

**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 PERIOD
ENDED 30 SEPTEMBER 2023**

**KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023**

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Report on review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Knowledge Economic City Company (the “Company”) and its subsidiaries (together the “Group”) as of 30 September 2023 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 these 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 these condensed consolidated interim 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”, as 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, 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 8, 2023



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

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property and equipment		47,268,554	48,227,753
Investment properties	4	3,232,828,345	2,901,126,345
Right-of-use asset		200,668	1,103,669
Intangible assets		326,576	189,378
Derivative financial instruments	10	25,165,122	17,145,619
Trade receivables	6	56,463,292	73,852,103
Investment held at amortised cost		124,232,688	124,772,392
Total non-current assets		3,486,485,245	3,166,417,259
Current assets			
Development properties	5	47,954,603	58,151,760
Trade receivables	6	33,586,865	40,440,325
Contract assets	7	9,341,872	12,355,669
Prepayments and other current assets		57,078,924	54,179,504
Financial assets at fair value through profit or loss		-	49,065,048
Cash and cash equivalents		110,737,312	128,124,482
Total current assets		258,699,576	342,316,788
Total assets		3,745,184,821	3,508,734,047
Equity and liabilities			
Equity			
Share capital		3,393,000,000	3,393,000,000
Hedge reserve	10	9,496,775	2,509,406
Accumulated losses		(359,918,739)	(336,038,339)
Equity attributable to equity holders of the parent		3,042,578,036	3,059,471,067
Non-controlling interests		93,394,522	93,446,015
Total equity		3,135,972,558	3,152,917,082
Liabilities			
Non-current liabilities			
Borrowings	9	439,097,583	220,237,162
Employee benefits		11,083,049	9,263,893
Payable to other unitholders of Fund		56,870,000	53,191,815
Total non-current liabilities		507,050,632	282,692,870

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

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current liabilities			
Lease liabilities		2,060,316	1,987,362
Trade payables		6,078,751	5,193,805
Contract liabilities	7	1,431,345	4,309,339
Accruals and other current liabilities		87,864,885	54,329,689
Zakat	11	4,726,334	7,303,900
Total current liabilities		102,161,631	73,124,095
Total liabilities		609,212,263	355,816,965
Total equity and liabilities		3,745,184,821	3,508,734,047

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

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



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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

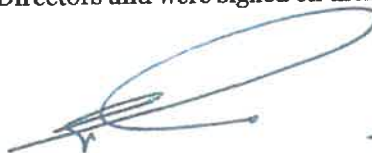
	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2023	2022	2023	2022
Continuing operations					
Revenue		10,682,749	10,154,730	62,808,369	39,577,567
Cost of revenue		(7,285,486)	(6,457,783)	(39,735,309)	(26,488,747)
Gross profit		3,397,263	3,696,947	23,073,060	13,088,820
Selling and marketing expenses		(4,253,300)	(2,442,695)	(10,783,139)	(7,651,457)
General and administrative expenses		(13,233,039)	(10,259,968)	(35,466,396)	(32,378,035)
Other income		2,644,984	2,138,474	6,368,780	7,266,896
Other expenses		(302,039)	(502,021)	(4,401,729)	(1,108,602)
Operating loss		(11,746,131)	(7,369,263)	(21,209,424)	(20,782,378)
Finance income		685,062	886,593	2,616,015	2,072,279
Realized gain from investments at fair value through profit or loss		-	-	523,742	-
Unrealized gain from investments at fair value through profit or loss		-	340,485	-	964,297
Financial instruments measured at fair value through profit or loss	10	-	11,844,703	-	11,844,703
Finance cost		(24,318)	(46,380)	(72,954)	(93,968)
(Loss) / profit before zakat		(11,085,387)	5,656,138	(18,142,621)	(5,995,067)
Zakat expense	11	(2,119,509)	(1,031,969)	(5,789,272)	(4,650,997)
Net (loss) / profit for the period		(13,204,896)	4,624,169	(23,931,893)	(10,646,064)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Derivative financial instrument – effective portion of changes in fair value of cash flow hedge	10	8,289,134	-	6,987,369	-
Total comprehensive (loss) / income for the period		(4,915,762)	4,624,169	(16,944,524)	(10,646,064)
Net (loss)/ profit attributable to:					
Equity holders of the parent	12	(13,281,314)	4,631,058	(23,880,400)	(10,736,942)
Non-controlling interests		76,418	(6,889)	(51,493)	90,878
		(13,204,896)	4,624,169	(23,931,893)	(10,646,064)
Total comprehensive (loss) / income attributable to:					
Equity holders of the parent		(4,992,180)	4,631,058	(16,893,031)	(10,736,942)
Non-controlling interests		76,418	(6,889)	(51,493)	90,878
		(4,915,762)	4,624,169	(16,944,524)	(10,646,064)
Losses per share attributable to equity holders of the Company:					
Basic and diluted losses in Saudi Riyals per share		(0.039)	0.014	(0.070)	(0.032)

