

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT FOR THE THREE MONTH PERIOD
ENDED MARCH 31, 2020 (UNAUDITED)**

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders
Knowledge Economic City Company
(A Saudi Joint Stock Company)
Madinah, Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Knowledge Economic City Company (the "Company") and its subsidiaries (the "Group") as of March 31, 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three month period ended March 31, 2020, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.
Chartered Accountants

Tariq Bin Mohammed Al-Fattani
Certified Public Accountant
License No. 446



16 Shawwal, 1441
June 8, 2020

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2020
(Expressed in Saudi Riyals)

		March 31, 2020	December 31, 2019
	Note	(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property and equipment		49,981,628	50,299,270
Right-of-use assets		4,414,674	4,715,675
Intangible assets		810,265	913,110
Investment properties	4	2,537,625,494	2,524,303,335
Total non-current assets		2,592,832,061	2,580,231,390
Current assets			
Development properties	5	156,096,370	164,625,086
Trade receivables	6	16,143,809	16,684,469
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	7	131,200,101	122,888,531
Prepayments and other current assets		9,178,342	4,338,136
Short-term investment	8	402,853,833	265,989,889
Cash and cash equivalents	9	30,935,139	196,864,217
Total current assets		746,407,594	771,390,328
TOTAL ASSETS		3,339,239,655	3,351,621,718
LIABILITIES			
Non-current liabilities			
Accrued expenses and other non-current liabilities		15,984,709	19,638,079
Employees' end of service benefits	11	7,454,390	7,024,313
Lease liabilities		3,225,802	3,128,568
Total non-current liabilities		26,664,901	29,790,960
Current liabilities			
Accounts payable		4,387,797	4,312,375
Lease liabilities		1,100,347	1,141,463
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	7	372,056	504,300
Deferred gain		1,934,993	233,633
Accrued expenses and other current liabilities		79,831,695	88,126,761
Zakat payable	12	13,515,228	10,786,541
Total current liabilities		101,142,116	105,105,073
TOTAL LIABILITIES		127,807,017	134,896,033
Equity			
Share capital	13	3,393,000,000	3,393,000,000
Accumulated losses		(275,012,203)	(269,722,506)
Equity attributable to owners of the Company		3,117,987,797	3,123,277,494
Non-controlling interest		93,444,841	93,448,191
Total equity		3,211,432,638	3,216,725,685
TOTAL LIABILITIES AND EQUITY		3,339,239,655	3,351,621,718

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


Abdul Moid Mohammed
Chief Financial Officer


Sami Bin Abdulaziz Almakhdhoo
Chief Executive Officer

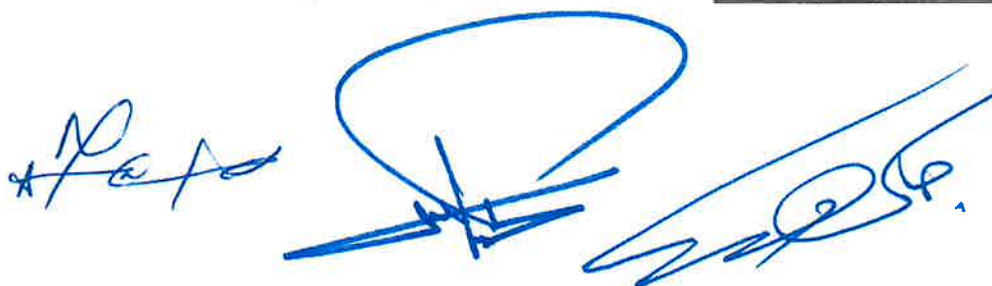

Dr. Jassim Al Rumaihi
Designated Board Member

The accompanying notes from 1 to 19 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 PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

		Three-month period ended March 31	
		(Unaudited)	
	Note	2020	2019
Revenue		24,930,915	82,135,161
Cost of revenue		(19,383,033)	(52,128,912)
Gross profit		5,547,882	30,006,249
Selling and marketing expenses		(2,054,377)	(1,505,496)
General and administrative expenses		(8,380,284)	(9,730,826)
Other (expense)/income, net		(126,449)	1,032,305
Operating (loss)/profit		(5,013,228)	19,802,232
Income from Murabaha deposits and short term investment	8, 9	2,504,986	3,805,056
Loss on disposal of a subsidiary	18	-	(449,517)
Finance cost for lease liabilities		(56,118)	(61,967)
(Loss)/profit before zakat		(2,564,360)	23,095,804
Zakat expense	12	(2,728,687)	(3,535,035)
Net (loss)/profit		(5,293,047)	19,560,769
Other comprehensive income			
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss</i>			
Actuarial loss derecognized on disposal of subsidiary	18	-	65,541
Total comprehensive (loss)/income		(5,293,047)	19,626,310
<u>Net (loss)/profit attributable to:</u>			
Owners of the Company		(5,289,697)	19,564,119
Non-controlling interests		(3,350)	(3,350)
		(5,293,047)	19,560,769
<u>Total comprehensive (loss)/income attributable to:</u>			
Owners of the Company		(5,289,697)	19,629,660
Non-controlling interests		(3,350)	(3,350)
		(5,293,047)	19,626,310
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic and diluted (loss)/earnings in Saudi Riyals per share	14	(0.016)	0.058



