

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

AND INDEPENDENT AUDITOR'S REVIEW REPORT

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 JUNE 2025**

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

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

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2025

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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 ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2025, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2025, interim condensed consolidated statements of changes in equity and cashflows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the 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 the 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 statement 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 consolidated financial statements for the year ended 31 December 2024 and the interim condensed consolidated financial statements for the three month and six-month periods ended 30 June 2024 were respectively audited and reviewed by another auditor who expressed an unmodified audit opinion and review conclusion on 23 March 2025 (corresponding to 23 Ramadan 1446H) and 30 July 2024 (corresponding to 24 Muharram 1446H), respectively.

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 19 Safar 1447H
(13 August 2025G)



KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

		30 June 2025 (Unaudited)	31 December 2024 (Audited)
	<i>Note</i>		
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		49,493,087	47,694,191
Investment properties and properties under development	4	4,488,248,273	4,130,441,705
Intangible assets		763,942	873,329
Derivative financial instrument	15	9,836,738	18,647,173
Trade receivables – unbilled	6	20,430,556	28,319,094
Investments held at amortised cost	7	124,772,392	124,772,392
TOTAL NON-CURRENT ASSETS		4,693,544,988	4,350,747,884
CURRENT ASSETS			
Development properties	5	124,256,375	100,099,137
Trade receivables	6	47,261,868	72,844,562
Contract assets	8	68,936,808	38,808,264
Prepayments and other current assets	9	88,459,216	72,385,740
Cash and bank balances	10	136,284,810	103,966,133
TOTAL CURRENT ASSETS		465,199,077	388,103,836
TOTAL ASSETS		5,158,744,065	4,738,851,720
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	3,393,000,000	3,393,000,000
Cashflow hedge reserve	15	(2,161,022)	2,978,826
Accumulated losses		(461,182,245)	(406,237,194)
Equity attributable to equity holders of the Parent Company		2,929,656,733	2,989,741,632
Non-controlling interests		95,794,883	93,048,272
TOTAL EQUITY		3,025,451,616	3,082,789,904

The attached notes from 1 to 24 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 FINANCIAL POSITION
(continued)

As at 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

	Note	30 June 2025 (Unaudited)	31 December 2024 (Audited)
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	12	1,733,692,312	1,352,308,442
Employee benefit obligations		16,565,903	17,476,947
Payable to other unitholders of the fund	14	69,410,000	56,815,000
TOTAL NON-CURRENT LIABILITIES		1,819,668,215	1,426,600,389
CURRENT LIABILITIES			
Short-term borrowing	13	15,000,000	15,000,000
Current portion of long-term borrowings	12	81,528,544	76,322,070
Contract liabilities	8	-	51,014
Trade payables		8,639,178	5,944,217
Accruals and other current liabilities	16	202,885,929	125,068,911
Zakat	18	5,570,583	7,075,215
TOTAL CURRENT LIABILITIES		313,624,234	229,461,427
TOTAL LIABILITIES		2,133,292,449	1,656,061,816
TOTAL EQUITY AND LIABILITIES		5,158,744,065	4,738,851,720



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 24 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**

For the three-month and six-month periods ended 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

		<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	Note	2025 (Unaudited)	2024 (Unaudited)	2025 (Unaudited)	2024 (Unaudited)
Continuing operations					
Revenue	17	61,458,422	3,592,800	112,456,801	11,111,072
Cost of revenue		(49,281,621)	(2,706,900)	(90,500,820)	(7,735,892)
Gross profit		12,176,801	885,900	21,955,981	3,375,180
Selling and marketing expenses		(12,500,087)	(8,146,743)	(21,967,668)	(14,880,421)
General and administrative expenses		(18,474,467)	(14,164,322)	(34,732,282)	(26,377,425)
Other income		72,856	852,717	1,028,521	4,541,307
Other expenses		(12,815,071)	(35,549)	(12,815,071)	(118,116)
Operating loss		(31,539,968)	(20,607,997)	(46,530,519)	(33,459,475)
Finance income	7	539,716	539,688	1,079,433	1,079,420
Finance cost		-	(18,273)	-	(45,683)
Loss before zakat		(31,000,252)	(20,086,582)	(45,451,086)	(32,425,738)
Zakat expense	18	(3,804,036)	(5,165,374)	(6,747,354)	(6,465,374)
Loss for the period		(34,804,288)	(25,251,956)	(52,198,440)	(38,891,112)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss:</i>					
Derivative financial instrument – effective portion of changes in fair value of cash flow hedge	15	(1,502,279)	854,483	(5,139,848)	11,599,386
Total comprehensive loss for the period		(36,306,567)	(24,397,473)	(57,338,288)	(27,291,726)
Loss for the period attributable to:					
Equity holders of the Parent		(37,685,414)	(25,113,506)	(54,945,051)	(38,695,812)
Non-controlling interests		2,881,126	(138,450)	2,746,611	(195,300)
		(34,804,288)	(25,251,956)	(52,198,440)	(38,891,112)
Total comprehensive loss for the period attributable to:					
Equity holders of the parent		(39,187,692)	(24,259,023)	(60,084,899)	(27,096,426)
Non-controlling interests		2,881,125	(138,450)	2,746,611	(195,300)
		(36,306,567)	(24,397,473)	(57,338,288)	(27,291,726)
Loss per share attributable to equity holders of the Parent Company:					
Basic and diluted loss per share (In SR)	19	(0.111)	(0.074)	(0.162)	(0.114)



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 24 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

For the six month period ended 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

