

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE SHAREHOLDERS OF KNOWLEDGE ECONOMIC CITY COMPANY (A SAUDI JOINT STOCK
COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Knowledge Economic City Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred as "the Group") as at 31 March 2021, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated 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 these interim condensed consolidated financial statements 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

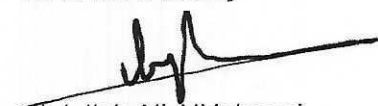
Conclusion

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

Other matter

The interim condensed consolidated financial statements of the Group for the three-month period ended 31 March 2020 were reviewed by another auditor who expressed an unmodified review conclusion on those financial statements on 8 June 2020.

for Ernst & Young


Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

27 Ramadan 1442H
9 May 2021G

Jeddah



Knowledge Economic City Company (A Saudi Joint Stock Company)

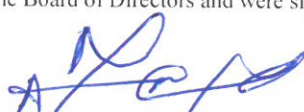
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

(Expressed in Saudi Riyals)

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		49,774,117	49,798,155
Investment properties	4	2,573,666,920	2,565,716,142
Investment held at amortised cost		124,052,770	124,772,392
Intangible asset		784,737	907,981
Right-of-use asset		3,210,674	3,511,674
Contract assets	7	122,672,374	116,704,883
TOTAL NON-CURRENT ASSETS		2,874,161,592	2,861,411,227
CURRENT ASSETS			
Development properties	5	69,068,785	85,808,790
Trade receivables	6	22,365,991	18,077,782
Contract assets	7	50,313,740	49,971,078
Prepayments and other current assets		23,457,459	21,657,990
Short-term investments	8	-	46,088,167
Cash and cash equivalents	9	225,017,208	180,043,033
TOTAL CURRENT ASSETS		390,223,183	401,646,840
TOTAL ASSETS		3,264,384,775	3,263,058,067
EQUITY AND LIABILITIES			
Share capital		3,393,000,000	3,393,000,000
Accumulated losses		(299,411,298)	(294,654,961)
Equity attributable to equity holders of the parent		3,093,588,702	3,098,345,039
Non-controlling interests		93,316,254	93,333,504
TOTAL EQUITY		3,186,904,956	3,191,678,543
NON-CURRENT LIABILITIES			
Employee benefits	11	7,845,514	7,406,722
Lease liabilities		678,937	1,925,521
TOTAL NON-CURRENT LIABILITIES		8,524,451	9,332,243
CURRENT LIABILITIES			
Trade payables		6,159,215	2,095,636
Lease liabilities		2,484,471	1,861,179
Accruals and other current liabilities		45,630,190	46,162,974
Zakat	12	14,681,492	11,927,492
TOTAL CURRENT LIABILITIES		68,955,368	62,047,281
TOTAL LIABILITIES		77,479,819	71,379,524
TOTAL LIABILITIES AND EQUITY		3,264,384,775	3,263,058,067

These interim condensed consolidated 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

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Knowledge Economic City Company (A Saudi Joint Stock Company)


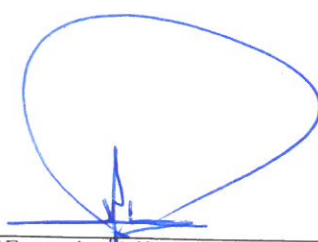
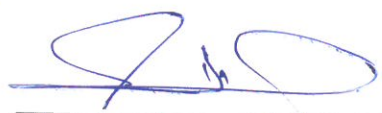
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2021

(Expressed in Saudi Riyals)