The accompanying notes from 1 to 19 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 THREE MONTH PERIOD ENDED MARCH 31, 2020
(Expressed in Saudi Riyals)

Note	Equity attributable to owners of the Company				Total
	Share capital	Accumulated losses	Total shareholders' equity	Non-controlling interest	
December 31, 2019 (Audited)/ January 1, 2020	3,393,000,000	(269,722,506)	3,123,277,494	93,448,191	3,216,725,685
Net loss for the period	-	(5,289,697)	(5,289,697)	(3,350)	(5,293,047)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	(5,289,697)	(5,289,697)	(3,350)	(5,293,047)
March 31, 2020 (Unaudited)	3,393,000,000	(275,012,203)	3,117,987,797	93,444,841	3,211,432,638
December 31, 2018 (Audited)/ January 1, 2019	3,393,000,000	(288,338,000)	3,104,662,000	94,449,169	3,199,111,169
Net profit/(loss) for the period	-	19,564,119	19,564,119	(3,350)	19,560,769
Other comprehensive income	-	65,541	65,541	-	65,541
Total comprehensive income/(loss) for the period	-	19,629,660	19,629,660	(3,350)	19,626,310
Disposal of a subsidiary	18	-	-	(983,050)	(983,050)
March 31, 2019 (Unaudited)	3,393,000,000	(268,708,340)	3,124,291,660	93,462,769	3,217,754,429

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
(Expressed in Saudi Riyals)

	Three month period ended March 31, 2020 (Unaudited)	Three month period ended March 31, 2019 (Unaudited)
OPERATING ACTIVITIES		
(Loss)/profit before zakat	(2,564,360)	23,095,804
Adjustments for:		
Loss on disposal of a subsidiary	-	449,517
Income from Murabaha deposits and short-term investment	(2,504,986)	(3,805,056)
Provision for employees' end of service benefits	664,897	414,406
Finance cost for lease liabilities	56,118	61,967
Depreciation for property and equipment	416,782	508,010
Depreciation for right-of-use assets	301,001	301,001
Amortization for intangible assets	102,845	101,539
<u>Changes in operating assets and liabilities:</u>		
Development properties	8,528,716	18,433,643
Trade receivables	540,660	(9,787,978)
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	(8,311,570)	(52,212,809)
Prepayments and other current assets	(4,840,206)	(4,439,796)
Accounts payable	75,422	(254,774)
Deferred gain	1,701,360	455,486
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	(132,244)	(1,595,943)
Accrued expenses and other current liabilities	(8,295,066)	18,694,611
Accrued expenses and other non-current liabilities	(3,653,370)	2,292,361
Cash used in operations	(17,914,001)	(7,288,011)
Employees' end of service benefits paid	(234,820)	(135,997)
Net cash used in operating activities	(18,148,821)	(7,424,008)
INVESTING ACTIVITIES		
Addition in short-term investment	(135,000,000)	(290,000,000)
Withdrawal of short-term investment	-	200,000,000
Financial income received from short term investment	641,042	3,619,265
Additions to investment properties	(13,322,159)	(6,679,001)
Additions to property and equipment	(99,140)	(27,762)
Additions to intangible asset	-	(111,667)
Net cash used in investing activities	(147,780,257)	(93,199,165)
Net change in cash and cash equivalents	(165,929,078)	(100,623,173)
Cash and cash equivalents, January 1	196,864,217	167,140,602
CASH AND CASH EQUIVALENTS, MARCH 31	30,935,139	66,517,429

NON CASH TRANSACTION

Consideration from disposal of subsidiary (note 18)	-	1,090,610
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The accompanying notes from 1 to 19 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
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

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 and Industry's resolution number 256/Q dated 15 Sha'baan 1431H (July 27, 2010) and registered under commercial registration number 4650071196 issued in Madinah Al Munawarah dated Sha'baan 23, 1431H (August 4, 2010). The Company's shares are listed on the Saudi Stock Exchange Tadawul.

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

The Company has a branch under the name of Madinah Institute for Leadership and Entrepreneurship MILE which conducts programs for executive education and training and is based in Madinah Al Munawarah under the license number 4650053318 dated Shawwal 21, 1432H corresponding to September 19, 2011 issued by Technical and Vocational Training Corporation Saudi Arabia.