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

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



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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

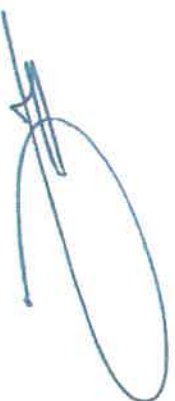
	Attributable to the equity holders of the parent				Non-	
	Share capital	Hedge reserve	Accumulated losses	Total	controlling interest	Total equity
Balance at January 1, 2022	3,393,000,000	-	(316,877,718)	3,076,122,282	92,893,309	3,169,015,591
(Net loss)/income for the period	-	-	(10,736,942)	(10,736,942)	90,878	(10,646,064)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	-	-	(10,736,942)	(10,736,942)	90,878	(10,646,064)
Balance as at 30 September 2022	3,393,000,000	-	(327,614,660)	3,065,385,340	92,984,187	3,158,369,527
Balance at January 1, 2023	3,393,000,000	2,509,406	(336,038,339)	3,059,471,067	93,446,015	3,152,917,082
Net loss for the period	-	-	(23,880,400)	(23,880,400)	(51,493)	(23,931,893)
Other comprehensive income for the period	-	6,987,369	-	6,987,369	-	6,987,369
Total comprehensive income/(loss) for the period	-	6,987,369	(23,880,400)	(16,893,031)	(51,493)	(16,944,524)
Balance as at 30 September 2023	3,393,000,000	9,496,775	(359,918,739)	3,042,578,036	93,394,522	3,135,972,558

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

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



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

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

	Nine-month period ended 30 September	
	2023	2022
Operating activities		
Loss before zakat	(18,142,621)	(5,995,067)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>		
Finance income	(2,616,015)	(2,072,279)
Realized gain from investments at fair value through profit or loss	(523,742)	-
Unrealized gain from investments at fair value through profit or loss	-	(964,297)
Fair value adjustment to derivatives through profit and loss	(1,032,134)	(11,844,703)
Revaluation of payable to other unitholders of Fund	3,678,185	(217,210)
Provision for employee termination benefits	1,826,641	870,786
Finance cost for lease liabilities	72,954	93,968
Depreciation of property and equipment	1,734,921	1,097,150
Depreciation of right-of-use assets	903,001	903,001
Amortization of intangible assets	63,683	348,963
	(14,035,127)	(17,779,688)
<i>Working capital adjustments:</i>		
Development properties	10,197,157	2,150,592
Trade receivables	24,242,271	31,484,571
Contract assets	3,013,797	(6,278,617)
Prepayments and other current assets	(2,899,420)	(34,166,175)
Trade payable	884,946	(1,658,668)
Contract liabilities	(2,877,994)	4,588,242
Accruals and other current and non-current liabilities	13,338,799	3,956,364
Cash generated from/ (used in) operations	31,864,429	(17,703,379)
Employees' termination benefits paid	(7,485)	(405,540)
Zakat Paid	(8,366,838)	(8,003,774)
Net cash flows generated from/ (used in) operating activities	23,490,106	(26,112,693)
Investing activities		
Investment in short-term investments	(280,000,000)	(50,000,000)
Proceeds from short-term investments	280,000,000	50,000,000
Finance income received	3,155,719	2,611,988
Financial assets at fair value through profit or loss	49,588,790	92,000,000
Additions to investment properties	(311,505,603)	(199,867,235)
Additions to property and equipment	(775,722)	(440,461)
Additions to intangible asset	(200,881)	(46,005)
Net cash flows used in investing activities	(259,737,697)	(105,741,713)