		Three-month period ended 31 March	
	Note	2021	2020
CONTINUING OPERATIONS			
Revenue		24,631,546	23,191,566
Cost of revenue		(18,058,119)	(18,131,109)
GROSS PROFIT		6,573,427	5,060,457
Selling and marketing expenses		(1,696,994)	(2,054,377)
General and administrative expenses		(8,154,499)	(8,380,284)
Other income (expenses), net		1,147,486	(125,637)
OPERATING LOSS		(2,130,580)	(5,499,841)
Finance income		493,185	2,504,986
Finance cost		(49,771)	(56,118)
LOSS BEFORE ZAKAT FROM CONTINUING OPERATIONS		(1,687,166)	(3,050,973)
Zakat expense	12	(3,086,421)	(2,728,687)
NET LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(4,773,587)	(5,779,660)
DISCONTINUED OPERATIONS			
Loss after zakat for the period from discontinued operations	18	-	(994,035)
NET LOSS FOR THE PERIOD		(4,773,587)	(6,773,695)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(4,773,587)	(6,773,695)
<i>Net loss and total comprehensive loss attributable to:</i>			
Equity holders of the parent		(4,756,337)	(6,755,767)
Non-controlling interests		(17,250)	(17,928)
		(4,773,587)	(6,773,695)
Loss per share attributable to equity holders of the Company:			
Basic and diluted loss in Saudi Riyals per share	14	(0.014)	(0.020)
Loss per share from continuing operations attributable to equity holders of the Company:			
Basic and diluted loss in Saudi Riyals per share	14	(0.014)	(0.017)

These interim condensed consolidated 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
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The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Knowledge Economic City Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three-month period ended 31 March 2021

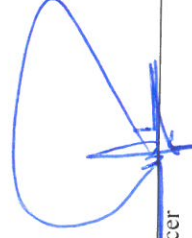
(Expressed in Saudi Riyals)

	<i>Atributable to the equity holders of the parent</i>		<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total</i>	
Balance as at 1 January 2020	3,393,000,000	(269,722,506)	3,123,277,494	3,216,725,685
Net loss for the period	-	(6,755,767)	(6,755,767)	(6,773,695)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	(6,755,767)	(6,755,767)	(6,773,695)
Balance as at 31 March 2020	3,393,000,000	(276,478,273)	3,116,521,727	3,209,951,990
Balance as at 1 January 2021	3,393,000,000	(294,654,961)	3,098,345,039	3,191,678,543
Net loss for the period	-	(4,756,337)	(4,756,337)	(4,773,587)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	(4,756,337)	(4,756,337)	(4,773,587)
Balance as at 31 March 2021	3,393,000,000	(299,411,298)	3,093,588,702	3,186,904,956

These interim condensed consolidated 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

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Knowledge Economic City Company (A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)


For the three-month period ended 31 March 2021
(Expressed in Saudi Riyals)

	<i>Three-month period ended 31 March</i>	
	2021	2020
OPERATING ACTIVITIES		
Loss before zakat from continuing operations	(1,687,166)	(3,050,973)
Loss before zakat from discontinued operations	-	(994,035)
	(1,687,166)	(4,045,008)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Finance income	(493,185)	(2,504,986)
Provision for employee benefits	438,792	664,897
Finance cost for lease liabilities	49,771	56,118
Depreciation of property and equipment	308,812	416,782
Depreciation of right-of-use assets	301,001	301,001
Amortization of intangible assets	142,932	102,845
	(939,043)	(5,008,351)
<i>Working capital adjustments:</i>		
Development properties	16,740,005	8,528,716
Trade receivables	(4,288,209)	540,660
Contract assets	(6,310,153)	(6,830,922)
Prepayments and other current assets	(1,799,469)	(4,840,206)
Trade payable	4,063,579	75,422
Deferred gain	-	1,701,360
Contract liabilities	-	(132,244)
Accruals and other current and non-current liabilities	(532,784)	(11,948,436)
Cash from (used in) operations	6,933,926	(17,914,001)
Employees' benefits paid	-	(234,820)
Zakat paid	(332,421)	-
Net cash from (used in) operating activities	6,601,505	(18,148,821)
INVESTING ACTIVITIES		
Short-term investments made	-	(135,000,000)
Proceeds from short-term investments	46,000,000	-
Finance income received	581,352	641,042
Investment in financial instrument at amortised cost	719,622	-
Additions to investment properties	(7,950,778)	(13,322,159)
Additions to property and equipment	(284,774)	(99,140)
Additions to intangible asset	(19,688)	-
Net cash from (used in) investing activities	39,045,734	(147,780,257)
FINANCING ACTIVITY		
Payment of principal portion of lease liabilities	(673,064)	-
Net cash used in financing activity	(673,064)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,974,175	(165,929,078)
Cash and cash equivalents at the beginning of the period	180,043,033	196,864,217
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD FROM CONTINUING OPERATIONS	225,017,208	30,935,139

These interim condensed consolidated 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

The attached notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

Knowledge Economic City Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
 At 31 March 2021
 (Expressed in Saudi Riyals)

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.