	Attributable to the equity holders of the Parent			Non-controlling interest	Total equity
	Share capital	Hedge reserve	Accumulated losses	Total	
Balance at 1 January 2024 (Audited)	3,393,000,000	(6,606,984)	(382,923,202)	3,003,469,814	3,096,869,737
Net loss for the period (Unaudited)	-	-	(38,695,812)	(38,695,812)	(38,891,112)
Other comprehensive income for the period (Unaudited)	-	11,599,386	-	11,599,386	11,599,386
Total comprehensive loss for the period (Unaudited)	-	11,599,386	(38,695,812)	(27,096,426)	(27,291,726)
Balance as at 30 June 2024 (Unaudited)	3,393,000,000	4,992,402	(421,619,014)	2,976,373,388	3,069,578,011
Balance at 1 January 2025 (Audited)	3,393,000,000	2,978,826	(406,237,194)	2,989,741,632	3,082,789,904
Net loss for the period (Unaudited)	-	-	(54,945,051)	(54,945,051)	(52,198,440)
Other comprehensive loss for the period (Unaudited)	-	(5,139,848)	-	(5,139,848)	(5,139,848)
Total comprehensive loss for the period (Unaudited)	-	(5,139,848)	(54,945,051)	(60,084,899)	(57,338,288)
Balance as at 30 June 2025 (Unaudited)	3,393,000,000	(2,161,022)	(461,182,245)	2,929,656,733	3,025,451,616



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 24 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

For the six month period ended 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

	<i>Note</i>	<i>For the six month period ended 30 June 2025 (Unaudited)</i>	<i>30 June 2024 (Unaudited)</i>
OPERATING ACTIVITIES			
Loss before zakat		(45,451,086)	(32,425,738)
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>			
Depreciation of property and equipment		1,445,546	1,551,457
Depreciation of right-of-use assets		-	463,980
Amortization of intangible assets		109,387	44,230
Provision for employee benefit obligation		2,134,165	1,487,929
Revaluation of payable to other unitholders of the fund	14	12,595,000	(330,000)
Fair value gain on derivative financial instrument	15	3,670,587	(83,118)
Finance cost for lease liabilities		-	45,683
Finance income	7	(1,079,433)	(1,079,420)
		<u>(26,575,834)</u>	<u>(30,324,997)</u>
<i>Working capital adjustments:</i>			
Development properties		(24,157,238)	(35,074,290)
Restricted cash		(15,452,180)	(49,448,950)
Trade receivables		33,471,232	8,487,218
Contract assets		(30,128,544)	139,850
Prepayments and other current assets		(16,073,476)	(36,111,036)
Trade payable		2,694,961	(1,269,882)
Accruals and other current liabilities		68,908,949	52,884,405
Contract liabilities		(51,014)	-
		<u>(7,363,144)</u>	<u>(90,717,682)</u>
Cash used in operations			
Zakat paid	18	(8,251,986)	(6,593,019)
Employee benefit obligation paid		(3,045,209)	(284,958)
Repayment of interest on borrowings		(47,008,595)	(13,772,914)
		<u>(65,668,934)</u>	<u>(111,368,573)</u>
Net cash flows used in operating activities			
INVESTING ACTIVITIES			
Finance income received	7	1,079,433	1,079,434
Additions to investment properties and properties under development	4	(300,647,624)	(322,480,552)
Additions to property and equipment		(3,244,442)	(741,067)
		<u>(302,812,633)</u>	<u>(322,142,185)</u>
Net cash flows used in investing activities			

The attached notes from 1 to 24 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 (continued)

For the six month period ended 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

		<i>For the six month period ended</i>	
	<i>Note</i>	<i>30 June 2025</i>	<i>30 June 2024</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
FINANCING ACTIVITIES			
Proceeds from borrowings	12	385,348,064	458,103,257
Payment of principal portion of lease liabilities		-	(2,586,191)
Net cash flows generated from financing activities		385,348,064	455,517,066
Net increase in cash and cash equivalents		16,866,497	22,006,308
Cash and cash equivalents at the beginning of the period		70,648,684	35,459,591
Cash and cash equivalents at the end of the period	10	87,515,181	57,465,899
<u>SUPPLEMENTARY SIGNIFICANT NON-CASH INFORMATION</u>			
Additions in investment properties through accrued expenses		29,615,247	24,237,826
Capitalisation of investment properties through accrued borrowing costs		31,528,544	23,444,038



Chief Financial Officer



Chief Executive Officer



Chairman of Board of Directors

The attached notes from 1 to 24 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

At 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

1 CORPORATE INFORMATION

Knowledge Economic City Company (“KEC”, “the Parent Company” or “the Company”) and its subsidiaries (collectively “the Group”) consist of the Company and its Saudi Arabian subsidiaries listed below. 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 Parent 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 Unified Identification Number 7001643431 and 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 located at Diwan Al Marefah, King Abdulaziz Road, P. O. Box 43033, Madinah Al Munawarah, 41561, Kingdom of Saudi Arabia.

The following are the shareholders of the Group:

<i>Name</i>	<i>Place of incorporation</i>	<i><u>Ownership interest</u></i>	
		<i>30 June 2025</i>	<i>31 December 2024</i>
King Abdullah Foundation for his Parents	Saudi Arabia	29.47%	29.47%
Knowledge Economic City Developers Company Limited	Saudi Arabia	24.46%	24.46%
Taybah Investment Company	Saudi Arabia	9.60%	9.60%
Amin Mohammad Amin Shaker	-	7.71%	7.71%
Free float with general public	-	28.76%	28.76%

As at 30 June 2025 and 31 December 2024, the Company’s share capital of SR 3,393 million consists of 339.3 million fully paid shares of Saudi Riyals 10 each.