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

	Nine-month period ended	
	30 September	
	2023	2022
Financing activities		
Proceeds from borrowings	218,860,421	185,138,651
Payment of principal portion of lease liabilities	-	(734,249)
Net cash flows generated from financing activities	218,860,421	184,404,402
Net increase in cash and cash equivalents	(17,387,170)	52,549,996
Cash and cash equivalents at the beginning of the period	128,124,482	99,652,420
Cash and cash equivalents at the end of the period	110,737,312	152,202,416

SUPPLEMENTARY NON-CASH INFORMATION

Additions in investment properties through accrued expenses **20,196,397** 19,064,111

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

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



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

Knowledge Economic City Company
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2023
(Amounts in Saudi Riyals unless otherwise stated)

1 Corporate information

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

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

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

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

Subsidiaries	Country of incorporation	Paid up capital	Effective ownership	
			30 September 2023	31 December 2022
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”)	Saudi Arabia	56,400,000	100%	100%
Riyadh Real Estate Development Fund	Saudi Arabia	220,000,000	68.82%	68.82%

During the period ended September 30, 2023, KEC signed a framework agreement with China Gezhouba International Engineering Group Company “CGGC” – for joint cooperation to support the development of Knowledge Economic City Company projects. Currently there is no financial impact of this agreement as the financial impact will be determined according to the subsequent detailed agreements related to each of the projects. Subsequently to the period ended 30 September 2023, on 17 October 2023, the Company signed three initial agreements with CGGC towards the execution of some of the projects amounting to Saudi Riyals 3.6 billion.

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

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

Subsequent to the period ended September 30, 2023, the Group signed new facilities agreements amounting to Saudi Riyal 417.04 million. The facilities are collaterally secured by mortgage of land plots and promissory notes.

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 2023
(Amounts in Saudi Riyals unless otherwise stated)

1 Corporate information (continued)

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

These condensed consolidated interim financial statements were authorized for issue by the Group's Board of Directors on November 5, 2023.

2 Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial statements for the Nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

2.2 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2023 as mentioned in Note 1. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to risks, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2.3 Basis of measurement

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

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

2.4 Functional and presentation currency

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

2.5 Accounting policies

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

2.6 New and amended standards adopted by the Group

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

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 2023
(Amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

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.

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. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

4 Investment properties

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	2,901,126,345	2,608,768,661
Additions	331,702,000	292,357,684
At the end of the period/year	3,232,828,345	2,901,126,345

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Lands and lands with infrastructures	2,677,717,591	2,604,886,404
Properties under development	555,110,754	296,239,941
	3,232,828,345	2,901,126,345

The Group determined that the investment properties consist of three classes of assets, land amounting to Saudi Riyals 1.3 billion (31 December 2022: Saudi Riyals 1.3 billion), infrastructure cost amounting to Saudi Riyals 1.3 billion (31 December 2022: Saudi Riyals 1.3 billion) and properties under development amounting to Saudi Riyals 555 million (31 December 2022: Saudi Riyals 296 million) based on the nature, characteristics, and risks of each property. The fair value of the Group's investment properties as at 30 June 2023 is Saudi Riyals 6.6 billion (31 December 2022: Saudi Riyals 6.4 billion) by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach. The Group has concluded that there is no impact on the Group considering the significant headroom between the book value and fair value of investment properties determined by independent valuer as 30 June 2023, accordingly, there is no indication of impairment.

