariaa Al Maarifa Al Akaria Company Limited ("Mashariaa")	Saudi Arabia	633,000,000	100%	100%
Al Garra International Company for Real Estate ("Al Garra")	Saudi Arabia	467,765,000	80%	80%
Al Maarifa Al Akaria Company Limited ("Amaak")	Saudi Arabia	10,000,000	100%	100%
Makarem Al Maarifa for Hospitality Company Limited ("Makarem") (refer Note below)	Saudi Arabia	56,400,000	100%	100%
Riyadh Real Estate Development Fund - Madinah Gate (the "Fund")	Saudi Arabia	220,000,000	68.82%	68.82%

During the nine-month period ended 30 September 2021, the Group invested in a newly established private real estate fund namely Riyadh Real Estate Development Fund - Madinah Gate (the "Fund"). The Group transferred the entire ownership of Madinah Gate Co. that owned the real estate asset in favor of the Fund amounting to Saudi Riyals 68 million in exchange of units in the Fund. Moreover, the Group also invested Saudi Riyals 97 million in cash to subscribe units in the Fund. This total investment of Saudi Riyals 165 million represents 75% ownership of the Fund (44.1% is direct ownership, and 30.9% indirect ownership through the subsidiary Al Garra company as the Group owns 80% of it). The Group signed an agreement with Riyadh Capital for the management of the Fund.

Mounshaat and Mashariaa have not commenced their operations as at 30 September 2022.

The Group signed an agreement with the Saudi Tourism Development Fund and Riyadh Bank to provide financing facility to an extent of Saudi Riyals 782 million for development execution of the KEC Hub project. Refer to note 9 for more details. During the period ended September 30, 2022, the Company has signed an agreement with Riyadh Bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. As of the period ended, the Company has not withdrawn any amount from the said facility.

The Group has signed an agreement with MOBCO Group to develop an international school on a parcel of land that will be allocated for this investment through a long-term lease contract. As of issuance date of these financial statement, construction of the international school has not yet started.

Furthermore, the Group has also signed an agreement with Muslim World League (WML) and Down Syndrome Association Madinah (DSA) to develop a museum and a hospital on parcel of lands through long-term lease contracts. As of issuance date of these financial statement, construction of museum and hospital have not yet started.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2022
(Amounts in Saudi Riyals unless otherwise stated)

1. Corporate information (continued)

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on November 8, 2022.

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial statements for the nine-month period ended 30 September 2022 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 2021.

2.2 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2022 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 2021 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 nine-month period ended 30 September 2022
(Amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

2.8 Borrowings

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

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

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

2.9 Borrowing costs

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

2.10 Derivative financial instruments measured at fair value through profit or loss

Derivative financial instruments, including profit rate swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative in the statement of financial position. Changes in the fair value of derivative instruments are included in statement of comprehensive income. The Company is applying derivative accounting instead of hedge accounting.

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 2021.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2022
(Amounts in Saudi Riyals unless otherwise stated)

4. Investment properties

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	2,608,768,661	2,565,716,142
Additions	218,931,346	69,826,485
Adjustments on settlement of claim	-	(26,773,966)
At the end of the period/year	<u>2,827,700,007</u>	<u>2,608,768,661</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:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Lands with infrastructures	2,597,527,462	2,565,045,767
Properties under development	230,172,545	43,722,894
	<u>2,827,700,007</u>	<u>2,608,768,661</u>

The Group determined that the investment properties consist of three classes of assets, land amounting to Saudi Riyals 1.3 billion (31 December 2021: Saudi Riyals 1.3 billion), infrastructure cost amounting to Saudi Riyals 1.5 billion (31 December 2021: Saudi Riyals 1.2 billion) and properties under development amounting to Saudi Riyals 230.2 million (31 December 2021: Saudi Riyals 44 million) based on the nature, characteristics, and risks of each property. The fair value of the Group's investment properties as at 31 December 2021 was valued at Saudi Riyals 5.8 billion by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach. The Group's management has performed an assessment and concluded that there are no material change in circumstances between 31 December 2021 and 30 September 2022 that would require adjustment or revaluation to the fair value of the investment properties as at 30 September 2022.

During the period ended 30 September 2022, an amount of Saudi Riyals 3.7 million was capitalised as borrowing cost and Saudi Riyals 221,651 was capitalised as amortization of transaction cost for the construction.