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

<i>Name of subsidiaries</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>Paid up capital</i>	<i><u>Effective ownership</u></i>	
				<i>30 June 2025</i>	<i>31 December 2024</i>
Mounshaat Al Maarifa Al Akaria Company Limited (“Mounshaat”)	Kingdom of Saudi Arabia	Real estate development	1,000,000	100%	100%
Mashariaa Al Maarifa Al Akaria Company Limited (“Mashariaa”)	Kingdom of Saudi Arabia	Real estate development	633,000,000	100%	100%
Al Garra International Company for Real Estate (“Al Garra”)	Kingdom of Saudi Arabia	Real estate development	467,765,000	80%	80%
Al Maarifa Al Akaria Company Limited (“Amaak”)	Kingdom of Saudi Arabia	Real estate, investment and management	10,000,000	100%	100%
Makarem Al Maarifa for Hospitality Company Limited (“Makarem”) (See a and b below)	Kingdom of Saudi Arabia	Real estate Development	56,400,000	100%	100%
Riyad Real Estate Development Fund (“Madinah Gate Fund”)	Kingdom of Saudi Arabia	Real estate development	220,000,000	68.82%	68.82%

KNOWLEDGE ECONOMIC CITY COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

1 CORPORATE INFORMATION (Continued)

- a. During the six month period ended 30 June 2025, the Group signed a contract with a local contractor company to execute the finishing and interior design works for the Hilton Hotel Tower and the Branded Residences Tower of the Company HUB Project.
- b. During the year ended 31 December 2024, the Group signed a contract through its subsidiary “Makarem Al Maarifa for Hospitality Company Limited” (“Makarem”) with a consortium of three local and international companies (the “Consortium”) to build a chilled water District Cooling plant for KEC HUB project. As of 30 June 2025, there were no financial implications from this contract as no work has begun and the construction is expected to start after the completion of KEC HUB project.
- c. During the six month period ended 30 June 2025, the Parent Company signed an agreement with KEC Raseel Real Estate Development Fund (“KEC Raseel Fund”). As per the agreement, KEC will transfer the legal ownership and rights of a land to Raseel in exchange of units in KEC Raseel Fund equivalent to the value of the land transferred as of delivery date. As of the issuance of these interim condensed consolidated financial statements, the legal title of the land has not been transferred. Accordingly, there were no financial implications as at 30 June 2025.
- d. During the six month period ended 30 June 2025, the Parent Company signed a development and leasing contract for educational complex in the Knowledge Economic City with Riyadh Schools Holding Company - a subsidiary of Mohammed bin Salman Non-Profit Foundation (MiSK Foundation). Riyadh Schools Holding Company will enter into a development and lease agreement for an educational complex within the Knowledge Economic City in Madinah, for a period of 25 years. Under this agreement, KEC will develop an integrated educational complex and lease it to Riyadh Schools Holding Company. As at 30 June 2025, there were no financial implications.

Mounshaat and Mashariaa have not commenced their operations as at 30 June 2025.

Going concern assumption

During the six month period ended 30 June 2025, the Group incurred a total comprehensive loss amounting to SR 57.3 million (30 June 2024: SR 27.3 million and 31 December 2024: SR 14.08 million) and reported negative operating cashflows during the same period amounting SR 65.67 million (30 June 2024: SR 111.37 million). In addition, the Group had accumulated losses amounting to SR 461.2 million as at 30 June 2025 (31 December 2024: SR 406.2 million). As at 30 June 2025, the Group current assets exceed its current liabilities by SR 151.6 million (31 December 2024: SR 158.6 million) and has a positive net equity amounting SR 3,025.45 million (31 December 2024: SR 3,082.79 million). Further, as at 30 June 2025, the Group has loan facilities amounting to SR 2,241 million (31 December 2024: SR 1,820 million) to finance the Group for the cost of developing their projects and operations details of which is disclosed in note 12. The unused facilities of the Group amounted to SR 432.9 million (31 December 2024: SR 396.9 million). Accordingly, the Group’s management believes that they have enough resources to continue the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the interim condensed consolidated financial statements are continued to be prepared on the going concern basis.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the six month period ended 30 June 2025 have been prepared in accordance with *International Accounting Standard 34 - Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

KNOWLEDGE ECONOMIC CITY COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

2 BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

The 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 as at 31 December 2024.

2.2 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2025 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 interim condensed consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept, except the derivative financial instrument, which is carried at fair value.

2.4 Functional and presentation currency

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

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgements made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2024. 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.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies 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 2024, except for the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. One amendment applies for the first time in 2025 (as detailed below), but do not have any material impact on the interim condensed consolidated financial statements of the Group.

Lack of exchangeability – Amendments to IAS 21

The amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendment is effective for annual reporting periods beginning on or after 1 January 2025. When applying the amendment, an entity cannot restate comparative information. The amendment did not have a material impact on the Group's interim condensed consolidated financial statements.