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 2023
(Amounts in Saudi Riyals unless otherwise stated)

4 Investment properties (continued)

During the period ended 30 September 2023, an amount of Saudi Riyals 16.5 million was capitalised as borrowing cost and Saudi Riyals 292,321 was capitalised as amortization of transaction cost for the construction.

At 30 September 2023, the Group's investment properties related to land plots of the project "KEC HUB" amounting to Saudi Riyals 221 million were mortgaged as collateral to the Saudi Tourism Development Fund ("TDF") and a local commercial bank. Refer to note 9 for the borrowings.

At 30 September 2023, the Group's investment properties related to land plots of the project "Branded residence" amounting to Saudi Riyals 31 million were mortgaged as collateral to the local commercial bank. Refer to note 9 for the borrowings.

At 30 September 2023, the Group's investment properties related to land plots of the project "Madinah Gate" amounting to Saudi Riyals 68 million were mortgaged as collateral to the local commercial bank. Refer to note 9 for the borrowings.

At 30 September 2023, the Group's investment properties related to land plots of the project "E16-3" amounting to Saudi Riyals 11.6 million were mortgaged as collateral to the local commercial bank. Refer to note 9 for the borrowings.

5 Development properties

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	58,151,760	67,151,326
Additions	27,486,636	22,487,171
Transfer to cost of revenue	(37,683,793)	(31,486,737)
At the end of the period/year	47,954,603	58,151,760

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

These amounts above are split into these categories as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Lands with infrastructures	43,009,356	43,009,356
Properties under development	4,945,247	15,142,404
	47,954,603	58,151,760

6 Trade receivables

Trade receivables – billed (current)

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Trade customers for sale of residential villas	7,329,257	8,840,979
Trade customers for services	6,690,577	4,885,915
	14,019,834	13,726,894

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 2023
(Amounts in Saudi Riyals unless otherwise stated)

6 Trade receivables (continued)

Trade receivables – unbilled

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Trade customers for sale of residential villas	76,030,323	100,565,534
Less: current portion	(19,567,031)	(26,713,431)
Trade customers for sale of residential villas (non-current)	56,463,292	73,852,103

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

7 Contract asset

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Contract assets	9,341,872	12,355,669
	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Contract liabilities	1,431,345	4,309,339

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

8 Related party transactions and balances

8.1 Key management compensation

	Three-month period ended		Nine-month period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	----- (Unaudited) -----			
Board of Directors' remuneration and related expenses	1,093,149	975,000	3,279,447	2,925,000
Remuneration to the key management personnel	1,482,875	1,310,750	4,276,500	3,669,497
Employee benefits of key management personnel	103,672	69,619	327,576	317,796

There were no material transactions with other related parties during the period ended 30 September 2023. Further, all transactions within the Group are eliminated for consolidation purposes. Pricing policies and terms of these transactions are approved by the Board of Directors of the Group.

8.2 Balances due to related parties

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Board of Directors' remuneration	1,569,982	156,056

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9 Borrowings

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Murabaha facilities	445,488,100	225,000,000
Less: unamortized transaction costs	(6,390,517)	(4,762,838)
Accrued interest	2,460,503	3,764,308
	441,558,086	224,001,470

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
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Borrowings are presented as follows:

Current maturity under current liabilities	2,460,503	3,764,308
Long-term borrowings	439,097,583	220,237,162
	441,558,086	224,001,470

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Movements in unamortized transaction cost are as follows:		
At the beginning of the period/year	4,762,838	-
Transaction cost paid	1,920,000	5,083,000
Less: capitalised amortization	(292,321)	(320,162)
	6,390,517	4,762,838

During the year ended 31 December 2021, the Group signed an agreement with TDF and a local commercial bank (the “agreement”) to provide financing facility to an extent of Saudi Riyals 782 million for development execution of the KEC HUB project. According to the agreement, TDF and the local commercial bank will provide financing to the Group for the cost of developing the first phase of the KEC HUB project. These facilities are principally secured by corporate guarantees provided by the Group. The Group provided collateral in the form of plots of land from the Group’s land portfolio (refer to note 4).