At 30 September 2022, the Group's investment properties related to land plots of the project "KEC Hub" amounting to Saudi Riyals 265 million were mortgaged as collateral to the Saudi Tourism Development Fund and Riyadh Bank. Refer to note 9 for the borrowings.

5. Development properties

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
At the beginning of the period/year	67,151,326	85,808,790
Additions	18,692,117	7,766,847
Transfer to cost of revenue	(20,842,709)	(26,424,311)
At the end of the period/year	<u>65,000,734</u>	<u>67,151,326</u>

The fair value of the Group's development properties as per Century21 Saudi Arabia ("Century21") valuation report at 31 December 2021 approximates Saudi Riyals 93.9 million. The Group's management has performed an assessment and concluded that there are no material change in circumstances between 31 December 2021 and 30 September 2022 that would require adjustment or revaluation to the fair value of the development properties as at 30 September 2022.

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2022
(Amounts in Saudi Riyals unless otherwise stated)

5. Development properties (continued)

The balances above are split into these categories as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Lands with infrastructures	43,009,356	46,585,932
Properties under development	21,991,378	20,565,394
	65,000,734	67,151,326

6. Trade receivables

Trade receivables – billed (current)

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Trade customers for sale of residential villas	15,622,974	9,813,359
Trade customers for services	5,845,062	5,132,276
	21,468,036	14,945,635

Trade receivables – unbilled

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Trade customers for sale of residential villas	108,382,808	146,389,780
Less: current portion	(35,304,694)	(48,180,995)
Trade customers for sale of residential villas (non-current)	73,078,114	98,208,785

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

7. Contract asset

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Contract assets	10,816,284	4,537,667

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 nine-month period ended 30 September 2022
(Amounts in Saudi Riyals unless otherwise stated)

8. Related party transactions and balances

8.1 Key management compensation

	Three-month ended	period ended	Nine-month ended	period ended
	30 September 2022	30 September 2021	30 September 2022	30 September 2021
	----- (Unaudited) -----			
Board of Directors' remuneration and related expenses	975,000	1,425,000	2,925,000	2,937,000
Remuneration to the key management personnel	1,310,750	1,785,499	3,669,497	5,211,999
Employee benefits of key management personnel	69,619	113,376	317,796	266,840

There were no material transactions with other related parties during the for the nine-month period ended 30 September 2022. 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 September 2022 (Unaudited)	31 December 2021 (Audited)
Board of Directors' remuneration	979,500	1,833,000

9. Borrowings

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Murabaha facilities	190,000,000	-
Less: unamortized transaction costs	(4,861,349)	-
Accrued interest	825,038	-
	<u>185,963,689</u>	-

Borrowings are presented as follows:

Current maturity under current liabilities	825,038	-
Long-term borrowings	185,138,651	-
	<u>185,963,689</u>	-

Movements in unamortized transaction costs are as follows:

Transaction cost paid	5,083,000	-
Less: capitalised amortization	(221,651)	-
	<u>4,861,349</u>	-

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 STD 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)

On March 8, 2022, the Group's has withdrawn facilities from TDF and Riyadh Bank amounting to Saudi Riyals 75 million each with total withdrawn facilities of Saudi Riyals of 150 million. During the three-months period ended 30 September 2022, the Group's has withdrawn additional facilities from TDF and Riyadh Bank amounting to Saudi Riyals 20 million each with total withdrawn facilities of Saudi Riyals of 40 million. The unused balance of this facility as of 30 September 2022 amounted to Saudi Riyals 592 million.

The facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period is 5.79%. 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.

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

Maturity profile of Murabaha

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Period ending September 30:		
2026	19,000,000	-
2027	19,000,000	-
2028	19,000,000	-
2029	19,000,000	-
2030	19,000,000	-
Thereafter	19,000,000	-
	95,000,000	-
	190,000,000	-

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.

10. Derivative financial instruments measured at fair value through profit or loss

During the three-months period ended 30 September 2022, Makarem Company entered into a profit rate swap agreement (the "Swap Contract"), with Riyadh bank to hedge the future fluctuation in interest rates on its loans. The arrangement has not been designated as hedging arrangement since its inception. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty has been explained in note 15.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of September 30, 2022 is as follows:

	Fair value		Notional Amount	
	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Profit rate swap	11,844,703	-	125,000,000	-

At 30 September 2022, the Swap Contract had a fair value of Saudi Riyals 11.8 million, based on the valuation confirmed by the Company's banker. Such fair value is included as derivative financial instruments in non-current assets in the statement of financial position with a corresponding credit to the statement of comprehensive income.