The Company has a branch under the name of Madinah Institute for Leadership and Entrepreneurship (“MILE”) which conducts programs for executive education and training and is based in Madinah Al Munawarah under the license number 4650053318 dated 21 Shawwal 1432H (corresponding to 19 September 2011) issued by Technical and Vocational Training Corporation Saudi Arabia. The operations of the Branch are classified as a discontinued operation (refer note 18).

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

<i>Subsidiaries</i>	<i>Country of incorporation</i>	<i>Paid up capital</i>	<i>Effective ownership</i>	
			<i>31 March 2021</i>	<i>31 December 2020</i>
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	50,000,000	100%	100%
Makarem Al Maarifa for Hospitality Company Limited (“Makarem for Hospitality”)	Saudi Arabia	56,400,000	100%	100%
Bawabat Al-Madinah Real Estate Company (“Madinah Gate”) (refer note below and note 22)	Saudi Arabia	20,000	80%	-

On 24 June 2020, the Company has started a new project by setting up a subsidiary, named; Madinah Gate (the subsidiary company). The subsidiary company is 80% owned by the Group. The land and related infrastructure cost was transferred from Al Garra Company.

Mounshaat and Mashariaa have not commenced operations as at 31 March 2021.

Knowledge Economic City Company (A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (continued)

At 31 March 2021

(Expressed in Saudi Riyals)

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the three month period ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA").

These interim condensed consolidated 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 2020 (see also note 2.5). In addition, results for the interim period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 (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 interim condensed consolidated financial statements.

2.2 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021 as mentioned in note 1. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed 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 interim condensed consolidated financial statements are prepared under the historical cost convention, except for employee and other post-employment benefits, where actuarial present value calculations are used.

2.4 Functional and presentation currency

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

2.5 Significant accounting judgements, estimates and assumptions

The preparation of interim condensed consolidated 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 2020, except for the changes as mentioned below:

Going concern

The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The management considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period. Further, the assessment of COVID-19 is disclosed in note 19.

3 CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of amendments in standards effective as of 1 January 2021 as mentioned below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3.1 Amendments and interpretations effective as of 1 January 2021

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group. As required by IAS 34, the nature and effect of these changes are disclosed below.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Knowledge Economic City Company (A Saudi Joint Stock Company)
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (continued)**

At 31 March 2021

(Expressed in Saudi Riyals)

4. INVESTMENT PROPERTIES

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
At the beginning of the period/year	2,565,716,142	2,512,980,719
Additions, principally infrastructure cost	7,950,778	52,735,423
At the end of the period/year	<u>2,573,666,920</u>	<u>2,565,716,142</u>

The Group's investment properties consist of properties in Madinah, Kingdom of Saudi Arabia. Management determined that the investment properties consist of two classes of assets, land amounting to SR 1.3 billion (31 December 2020: SR 1.3 billion) and infrastructure cost amounting to SR 1.2 billion (31 December 2020: SR 1.2 billion) based on the nature, characteristics and risks of each property. The fair value of the Group's investment properties as at 31 December 2020 was valued at SR 5.5 billion (31 December 2019: SR 5.1 billion) by independent professionally qualified valuers named Amam Company For Real Estate Appraisal ("AMAM") using both the market comparable approach and the residual value approach and have recent experience in the locations and segments of the investment properties valued. A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers has been applied. Even though the valuation was carried out at the year end, there are no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date. The Group has assessed the impact caused by COVID-19 and concluded that there is no material impact on the Group's strategic projects. Further, considering the significant difference between the book value and fair value of investment properties determined by independent valuer as 31 December 2020 as mentioned above, there is no indication of impairment. For example, as at the reporting date, if the fair value of investment properties has declined by 25% as compared to 31 December 2020, there is still no risk of impairment. Management is in continuous valuation of the methods and assumptions used in valuating the Group's investment properties.