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

At 30 June 2025 (Unaudited)

(Amounts in Saudi Riyal unless otherwise stated)

4 INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

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

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Investment properties	2,819,242,198	2,683,961,630
Properties under development	1,669,006,075	1,446,480,075
	<u>4,488,248,273</u>	<u>4,130,441,705</u>

The movement of investment properties and properties under development during the period / year is summarised as follows;

	For the six month period ended 30 June 2025 (Unaudited)	For the year ended 31 December 2024 (Audited)
At the beginning of the period/ year	4,130,441,705	3,433,577,742
Additions	357,806,568	708,939,556
Transferred to development properties	-	(12,075,593)
	<u>4,488,248,273</u>	<u>4,130,441,705</u>

The Group determined that the investment properties consist of land and infrastructure cost amounting to SR 1,132 million (31 December 2024: SR 1,132 million) and infrastructure cost amounting to SR 1,687 million (31 December 2024: SR 1,552 million) respectively. Properties under development amounting to SR 1,669 million (31 December 2024 SR 1,446 million) based on the nature, characteristics, and risks of each property. The fair value of the Group's investment properties as at 31 December 2024 was valued at SR 12,800 million by independent professionally qualified valuers named Century21 Saudi Arabia ("Century21") using both the market comparable approach and the residual value approach. There were no significant changes in key assumptions and sensitivity information disclosed in the annual consolidated financial statements for the year ended 31 December 2024 that would require adjustment or revaluation to the fair value of the investment properties as at 30 June 2025.

During the six month period ended 30 June 2025, an amount of SR 48.3 million (31 December 2024: SR 70.5 million) was capitalised as borrowing cost and SR 0.6 million (31 December 2024: SR 1.6 million) was capitalised as amortization of transaction cost in the construction. Accordingly, total cumulative borrowing cost capitalised to date in the investment properties and properties under development is amounting to SR 162.6 million (31 December 2024: SR 114.3 million).

As at 30 June 2025, the Group's investment properties and properties under development related to land plots of the project "KEC Hub" amounting to SR 221 million (31 December 2024: SR 221 million) were mortgaged as collateral to the Saudi Tourism Development Fund and a local bank (Refer note 12).

As at 30 June 2025, the Group's properties under development related to land plots of the projects "Branded Residence" and "E16-3" amounting to SR 31 million (31 December 2024: SR 31 million) and SR 12 million (31 December 2024: SR 12 million) respectively were mortgaged as collateral to a local commercial bank (Refer note 12).

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4 INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT (continued)

As at 30 June 2025, the Group's investment properties related to land plots of the Parent Company amounting to SR 122 million (31 December 2024: SR 122 million) were mortgaged as collateral against loan from a local commercial bank (Refer note 12).

As at 30 June 2025, the Group's investment properties and properties under development related to land plots of the project "Madinah Gate Fund" amounting to SR 68 million (31 December 2024: SR 68 million) were mortgaged as collateral to a local commercial bank (Refer note 12).

As at 30 June 2025, the Group's investment properties related to two land plots of the Parent Company amounting to SR 98.11 million (31 December 2024: Nil) and SR 73 million (31 December 2024: Nil) were mortgaged as collateral to local commercial banks against corporate loan (Refer note 12).

5 DEVELOPMENT PROPERTIES

The balances are split into these categories as follows:

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Parcels of land	44,325,664	44,325,664
Properties under development	79,930,711	55,773,473
	<u>124,256,375</u>	<u>100,099,137</u>

The movement of development properties during the period/ year is summarised as follows;

	<i>For the six month period ended 30 June 2025 (Unaudited)</i>	<i>For the year ended 31 December 2024 (Audited)</i>
At the beginning of the period/ year	100,099,137	59,952,189
Additions	112,454,503	108,826,382
Transferred from investment properties	-	12,075,593
Transfer to cost of revenue	(88,297,265)	(80,755,027)
At the end of the period/ year	<u>124,256,375</u>	<u>100,099,137</u>

As at 30 June 2025, the Group's development properties related to land plots of the "Aliya project" amounting to SR 24 million (31 December 2024: SR 16 million) were mortgaged as collateral to a local commercial bank (Refer note 12).

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6 TRADE RECEIVABLES

Trade receivables

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Trade customers for sale of residential units	25,028,666	15,201,136
Trade customers for sale of land parcels	-	34,375,057
Trade customers for services	8,383,160	5,723,690
Less: impairment of financial assets	(3,189,003)	(3,189,003)
	30,222,823	52,110,880
Current portion of trade receivables – Unbilled	17,039,045	20,733,682
	47,261,868	72,844,562

Trade receivables – Unbilled

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Trade customers for sale of residential units	37,469,601	49,052,776
Less: current portion	(17,039,045)	(20,733,682)
Trade customers for sale of residential units (non-current)	20,430,556	28,319,094

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 INVESTMENTS HELD AT AMORTISED COST

During the year ended 31 December 2020, the Group invested in Saudi Government Sukuk denominated in SR amounting to SR 124.7 million with original maturity of 7 years. This placement yields finance income at coupon rate of 1.73% per annum amounting to SR 2.2 million per annum.

As at 30 June 2025, the Group's investments held at amortised cost were mortgaged as collateral to a local commercial Bank (Refer note 12).

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Contract assets	68,936,808	38,808,264
Contract liabilities	-	51,014

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9 PREPAYMENTS AND OTHER CURRENT ASSETS

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Value Added Tax ("VAT") refundable	79,095,118	67,014,589
Prepayments	3,781,900	20,000
Advances to suppliers	3,522,610	4,603,384
Advances to employees	2,059,588	747,767
	88,459,216	72,385,740

10 CASH AND BANK BALANCES

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Cash and bank balances	136,284,810	103,966,133

The Group is required to maintain escrow accounts for off plan sales of development properties as authorised by ECZA. 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 30 June 2025 is amounting to SR 48.78 million (31 December 2024: SR 33.32 million). These deposits are not under lien.