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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:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period/year	8,510,687	11,927,492
<i>Provision for:</i>		
Current period/year		
Prior years	4,650,997	7,929,090
	-	3,205,373
<i>Payments for:</i>		
Current period/year		
Prior years	(8,003,774)	(11,345,895)
	-	(3,205,373)
Balance at the end of the period/year	5,157,910	8,510,687

Status of assessments

The Company and its 100% subsidiaries

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

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

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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 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 has issued a query in relation to the year 2016 and 2018 which management has already provided responses to ZATCA.

12. (Losses) / profit per share

The (losses) / profit per share calculation is given below:

	Three-month period ended		Nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
<u>Losses per share:</u>				
Net (loss) / profit attributable to owners of the Company	4,631,058	(2,503,380)	(10,736,942)	(2,575,071)
Weighted average number of shares	339,300,000	339,300,000	339,300,000	339,300,000
Basic (losses) / profit per share (Saudi Riyals per share)	0.014	(0.007)	(0.032)	(0.008)

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

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.

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13. Segment information (continued)

Selected financial information as at 30 September 2022 and 31 December 2021 and for the three-month and nine month periods ended on 30 September 2022 and 2021, summarized by segment, is as follows:

Condensed consolidated interim statement of financial position	Real estate development	Investment	Total
As at 30 September 2022 (Unaudited)			
Investment properties	2,827,700,007	-	2,827,700,007
Development properties	65,000,734	-	65,000,734
Cash and cash equivalents	-	50,034,375	50,034,375
Investment held at amortised cost	-	124,232,683	124,232,683
Total assets	3,316,628,740	174,267,058	3,490,895,798
Total liabilities	332,526,271	-	332,526,271
As at 31 December 2021 (Audited)			
Investment properties	2,608,768,661	-	2,608,768,661
Development properties	67,151,326	-	67,151,326
Cash and cash equivalents	-	45,220,619	45,220,619
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	3,124,205,173	169,993,011	3,294,198,184
Total liabilities	125,182,593	-	125,182,593

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13. Segment information (continued)

	Real estate development	Investment	Total
Condensed consolidated interim statement of profit or loss			
Nine-month period ended 30 September 2022 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	8,740,053	-	8,740,053
Revenue – Overtime	30,837,514	-	30,837,514
Finance income	-	2,072,279	2,072,279
Depreciation and amortization	(2,349,114)	-	(2,349,114)
Zakat expense	(4,650,997)	-	(4,650,997)
Net (loss)/income	(12,718,343)	2,072,279	(10,646,064)
Nine-month period ended 30 September 2021 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	3,995,767	-	3,995,767
Revenue – Overtime	29,516,172	-	29,516,172
Finance income	-	1,853,413	1,853,413
Depreciation and amortization	2,343,354	-	2,343,354
Zakat expense	9,086,421	-	9,086,421
Net loss	(4,487,296)	1,853,413	(2,633,883)
	Real estate development	Investment	Total
Condensed consolidated interim statement of profit or loss			
Three-month period ended 30 September 2022 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	1,723,069	-	1,723,069
Revenue – Overtime	8,431,661	-	8,431,661
Finance income	-	886,593	886,593
Depreciation and amortization	(855,040)	-	(855,040)
Zakat expense	(1,031,969)	-	(1,031,969)
Net profit	3,737,576	886,593	4,624,169
Three-month period ended 30 September 2021 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	1,495,378	-	1,495,378
Revenue – Overtime	-	-	-
Finance income	-	589,295	589,295
Depreciation and amortization	849,084	-	849,084
Zakat expense	3,000,000	-	3,000,000
Net loss	(2,882,972)	589,295	(2,293,677)

14. Commitments

As at 30 September 2022, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately Saudi Riyals 570.33 million (31 December 2021: Saudi Riyals 350.37 million).

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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 30 September 2022.

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.

16. Covid-19 impact

In response to the spread of the Covid-19 in Saudi Arabia and its resulting disruptions to the social and economic activities over the last two years, the management continues to proactively assess its impacts on its operations. The preventive measures taken by the Group are still in effect including social distancing and rigorous cleaning of workplaces, limiting non-essential travel, self-health declarations and access of fully vaccinated individuals to office facilities to ensure the health and safety of its employees, customers and the wider community. All the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is encouraging for booster shots. Based on the financial position, the management does not believe any significant issues in relation to the going concern aspect. Please also refer to notes 4 for the impact of COVID-19 on the valuation of investment properties.