5. DEVELOPMENT PROPERTIES

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
At the beginning of the period/year	85,808,790	164,625,086
Additions	93,675	3,475,745
Transfer to cost of revenue relating to properties sold	(16,833,680)	(82,292,041)
At the end of the period/year	<u>69,068,785</u>	<u>85,808,790</u>

The additions during 2020 and 2021 mainly relate to advances and progress payments to a contractor for construction work on the project. The fair value of the Group's development properties as per Amam Company for Real Estate Appraisal ("AMAM") valuation report as at 31 December 2020 is approximately SR 224 million (31 December 2019: SR 312 million). Even though the valuation was carried out at the year end, there are no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date. The Group has considered any impairment indicators to show that the estimated net realizable value (NRV) for development properties are less than the carrying values and concluded that there is no material impact. For example, as at the reporting date, if the fair value of development properties has declined by 25% as compared to 31 December 2020, there is still no risk of impairment.

Management is in continuous valuation of the methods and assumptions used in valuating the Group's development properties.

The balances above are split into these categories as follows:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Lands	46,585,932	46,585,932
Properties under development	22,482,853	39,222,858
	<u>69,068,785</u>	<u>85,808,790</u>

Knowledge Economic City Company (A Saudi Joint Stock Company)
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (continued)**

At 31 March 2021

(Expressed in Saudi Riyals)

6. TRADE RECEIVABLES

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Trade customers for sale of residential villas	17,094,992	15,289,352
Trade customers for services	5,270,999	2,788,430
	22,365,991	18,077,782

7. CONTRACT ASSETS AND CONTRACT LIABILITIES

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Costs incurred on completed contracts	237,696,848	221,783,099
Estimated earnings	108,432,230	98,593,002
	346,129,078	320,376,101
Less: billings to-date	(173,142,964)	(153,700,140)
	172,986,114	166,675,961

The above amounts are included in the interim condensed consolidated statement of financial position under the following captions:

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Contract assets – non-current portion	122,672,374	116,704,883
Contract assets – current portion	50,313,740	49,971,078
	172,986,114	166,675,961

Dar Aljewar II project was completed, and management has reduced the required advance payment preceding the handoff date of the sold units to its customers and the payment terms were extended for longer periods. Therefore, management accounted for significant financing component for all contracts starting from 1 January 2020.

8. SHORT-TERM INVESTMENTS

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Murabaha deposits	-	46,088,167

Short-term investments of 31 December 2020 represent investments in Murabaha deposits having original maturities three to six months. Murabaha deposits with original maturities of three months or less are presented within cash and cash equivalents. Murabaha deposits are placed with local commercial banks and are denominated in Saudi Riyals (“SR”). Murabaha deposits yield financial income at prevailing market rate.

Knowledge Economic City Company (A Saudi Joint Stock Company)
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) (continued)**
At 31 March 2021
(Expressed in Saudi Riyals)

9. CASH AND CASH EQUIVALENTS

	<i>31 March 2021 (unaudited)</i>	<i>31 December 2020 (audited)</i>
Cash in hand	85,000	-
Cash at banks*	58,685,633	64,852,081
Murabaha deposits	166,246,575	115,190,952
	225,017,208	180,043,033

Murabaha deposits and cash at banks are placed with local commercial banks and denominated in SR. Murabaha deposit yields finance income at prevailing market rates.

*The Group is required to maintain escrow accounts for off plan sales of development properties as authorized by Economic Cities Authority ("ECA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence it is considered as cash and cash equivalents. The balance as at 31 March 2021 amounted to SR 28,51 million (31 December 2020: SR 47.95 million). These deposits are not under lien.

10. RELATED PARTY TRANSACTIONS AND BALANCES

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

10.1 Related party transactions

There were no material transactions with related parties during the three month periods ended 31 March 2021 and 31 March 2020. 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.

10.2 Key management compensation

	<i>Three-month period ended 31 March 2021 (Unaudited)</i>	<i>31 March 2020 (Unaudited)</i>
Directors' remuneration and related expenses	450,000	1,093,149
Remuneration to the key management personnel	1,713,250	1,725,250
End of service benefits of key management personnel	90,338	376,233

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

10.3 Due to balances with key management are summarized below:

	<i>31 March 2021</i>	<i>31 December 2020</i>
Accrued directors' remuneration	1,866,050	2,200,000

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11. EMPLOYEE BENEFITS

11.1 General description of the plan

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law.