Reconciliation to cash flow statement

The figures below reconcile to the amount of cash shown in the interim condensed consolidated statement of cash flows at the end of the financial year as follows:

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Unaudited)</i>
Cash and cash equivalents at	136,284,810	103,966,133
Restricted cash	(48,769,629)	(33,317,449)
Cash and cash equivalents per statement of cashflows	87,515,181	70,648,684

11 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties represent the shareholders, board of directors and key management personnel of the Parent Company, and entities controlled by such parties and the Parent Company. The significant transactions between the Group and its board of directors are disclosed below. The pricing terms and conditions of the transactions are agreed by the management of the Group and approved by the board of directors of the Parent Company.

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11 RELATED PARTIES BALANCES AND TRANSACTIONS (continued)

11.1 Related party transactions

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2025</i>	<i>30 June 2024</i>	<i>30 June 2025</i>	<i>30 June 2024</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from sale of residential units	4,041,918	-	10,343,198	-

During the six month period ended 30 June 2025, the Parent Company sold residential units on payment plan to a board member at the approved price and related revenue and cost is accounted for in the interim condensed consolidated statement of comprehensive income. Further, all transactions within the Group are eliminated for consolidation purposes.

11.2 Balances due to related parties presented under accruals and other current liabilities

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Board of Directors' remuneration	3,376,054	4,255,190

11.3 Key management compensation

	<i>For the three month period ended</i>		<i>For the six month period ended</i>	
	<i>30 June 2025</i>	<i>30 June 2024</i>	<i>30 June 2025</i>	<i>30 June 2024</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Board of Directors' remuneration and related expenses	1,015,150	1,015,150	2,056,299	1,843,149
Remuneration to the key management personnel	2,281,694	5,517,081	5,688,451	10,935,112
Employee benefit obligation of key management personnel	109,938	222,928	238,311	334,783

The amounts disclosed above table are recognised as an expense during the six month period ended 30 June 2025 related to key management personnel.

12 LONG-TERM BORROWINGS

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Murabaha facilities	1,794,130,954	1,405,811,258
Less: unamortized transaction costs	(10,438,642)	(7,467,010)
Accrued interest	31,528,544	30,286,264
	1,815,220,856	1,428,630,512

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12 LONG-TERM BORROWINGS (continued)

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Borrowings are presented as follows:		
Current portion of long-term borrowings	81,528,544	76,322,070
Non-current portion of long-term borrowings	1,733,692,312	1,352,308,442
Long-term borrowings	1,815,220,856	1,428,630,512

Movements in unamortised transaction costs are summarised as follows:

	For the six month period ended 30 June 2025 (Unaudited)	For the year ended 31 December 2024 (Audited)
Opening balance	7,467,010	8,155,207
Transaction cost paid	3,625,000	470,000
Less: capitalised amortization	(653,368)	(1,158,197)
	10,438,642	7,467,010

During the year ended 31 December 2021, the Group signed a shariah-compliant agreement with the Saudi Tourism Development Fund ("TDF") and a local commercial bank (the "agreement") to provide financing facility to an extent of Saudi Riyal 782 million for development execution of the KEC Hub project. According to the agreement, the TDF and a 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 and 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 has drawn facilities from TDF and a local commercial bank amounting to SR 112.5 million, each, with total drawn facilities of SR of 225 million. During the year ended 31 December 2023, the Group had drawn facilities from TDF and a local commercial bank amounting to SR 102.5 million, each, with total drawn facilities of SR of 205 million. During the year ended 31 December 2024, the Group has drawn additional facilities from TDF and a local commercial bank amounting to SR 145 million, each, with total drawn facilities of SR of 290 million. The unused balance of this facility as of 31 December 2024 amounted to SR 62 million. During the period ended 30 June 2025, the Group has drawn additional facilities from TDF and a local commercial bank amounting to SR 31 million each with total drawn facilities of SR of 62 million.

The facilities are denominated in SR and bear financial charges based on prevailing market rates. The overall current market interest rates during the period is 7.623%. The facilities are repayable in semi-annual instalments, commencing after six months grace period from the earlier of project completion date or 3 years from 31 December 2021.

During the year ended 31 December 2022, the Company has signed a shariah-compliant agreement with a local commercial bank to provide financing facility amounting to SR 56 million for execution of the project E-16. During the year ended 31 December 2023, the Company drawn SR 26 million from this facility. During the year ended 31 December 2024, the Company drawn SR 30 million from this facility. These facilities are denominated in SR and bear financial charges based on current market interest rates during the period are ranging from 6.78 to 7.7%.

During the year ended 31 December 2022, the Company also signed a shariah-compliant agreement with a local commercial bank to provide the financing facility amounting to SR 100 million. During the year ended December 2024, the Company drawn SR 45 million from this facility. The Group provided collateral in the form of investment in Saudi Government SAR Sukuk to a local commercial bank. During the period ended 30 June 2025, the said facility amount increased to SR 124.79 million. During the same period, the company drawn SR 65 million. These facilities are denominated in SR and bear financial charges based on prevailing market rates. The overall current market interest rates during the period are ranging from 6.09% to 6.13%. The unused balance of this facility as of 30 June 2025 amounted to SR 14.79 million.

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12 LONG-TERM BORROWINGS (continued)

During the year ended 31 December 2023, the Group signed a shariah-compliant agreement with a local commercial bank to provide total financing amounting to SR 143 million including SR 98 million for execution of the branded residence project and SR 20 million for Profit Rate Swap (PRS), and SR 25 million as a short-term borrowing facility (see note 13). During the year ended 31 December 2023 and 2024, the Company has drawn SR 7 million and SR 25 million respectively for execution of the branded residence project as a long-term borrowings. During the period ended 30 June 2025, the Company has drawn SR 15 million for execution of the branded residence project as a long-term borrowings. These facilities are denominated in SR 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 overall current market interest rates during the period are ranging from 6.62 % to 7.64 %. The unused balance of this facility as of 30 June 2025 amounted to SR 71 million.