During the year ended 31 December 2022, the Group’s has withdrawn facilities from TDF and local commercial bank amounting to Saudi Riyals 112.5 million each with total withdrawn facilities of Saudi Riyals of 225 million. During the period ended 30 September 2023, the Group’s has withdrawn additional facilities from TDF and the local commercial bank amounting to Saudi Riyals 77.5 million each with total withdrawn facilities of Saudi Riyals of 155 million. The unused balance of this facility as of 30 September 2023 amounted to Saudi Riyals 402 million.

The facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period are ranging from 7.88% to 8.35%. The facilities are repayable in semi-annual installments, commencing after nine months grace period from the earlier of project completion date or 3 years from 31 December 2021.

During the year ended December 31, 2022, the Company has signed an agreement with a local commercial bank to provide financing facility amounting to Saudi Riyals 56 million for execution of the project E-16. During the period ended 30 September 2023, the Company has withdrawn Saudi Riyals 23 million from this facility. These facilities are denominated in Saudi Riyals and bear financial charges based on current market interest rates during the period are ranging from 7.59 to 7.77%. The unused balance of this facility as of 30 September 2023 amounted to Saudi Riyals 33 million.

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9 Borrowings (continued)

During the year ended December 31, 2022, the Company has also signed an agreement with a local commercial bank to provide the financing facility amounting to Saudi Riyals 100 million for working capital requirement. During the period ended 30 September 2023, the Company has withdrawn Saudi Riyals 20 million from this facility. The Group provided collateral in the form of investment in Saudi Government SAR Sukuk to the local commercial bank. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The overall current market interest rates during the period are ranging from 6.54% to 6.66%. The unused balance of this facility as of 30 September 2023 amounted to Saudi Riyals 80 million.

During the quarter ended 30 September 2023, the Group signed agreements with a local commercial bank to provide financing facilities amounting to Saudi Riyals 143 million for execution of the branded residence project. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. The Group provided collateral in the form of plots of land from the Group's land portfolio (refer to note 4) and promissory notes. The unused balance of this facility as of 30 September 2023 amounted to Saudi Riyals 143 million.

During the quarter ended 30 September 2023, the Group signed an agreement with a local commercial bank to provide financing facility amounting to Saudi Riyals 320 million for execution of the Madinah Gate Project. These facilities are denominated in Saudi Riyals and bear financial charges based on prevailing market rates. During the period ended 30 September 2023, the Group has withdrawn Saudi Riyals 22.5 million from this facility. The Group provided collateral in the form of a plot of land from the Group's land portfolio (refer to note 4). The overall current market interest rates during the period are ranging from 8.54% to 8.63%. The unused balance of this facility as of 30 September 2023 amounted to Saudi Riyals 297.5 million.

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

Maturity profile of Murabaha

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Period ending September 30:		
2025	9,500,000	22,500,000
2026	44,399,048	22,500,000
2027	64,848,810	22,500,000
2028	45,298,572	22,500,000
2029	58,341,670	22,500,000
2030	42,600,000	22,500,000
Thereafter	180,500,000	90,000,000
	445,488,100	225,000,000

Loan covenants

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

10 Derivative financial instrument

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Profit rate swap – cash flow hedge	25,165,122	17,145,619

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10 Derivative financial instrument (continued)

On 5 July 2022, Makarem entered into a profit rate swap agreement (the "Swap Contract"), with a local commercial bank to hedge the future fluctuation in interest rates on its loans. The arrangement has been designated as hedging arrangement starting from 1 October 2022. The Company relies on the counterparty and management's expert for the valuation of this derivative. Hedge effectiveness is determined at the designated date of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. Hedge ineffectiveness in relation to the profit rate swap is Saudi Riyals 1 million for the period ended 30 September 2023 and was negligible for the year ended 31 December 2022.