	<i>31 March 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
Employee end of service benefits scheme	7,845,514	7,406,722

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

11.2 Actuarial assumptions

	<i>31 March 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
Discount rate	2.2%	2.2%
Future salary growth/expected rate of salary increase	5.00%	5.00%
Mortality rate	0.27%	0.27%
Employee turnover/withdrawal rates	15.12%	15.12%
Retirement age	60 years	60 years

12. ZAKAT

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

The movement in zakat provision is as follows:

	<i>31 March 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
Balance at the beginning of the period/year	11,927,492	10,786,541
<u>Provision for:</u>		
Current period/year	2,754,000	11,980,259
Prior years	332,421	5,286,759
<u>Payments for:</u>		
Current period/year	-	(10,839,309)
Prior years	(332,421)	(5,286,758)
Balance at the end of the period/year	14,681,492	11,927,492

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12. ZAKAT (continued)

Status of assessments

The Company and its 100% subsidiaries

The Company and its subsidiaries have filed the zakat returns for the years up to 2019, except for Al Garra Company, which is to file its zakat return from the year 2020. For 2017 to 2019, the Company has filed a consolidated zakat return for the Company and its 100% owned subsidiaries and have obtained a zakat certificate valid till 30 April 2021. During 2017, the Company received an assessment from General Authority of Zakat and Tax ("GAZT") for the years from 2011 to 2014 with an additional zakat liability of SR 2.68 million principally related to adjustments for pre-operating expenses, unrealized gain on sale of development property, accumulated losses and investments.

During 2019, the Company received an amended assessment for 2011 to 2014 with an additional zakat liability of SR 8.46 million instead of earlier assessed liability of SR 2.68 million. This additional liability of SR 8.46 million for years 2011 to 2014 was settled by the Company in 2019. During 2020, the GAZT issued an assessment for the years 2015 to 2018 claiming additional zakat liability of SR 27.76 million. The Company has filed an objection against the assessment and waiting for GAZT to issue the revised assessment. The management believes that the appeal outcome will be in the Company's favour, accordingly no provision is made in these interim condensed consolidated financial statements. The zakat declaration of the Company for the year 2019 are under review by the GAZT.

Al Garra Company

The Company has been recently registered via electronic filing system ("ERAD"). The Company settled the zakat liability of SR 0.02 million as per GAZT assessment for the years 2014 to 2018.

Madinah Gate

The Company has not submitted its returns since date of inception, which has been recently registered via electronic filing system ("ERAD").

Amaak Company

During 2017, the GAZT had issued an assessment for 2015 and 2016 for Amaak Company separately from the consolidated group assessment because it was not part of the approved consolidated zakat arrangement prior to 2017. The GAZT claimed additional zakat of SR 1.56 million for 2015, principally related to deduction of King Abdullah foundation for his parent share and development property. This amount was reduced to SR 0.99 million. Further, the GAZT made an additional claim amounting to SR 0.33 million for 2016. The Group and Amaak Company have recorded the additional provision and filed an appeal against the assessments of 2015 and 2016 with the GAZT and the Company is confident for the favorable decision.

The Group's other subsidiaries have not received any additional assessments for the years for 2016 and 2017.

13. SHARE CAPITAL

As at 31 March 2021 and 31 December 2020, the Company's share capital of SR 3,393,000,000 consists of 339,300,000 fully paid shares of SR10 each.

14. LOSS PER SHARE

The loss per share calculation is given below:

	Three-month period ended	
	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
<u>Loss per share:</u>		
Loss attributable to owners of the Company	(4,756,337)	(6,773,695)
Weighted average number of shares	339,300,000	339,300,000
Loss per share (Saudi Riyals per share)	(0.014)	(0.020)
<u>Loss per share from continuing operations:</u>		
Net loss from continuing operations attributable to owners of the Company	(4,756,337)	(5,779,660)
Weighted average number of shares	339,300,000	339,300,000
Loss per share (Saudi Riyals per share)	(0.014)	(0.017)

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

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15. SEGMENT INFORMATION

The Group has four 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.
- Real estate management and consulting services represents activities related to wide range of real estate management and consulting services provided in the Kingdom of Saudi Arabia.
- Executive education and training segments represent activities related to various executive and education and training programs provided in the Kingdom of Saudi Arabia. As at the reporting date, the Branch was classified as a discontinued operation.