During the year ended 31 December 2023, the Group signed a shariah-compliant agreement with a local commercial bank to provide financing facility amounting to SR 320 million for execution of the Madinah Gate Project. These facilities are denominated in SR and bear financial charges based on prevailing market rates. During the year ended 31 December 2023, the Group has drawn SR 37.8 million from this facility. During the year ended 31 December 2024, the Group has drawn SR 151 million from this facility. During the period ended 30 June 2025, the Group has drawn SR 45 million from this facility. The Group provided collateral in the form of a plot of land from the Group's land portfolio (Refer note 4). The overall current market interest rates during the period are ranging from 7.80% to 8.63%. The unused balance of this facility as of 31 December 2024 amounted to SR 86 million.

During the year ended 31 December 2023, the Group signed shariah-compliant agreements with a local commercial bank to provide financing total amounting to SR 417.04 million including SR 94 million for execution of the Al Aliyaa project, SR 23.04 million for Profit Rate Swap (PRS), and SR 300 million for corporate loan. During the year ended 31 December 2024, the Company had drawn a total amount of SR 364 million which consists of corporate loan for Aliya project amounting to SR 270 million and SR 94 million respectively as a long-term borrowing. During the period ended 30 June 2025, the Company has drawn an amount of SR 20 million of corporate loan. These facilities are denominated in SR and bear financial charges based on prevailing market rates. The overall current market interest rates during the period is 6.90%. 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 June 2025 amounted to SR 33.04 million.

During the year ended 31 December 2024, the Company signed a shariah-compliant agreement with a local commercial bank to provide financing facility amounting to SR 150 million for general corporate loan. During the period ended 30 June 2025, the Company has drawn SR 90 million from this facility. This facility are denominated in SR and bear financial charges based on current market interest rates during the period are ranging from 6.57% to 6.73%. The unused balance of this facility as of 30 June 2025 amounted to SR 60 million.

During the six month ended 30 June 2025, the Group signed a shariah-compliant agreement with a local commercial bank to provide financing total amounting to SR 150 million. This facility is intended to finance the Company's corporate financing and support the execution of its strategic objectives. During the six month period ended 30 June 2025, the Company has drawn SR 35 million from this facility. This facility is denominated in SR and bear financial charges based on current market interest rates during the period is 6.80%. The unused balance of this facility as of 30 June 2025 amounted to SR 115 million.

During the period ended 30 June 2025, the Group signed a shariah-compliant agreement with a local commercial bank to provide financing total amounting to SR 98 million execution of the al Aliyaa project. During the period ended 30 June 2025, the Company has drawn SR 56 million from this facility. This facility is denominated in SR and bear financial charges based on current market interest rates during the period ranging from 7.31% to 7.36%. The unused balance of this facility as of 30 June 2025 amounted to SR 42 million.

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12 LONG-TERM BORROWINGS (continued)

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

Maturity profile of the Murabaha facilities

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Period ending 30 June:		
2025	50,000,000	46,035,806
2026	130,205,736	141,176,707
2027	447,672,530	337,590,688
2028	390,065,030	250,533,961
2029	337,987,658	226,128,316
2030	106,200,000	98,668,031
Thereafter	332,000,000	305,677,749
	<u>1,794,130,954</u>	<u>1,405,811,258</u>

Loan covenants

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

13 SHORT-TERM BORROWING

In continuance to the agreement signed with a local commercial bank during the year ended 31 December 2023 in total amount SR 143 million, the Group signed an agreement with a local commercial bank to provide revolving short-term borrowing amounting to SR 25 million for execution of the branded residence project. During the six month period ended 30 June 2025, the Group has utilized SR 15 million (31 December 2024: SR 15 million) from this loan. The overall current market interest rate during the six month period ended are ranging from 6.46%. to 6.62% The unutilized balance of this loan as of 30 June 2025 amounted to SR 10 million (31 December 2024: SR 10 million).

14 PAYABLE TO OTHER UNITHOLDERS OF THE FUND

The Group has a liability payable to the remaining unitholders when an investment fund is consolidated. The liability is initially recognised at the fair value of the units. All subsequent changes in liability are recognised in the consolidated statement of comprehensive income. The liability represents the unitholders' pro-rata share of the fund's net assets in the event of its liquidation. This is determined by way of division of the fund's net assets by the number of units held by other unitholders. The Group holds 68.82% effective shareholding in the Madinah Gate Fund as at 30 June 2025 (31 December 2024: 68.82% effective shareholding). As at 30 June 2025, Madinah Gate Fund has a total net assets amounting SR 277.5 million (31 December 2024: 227.26 million) and accordingly pro-rata share of net assets to the other unitholders of the fund is SR 69.41 million (31 December 2024: SR 56.82 million).

15 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Profit rate swap – cash flow hedge	<u>9,836,738</u>	<u>18,647,173</u>

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15 DERIVATIVE FINANCIAL INSTRUMENTS (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 Group relies on the 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. The movement in the derivative financial instrument is as follows;

	<i>For the six month period ended 30 June 2025 (Unaudited)</i>	<i>For the year ended 31 December 2024 (Audited)</i>
At beginning of the period/ year	18,647,173	9,061,363
Cash flow hedge losses in fair value recognised in the statement of profit or loss (ineffective portion)	(3,670,587)	-
Cash flow hedge losses in fair value recognised in the statement of other comprehensive income (effective portion)	(5,139,848)	9,585,810
At end of the period/ year	<u>9,836,738</u>	<u>18,647,173</u>

At 30 June 2025, the Swap Contract had a fair value of SR 9.8 million (31 December 2024: SR 18.65 million), based on the valuation confirmed by the counterparty and management's expert. Such fair value is included as derivative financial instrument in non-current assets in the interim condensed consolidated statement of financial position.