The movement the derivative financial instrument is as follows;

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	17,145,619	-
Fair value gain not qualifying as hedge accounting before designation date	-	14,636,213
Cash flow hedges – ineffective portion of changes in fair value	1,032,134	-
Cash flow hedges – effective portion of changes in fair value	6,987,369	2,509,406
At the end of the period/year	25,165,122	17,145,619

At 30 September 2023, the Swap Contract had a fair value of Saudi Riyals 25.2 million, based on the valuation confirmed by the counterparty and management's expert. Such fair value is included as derivative financial instruments in non-current assets in the statement of financial position.

Hedge reserve

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period/year	2,509,406	-
Cash flow hedges – effective portion of changes in fair value	6,987,369	2,509,406
At the end of the period/year	9,496,775	2,509,406

Amounts recognised in profit or loss

	30 September 2023	30 September 2022
Fair value gain not qualifying as hedge accounting before designation date	-	11,844,703
Ineffective portion of changes in fair value included within other income	1,032,134	-

Amounts recognised in other comprehensive income

	30 September 2023	30 September 2022
Effective portion of changes in fair value	6,987,369	-

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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 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	7,303,900	8,510,687
<u>Provision for:</u>		
Current period/year	5,387,163	6,796,987
Prior period/year	402,109	-
<u>Payments for:</u>		
Current period/year	(7,964,729)	(8,003,774)
Prior period/year	(402,109)	-
Balance at the end of the period/year	<u>4,726,334</u>	<u>7,303,900</u>

Status of assessments

The Company and its 100% subsidiaries

The Company and its subsidiaries have filed the zakat returns for the years up to 2022. For 2017 to 2022, the Company has filed a consolidated zakat returns for the Company and its 100% owned subsidiaries and has obtained a zakat certificate valid till 30 April 2024.

During 2020, the Zakat, Tax and Customs Authority ("ZATCA") issued an assessment for the years 2015 to 2018 claiming additional zakat liability of Saudi Riyals 27.76 million and the Company settled Saudi Riyals 1.17 million and objected against the remaining amount. The ZATCA revised the assessment to Saudi Riyals 25.43 million. The Company decided to escalate the case through the General Secretariat of the Tax Committees ("GSTC") to assign a hearing session to discuss the Company's objection. GSTC had assigned a hearing session on July 31, 2022 and rejected the objections. Subsequent to the period ended September 30, 2022, the Company has filed the appeal to The Appeal Committee for Tax Violations and Disputes ("ACTVD") on October 24, 2022. The management believes that the Company has a strong position and the Company's view should prevail. Moreover, ZATCA has also issued an assessment for the years 2019 and 2020 claiming additional Zakat liability of Saudi Riyals 11.5 million; the Company settled Saudi Riyals 1,794 and objected against the remaining amounts for which the Company has paid 25% of the claims amounting to Saudi Riyals 2.9 million. For the year 2019 & 2020 ZATCA had issued revised assessment of Saudi Riyals 10.8 million Accordingly, the Company decides to escalate the case through the GSTC to assign a hearing session to discuss the Company's objection. The management believes that the Company has a strong position and the Company's view should prevail.

Al Garra

The Company filed its zakat return till 2022 and obtained the necessary zakat certificate valid till 30 April 2024. Al Garra has finalised its zakat assessments till the year 2018.

Makarem

Makarem filed its zakat return till 2022 and obtained the necessary zakat certificate valid till 30 April 2024. Makarem has finalised its zakat assessment till 2018.