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

Information regarding the results of each reportable segment is included in the note. Performance is measured based on segment revenues and net (loss) income, as included in the internal management reports that are reviewed by the top management. Selected financial information as at 31 March 2021 and 31 December 2020 and for the three-month period ended on 31 March 2021 and 2020, summarized by segment, is as follows:

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15. SEGMENT INFORMATION (continued)

	<i>Real estate development</i>	<i>Investment</i>	<i>Total</i>
Interim Condensed Consolidated Statement of Financial Position			
As at 31 March 2021 (Unaudited)			
Investment properties	2,573,666,920	-	2,573,666,920
Development properties	69,068,785	-	69,068,785
Short-term investment	-	-	-
Total assets	3,098,138,200	166,246,575	3,264,384,775
Total liabilities	77,479,819	-	77,479,819
As at 31 December 2020 (Audited)			
Investment properties	2,565,716,142	-	2,565,716,142
Development properties	85,808,790	-	85,808,790
Short term investment	-	46,088,167	46,088,167
Total assets	3,101,778,948	161,279,119	3,263,058,067
Total liabilities	71,379,524	-	71,379,524
Interim Condensed Consolidated Statement of Profit or Loss			
Three-month period ended 31 March 2021 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue - At point in time	1,244,802	-	1,244,802
Revenue – Overtime	23,386,744	-	23,386,744
Finance income	-	493,185	493,185
Depreciation and amortization	(451,744)	-	(451,744)
Zakat expense	(3,086,421)	-	(3,086,421)
Net (loss) profit	(5,266,772)	493,185	(4,773,587)

	<i>Real estate development</i>	<i>Investment</i>	<i>Discontinued operation</i>	<i>Total</i>
Three-month period ended 31 March 2020 (Unaudited)				
<u>Revenues derived from external customers</u>				
Revenue - At point in time	-	-	258,701	258,701
Revenue – Overtime	23,191,566	-	-	23,191,566
Finance income	-	2,504,986	-	2,504,986
Depreciation and amortization	(507,344)	-	(12,283)	(519,627)
Zakat expense	(2,728,687)	-	-	(2,728,687)
Net (loss) profit	(8,284,642)	2,504,986	(994,039)	(6,773,695)

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16. CONTINGENCIES AND COMMITMENTS

As at 31 March 2021, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 88.5 million (31 December 2020: SR 80.6 million).

The Group is a defendant in lawsuits in respect of certain cases with its contractors. During November 2019, the Court had granted interim order in favor of the Group having appeal right to both parties. However, the Group has not yet received the final signed and stamped Court order. On the basis of said Court order, the final determination of any resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Group. The opinion of legal advisor confirms that the Court had granted interim order in favor of the Group as at the reporting date.

17. 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.

The management assessed that the fair value of cash and cash equivalents, short-term investments, trade and other receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

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17 FAIR VALUE MEASUREMENT (continued)

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

18 DISCONTINUED OPERATION

On 8 June 2020, the Board of Directors of the Group resolved to convert Madinah Institute for Leadership and Entrepreneurship ("MILE") (branch of the Company) to a non-profit charitable endowment and independent entity. All the legal formalities of such conversion have been completed on 19 July 2020.

At 31 December 2020, MILE Branch was classified as a discontinued operation. The results of MILE Branch for the three-month period ended 31 March 2020 are presented below:

	<i>31 March 2020</i>
Revenues	258,701
Cost of revenues	(1,251,924)
GROSS LOSS	(993,223)
Other income	(812)
NET LOSS FOR THE PERIOD	(994,035)

Following are the assets and liabilities relating to the Branch as at 19 July 2020:

	<i>19 July 2020</i>
Assets	
Cash and cash equivalents	1,318,934
Trade receivable	5,071,618
Prepayments and other current assets	803,339
Property and equipment	7,006
	7,200,897
Liabilities	
Trade payables	3,370,609
Accruals and other current liabilities	3,640,420
Employee benefits	1,369,983
	8,381,012
Net assets directly associated with discontinued operation	(1,180,115)

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18 DISCONTINUED OPERATION (continued)

The net cash flows from (used in) discontinued operations of the Branch:

31 March
2020

Net cash (used in) from operating activities	(1,504,063)
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19 COVID-19 IMPACT

The spread of coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing significant macro-economic uncertainty, disruptions to businesses and economic activities. During March 2020, the Saudi Arabian government took many initiatives and further extended those beyond March 2020 to contain the spread of virus which included restrictions on travel, gathering of people and enactment of curfew timings. Considering these factors, the Company's management carried out an impact assessment on the overall Company's operations and business aspects and concluded that, as at the reporting date of these interim condensed consolidated financial statements, the Group did not have significant adverse impact on its operations and businesses due to COVID-19 and the Group does not expect any significant impact on the balances as at 31 March 2021 especially around impairment of investment and development properties due to the nature of properties and margins as disclosed in notes 4 and 5 and no significant changes are required to the judgements, assumptions and key estimates.

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Company took measures, in line with the recommendations of the World Health Organisation and Ministry of Health, such as working from home, social distancing at work place, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these interim condensed consolidated financial statements. The strong financial position, including access to funds and absence of debt, coupled with the actions the Company has taken to date ensures that the Company has the capacity to continue through the challenges caused by the COVID-19 pandemic. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the management and those charged with governance will continue to assess the impact based on prospective developments and accordingly update all stakeholders as soon as more information is available. Further based on the financial position and likely scenarios assessed, the management does not believe any significant issues in relation to the going concern aspect.

20 COMPARATIVE INFORMATION

Certain of the prior period amounts have been reclassified. These changes have been made to improve the quality of information presented and to conform with the presentation in the current period. Such reclassification does not affect previously reported profit or equity account.

21 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 27 Ramadan 1442H (corresponding to 9 May 2021G).

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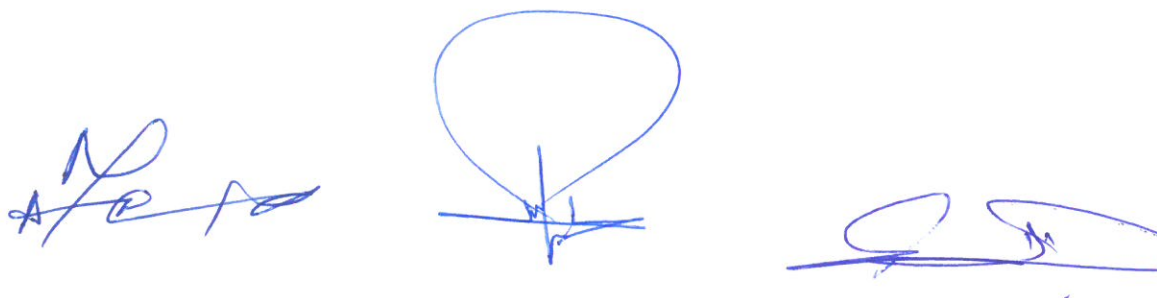
(Expressed in Saudi Riyals)

22 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the period end, the Group established a new fund called Madinah Gate Fund with a seed capital of SR 165 million (providing 75% ownership of the fund) and signed investment agreements with the fund manager "Riyad Capital" and assign the entire shares of its subsidiary, Madinah Gate, that owns the real estate asset in favor of the Madinah Gate Fund. Management is currently in process of completing a comprehensive assessment of the transaction impact on the Group and completing all the formalities and requirements of the agreements as at the reporting date.

Further, the Group signed an agreement with the Saudi Tourism Development Fund and Riyadh Bank to provide financing facility to an extent of SR 782 million for the development execution of the Knowledge City Hub project. According to the agreement, the Saudi Tourism Development Fund and Riyadh Bank will provide financing to the Group for the cost of developing the first phase of the Knowledge City Hub project. The Group will provide collateral in the form of plots of land from the Group's land portfolio.

Furthermore, the Group signed an agreement with a MOBCO Group to develop an international school within the Knowledge Economic City on a parcel of land to be allocated for this investment through a long-term lease contract.

Three handwritten signatures in blue ink are displayed horizontally. The first signature on the left is stylized and appears to start with 'A'. The middle signature is more complex, featuring a large, rounded loop at the top. The signature on the right is also stylized, with a prominent horizontal line at the base.