Cashflow hedge reserve

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
At the beginning of the period/ year	2,978,826	(6,606,984)
Cash flow hedges losses in fair value recognised in the statement of other comprehensive income (effective portion)	(5,139,848)	9,585,810
At the end of the period/ year	<u>(2,161,022)</u>	<u>2,978,826</u>

16 ACCRUALS AND OTHER LIABILITIES

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Accrued expenses	147,000,366	80,408,057
Retention payable	55,885,563	41,827,160
Others	-	2,833,694
	<u>202,885,929</u>	<u>125,068,911</u>

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17 REVENUE

	<i>For the three month period ended 30 June 2025 (Unaudited)</i>	<i>30 June 2024 (Unaudited)</i>	<i>For the six month period ended 30 June 2025 (Unaudited)</i>	<i>30 June 2024 (Unaudited)</i>
<u>Revenue from contracts with customers recognised over a period of time</u>				
Revenue from customers of residential units	61,323,840	-	110,685,995	-
Revenue from facility maintenance services	1,507,582	1,469,511	3,068,806	2,914,271
Sales return of a residential units	(1,448,000)	-	(1,448,000)	-
	61,383,422	1,469,511	112,306,801	2,914,271
<u>Revenue from contracts with customers recognised at a point in time</u>				
Revenue from customers of residential units	-	2,048,289	-	8,046,801
	61,383,422	3,517,800	112,306,801	10,961,072
Revenue from operating lease	75,000	75,000	150,000	150,000
	61,458,422	3,592,800	112,456,801	11,111,072

As at 30 June 2025, the aggregate amount of transaction price allocated to unsatisfied, or partially satisfied, performance obligations is SR 132.6 million (30 June 2024: Nil).

18 ZAKAT

The Parent Company and its 100% owned subsidiaries file a combined zakat return on consolidated basis since the year 2017. The subsidiaries where the Parent 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 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:

	<i>30 June 2025 (Unaudited)</i>	<i>31 December 2024 (Audited)</i>
Balance at the beginning of the period/year	7,075,215	5,500,461
<i>Provision for:</i>		
Current period/year	5,570,583	4,006,396
Prior years	1,176,771	1,615,159
Total charge for the year recognised in the interim condensed consolidated statement of profit or loss	6,747,354	5,621,555
Zakat paid	(8,251,986)	(7,112,045)
Refund	-	3,065,244
Balance at the end of the period/year	5,570,583	7,075,215

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18 ZAKAT (continued)

Status of assessments

Parent Company

The Parent Company and its 100% owned subsidiaries have filed the consolidated zakat returns for the years up to 2024 and obtained a zakat certificate valid till 30 April 2026.

During the year ended 31 December 2020, the Zakat, Tax and Customs Authority ("ZATCA") issued an assessment for the years 2015 to 2018 claiming additional zakat liability of SR 27.76 million and the Parent Company settled SR 1.17 million and objected against the remaining amount. The ZATCA revised the assessment to SR 25.43 million. The Parent Company decided to escalate the case through the General Secretariat of the Tax Committees ("GSTC") to assign a hearing session to discuss the Parent Company's objection. GSTC had assigned a hearing session on 31 July 2022 and rejected the objections. The Parent Company filed the appeal to the Appeal Committee for Tax Violations and Disputes ("ACTVD") on 24 October 2022. During the period ended 31 March 2024, the said appeal for 2015-2018 was concluded satisfactorily in favor of the Parent Company.

Moreover, ZATCA has also issued an assessment for the years 2019 and 2020 claiming additional Zakat liability of SR 11.5 million; the Parent Company settled SR 1,794 and objected against the remaining amounts for which the Parent Company has paid 25% of the claims amounting to SR 2.9 million. For the year 2019 and 2020 ZATCA had issued revised assessment of SR 10.8 million. Accordingly, the Parent Company decided to escalate the case through the GSTC to assign a hearing session to discuss the Parent Company's objection. During the period ended 31 March 2024, the said appeal for 2019-2020 was concluded in favor of the Parent Company.

ZATCA has issued the final assessments on the years 2021-2022 claiming additional amount of SR 0.7 million. The management is in the process to appeal against the assessments.

Al Garra

Al Garra filed its zakat return till 2023 and obtained the necessary zakat certificate valid till 30 April 2025. Al Garra has finalised its Zakat assessments till the year 2018. During the six month period ended 30 June 2025, Al Garra has filed the zakat return for the year ended 31 December 2024 and obtained the zakat certificate valid till 30 April 2026.

Amaak

Amaak filed its zakat return for the year 2011 till 2016 and informational returns for the years 2017 to 2023. Amaak obtained zakat certificate valid till 30 April 2025. During the six month period ended 30 June 2025, Amaak has filed the zakat return for the year ended 31 December 2024 and obtained the zakat certificate valid till 30 April 2026.

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 SR 1.56 million for 2015 and SR 0.33 million for 2016.