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11 Zakat (continued)

Status of assessments (continued)

Amaak

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

During 2017, the ZATCA issued an assessment for the years 2015 and 2016 for Amaak separately from the consolidated group assessment because it was not part of the approved consolidated zakat arrangement prior to 2017. The ZATCA claimed additional amount of Saudi Riyals 1.56 million for 2015 and Saudi Riyals 0.33 million for 2016.

The assessment for the year 2015 was reduced to Saudi Riyals 0.99 million during 2017. Amaak has filed an appeal against ZATCA for assessments for the years 2015 and 2016 with the GSTC ("CRTVD"). CRTVD issued its decision which accepted the Company's objection for the year 2015 and 2016. However, ZATCA filed an appeal against the CRTVD decision in ACTVDR and during December 2022, Amaak replied to ZATCA's appeal in ACTVDR. Amaak is waiting for the ACTVDR decision. Amaak's management is confident that the decision of the above assessments will be finalized in Amaak's favour.

12 Losses per share

The losses per share calculation is given below:

	Three-month period ended		Nine-month period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Losses per share:</u>				
Net loss attributable to owners of the Company	(13,281,314)	4,631,058	(23,880,400)	(10,736,942)
Weighted average number of shares	339,300,000	339,300,000	339,300,000	339,300,000
Basic losses per share (SAR per share)	(0.039)	0.014	(0.070)	(0.032)

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

13 Segment information

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

Real estate development segment represents activities related to developing real estate, economic cities and other development projects in the Kingdom of Saudi Arabia.

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

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

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 2023 and 31 December 2022 and for the three-month and Nine-month periods ended on 30 September 2023 and 2022, summarized by segment, is as follows:

	Real estate development	Investment	Total
Condensed consolidated interim statement of financial position			
As at 30 September 2023 (Unaudited)			
Investment properties	3,232,828,345	-	3,232,828,345
Development properties	47,954,603	-	47,954,603
Investment held at amortised cost	-	124,232,688	124,232,688
Total assets	3,620,952,133	124,232,688	3,745,184,821
Total liabilities	609,212,263	-	609,212,263
	Real estate development	Investment	Total
As at 31 December 2022 (Audited)			
Investment properties	2,901,126,345	-	2,901,126,345
Development properties	58,151,760	-	58,151,760
Cash and cash equivalents	-	50,330,480	50,330,480
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	3,333,631,175	175,102,872	3,508,734,047
Total liabilities	355,816,965	-	355,816,965
	Real estate development	Investment	Total
Condensed consolidated interim statement of profit or loss			
Nine-month period ended 30 September 2023 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	4,302,033	-	4,302,033
Revenue – Overtime	58,506,336	-	58,506,336
Finance income	-	2,616,015	2,616,015
Depreciation and amortization	(2,701,605)	-	(2,701,605)
Zakat expense	(5,789,272)	-	(5,789,272)
Net loss	(26,547,908)	2,616,015	(23,931,893)

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13 Segment information (continued)

	Real estate development	Investment	Total
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	(12,718,343)	2,072,279	(10,646,064)
Condensed consolidated interim statement of profit or loss			
Three-month period ended 30 September 2023 (Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – At point in time	1,596,111	-	1,596,111
Revenue – Overtime	9,086,638	-	9,086,638
Finance income	-	685,062	685,062
Depreciation and amortization	(920,054)	-	(920,054)
Zakat expense	(2,119,509)	-	(2,119,509)
Net loss	(13,889,958)	685,062	(13,204,896)
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 loss	3,737,576	886,593	4,624,169

14 Commitments

As at 30 September 2023, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately Saudi Riyals 1.04 billion (31 December 2022: Saudi Riyals 447.28 million).

15 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

15 Fair value measurement (continued)

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

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

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

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

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

There are no transfers in the fair value levels during the period ended 30 September 2023.

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

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

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

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

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