The assessment for the year 2015 was reduced to SR 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 Amaak's objection for the year 2015 and 2016. However, ZATCA filed an appeal against the CRTVD decision in ACTVDR and during the year ended 31 December 2022, Amaak replied to ZATCA's appeal in ACTVDR. During the period ended 31 March 2024, Amaak received the final decision in which ACTVDR has accepted partially and paid SR 0.5 million out of SR 1.32 million for 2015 and 2016.

Madinah Gate Fund

Subsequent to the six month period ended 30 June 2025, Madinah Gate Fund has filed its zakat return for the year 2024 and obtained the necessary zakat certificate valid till 30 April 2026.

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19 LOSS PER SHARE

The earnings per share calculation is given below:

	<i>Three month period ended</i>		<i>Six month period ended</i>	
	<i>30 June 2025</i>	<i>30 June 2024</i>	<i>30 June 2025</i>	<i>30 June 2024</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net loss attributable to owners of the Company	(37,685,414)	(25,113,506)	(54,945,051)	(38,695,812)
Weighted average number of shares	339,300,000	339,300,000	339,300,000	339,300,000
Basic loss per share	(0.111)	(0.074)	(0.162)	(0.114)

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

20 SEGMENT INFORMATION

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different line of services and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's 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 Madinah Al Munawarah, Kingdom of Saudi Arabia.
- Investment segment represents Group's investing activities such as short-term investments, investments held at amortised cost including short-term investment less than three months classified within cash and cash equivalents.

Segment results that are reported to the Group's management 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 this note. Performance is measured based on segment revenues and net (loss) income, as included in the internal management reports that are reviewed by the Group's management.

Selected financial information as at 30 June 2025 and 31 December 2024 and for the three-month and six-month periods ended on 30 June 2025 and 2024, summarized by segment, is as follows:

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20 SEGMENT INFORMATION (continued)

	<i>Real estate development</i>	<i>Investment</i>	<i>Total</i>
Interim condensed consolidated statement of financial position			
<u><i>As at 30 June 2025 (Unaudited)</i></u>			
Investment properties and properties under development	4,488,248,273	-	4,488,248,273
Development properties	124,256,375	-	124,256,375
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	5,033,971,673	124,772,392	5,158,744,065
Total liabilities	2,133,292,449	-	2,133,292,449
<u><i>As at 31 December 2024 (Audited)</i></u>			
Investment properties and properties under development	4,130,441,705	-	4,130,441,705
Development properties	100,099,137	-	100,099,137
Investment held at amortised cost	-	124,772,392	124,772,392
Total assets	4,614,079,328	124,772,392	4,738,851,720
Total liabilities	1,656,061,816	-	1,656,061,816
	<i>Real estate development</i>	<i>Investment</i>	<i>Total</i>
Interim condensed consolidated statement of comprehensive income			
<i>For the six month period ended 30 June 2025 (Unaudited)</i>			
<u>Revenues derived from external customers</u>			
Revenue – Overtime	112,456,801	-	112,456,801
Finance income	-	1,079,433	1,079,433
Depreciation and amortization	(1,554,933)	-	(1,554,933)
Zakat expense	(6,747,354)	-	(6,747,354)
(Loss)/profit for the period	(53,277,873)	1,079,433	(52,198,440)
	<i>Real estate development</i>	<i>Investment</i>	<i>Total</i>
<i>For the six month period ended 30 June 2024 (Unaudited)</i>			
<u>Revenues derived from external customers</u>			
Revenue – Overtime	3,064,271	-	3,064,271
Revenue – Point in time	8,046,801	-	8,046,801
Finance income	-	1,079,420	1,079,420
Depreciation and amortization	(2,059,667)	-	(2,059,667)
Zakat expense	(6,465,374)	-	(6,465,374)
(Loss)/ profit for the period	(39,970,532)	1,079,420	(38,891,112)

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20 SEGMENT INFORMATION (continued)

	<i>Real estate development</i>	<i>Investment</i>	<i>Total</i>
Interim condensed consolidated statement of comprehensive income			
For the three month period ended 30 June 2025			
(Unaudited)			
<u>Revenues derived from external customers</u>			
Revenue – Overtime	61,458,422	-	61,458,422
Finance income	-	539,716	539,716
Depreciation and amortization	(800,500)	-	(800,500)
Zakat expense	(3,804,036)	-	(3,804,036)
(Loss)/profit for the period	<u>(35,344,004)</u>	<u>539,716</u>	<u>(34,804,288)</u>

For the three month period ended 30 June 2024
(Unaudited)

<u>Revenues derived from external customers</u>			
Revenue – Overtime	1,544,511	-	1,544,511
Revenue – Point in time	2,048,289	-	2,048,289
Finance income	-	539,688	539,688
Depreciation and amortization	(1,164,844)	-	(1,164,844)
Zakat expense	(5,165,374)	-	(5,165,374)
(Loss)/ profit for the period	<u>(25,791,644)</u>	<u>539,688</u>	<u>(25,251,956)</u>

21 CONTINGENCIES AND COMMITMENTS

As at 30 June 2025, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 1,372 million (31 December 2024: SR 923.35 million).

22 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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22 FAIR VALUE MEASUREMENT (continued)

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 recognises 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 ended 30 June 2025.

Cash and cash equivalents, trade receivables, contract assets, investment held at amortised cost are measured at amortised cost.

Derivative financial instrument measured at fair value through other comprehensive income 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 using the valuation techniques (Level 3).

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

23 FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks which mainly include market risk (including interest rate risk and price risk) credit risk and liquidity risk. The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and therefore, should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2024. There have been no changes in the risk management policies since the year end.

24 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been authorised by the Board of Directors on 10 August 2025, corresponding to 16 Safar 1447H.