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

Subsidiaries	Country of incorporation	Paid up capital	Effective ownership	
			March 31, 2020	December 31, 2019
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%
Midrar Development Management Company Limited ("Midrar") (Note 18)	Saudi Arabia	1,333,300	-	-
Al Maarifa Al Akaria Company Limited ("Amaak")	Saudi Arabia	50,000,000	100%	100%
Makarem for Hospitality Company Limited ("Makarem for Hospitality") *	Saudi Arabia	56,400,000	100%	100%

KNOWLEDGE ECONOMIC CITY COMPANY
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES (CONTINUED)

* During 2019, the Board of Directors of the Company approved the proposed acquisition of the remaining fifty percent shareholding in Makarem for Hospitality for consideration of SR 26,558,528. Subsequent to the board approval, the Company made a formal offer to the other shareholder in Makarem for Hospitality (owning fifty percent share capital) to acquire its entire share capital at the above mentioned consideration, which was accepted by the other shareholders during 2019. As of December 31, 2019, both parties completed all the required formalities and the Company established control over Makarem for Hospitality as of April 1, 2019. As a result, the Company derecognized the investment in joint venture at fair value which resulted in a gain of SR 19,757,117. Further, the Company was able to get a bargain price which resulted in a gain principally due to the fact that the other shareholder was not interested in continuing with its shareholding in Makarem for Hospitality.

Mounshaat, Mashariaa, Al Garra and Makarem for Hospitality have not commenced operations as of March 31, 2020. Amaak is engaged in developing and investing in real estate projects.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2019. In addition, results of the interim three month period ended March 31, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

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

Basis of Measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern concept, modified for the employee's end of service benefits, for which actuarial present value calculations are used.

Functional and presentation currency

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

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on June 8, 2020.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for the changes highlighted below:

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the interim condensed consolidated financial statements continue to be prepared on going concern basis. Further, the assessment of COVID-19 is disclosed in note 19.

2.3 New and amended standards adopted by the Group

There are no new IFRSs and amendments that were effective for the financial year beginning on or after January 1, 2020 which have significant impact on these interim condensed consolidated financial statements.

2.4 Prospective changes in accounting policies

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective.

- Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Definition of a Business - Amendments to IFRS 3 Business Combinations Taxes and IAS 23 Borrowing costs.
- Amendments to References to the Conceptual Framework in IFRS Standards
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

KNOWLEDGE ECONOMIC CITY COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019.

4. INVESTMENT PROPERTIES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	2,524,303,335	2,436,746,098
Additions, principally infrastructure cost	13,322,159	35,829,087
Acquisition through business combination (note 1)	-	55,669,560
Transfer to development properties	-	(3,941,410)
March 31, 2020/December 31, 2019	<u>2,537,625,494</u>	<u>2,524,303,335</u>

The fair value of the Group's investment properties as of December 31, 2019 was valued at SR 5.1 billion by independent professionally qualified valuers namely Jones Lang LaSalle Incorporated ("JLL") using both the market comparable approach and the residual value approach. The Group has considered the indicators due to COVID-19 and concluded that there is no material impact considering the difference between the book value and fair value, determined by independent valuer as of December 31, 2019 as mentioned above.

5. DEVELOPMENT PROPERTIES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	164,625,086	176,061,370
Additions	8,922,319	86,352,450
Transfer from investment properties	-	3,941,410
Transfer to cost of revenue	(17,451,035)	(101,730,144)
March 31, 2020/December 31, 2019	<u>156,096,370</u>	<u>164,625,086</u>

During December 2016, the Board of Directors approved two new real estate projects launched in 2017. These projects relate to construction and sale of residential villas and sale of developed land parcels. During 2017, the Company has launched its residential villas project. The additions during 2020 and 2019 mainly relate to advances and progress payments to a contractor for construction work on the project. The fair value of the Group's development properties as per JLL valuation report at December 31, 2019 approximately Saudi Riyals 312 million. The Group has considered any indicators to show that the estimated net realizable value (NRV) for development properties are less than the carrying values and concluded that there is no material impact due to COVID-19 considering the margins that the Group has recognized on sale of the development properties.

The balances above are split into these categories as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Land held for sale	46,585,932	46,585,932
Properties under development	109,510,438	118,039,154
	<u>156,096,370</u>	<u>164,625,086</u>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

6. TRADE RECEIVABLES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade customers for sale of land parcels/residential villas	10,033,260	9,825,379
Trade customers for services	6,110,549	6,859,090
	16,143,809	16,684,469

7. COSTS INCURRED AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Costs incurred on completed contracts	160,212,599	142,761,565
Estimated earnings	67,883,295	61,469,327
	228,095,894	204,230,892
Less: Billings to-date	(97,267,849)	(81,846,661)
	130,828,045	122,384,231

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Costs incurred and estimated earnings in excess of billings on uncompleted contracts	131,200,101	122,888,531
Billings in excess of costs incurred and estimated earnings on uncompleted contracts (*)	(372,056)	(504,300)
	130,828,045	122,384,231

(*) There were no significant changes in the billings in excess of costs incurred and estimated earnings on uncompleted contracts balances during the reporting period.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

8. SHORT-TERM INVESTMENT

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Murabaha deposits	402,853,833	265,989,889

Short-term investment as of March 31, 2020 and December 31, 2019 represent investments in Murabaha deposits having original maturities three to six months. Murabaha deposits with original maturities of three months or less are presented within cash and cash equivalents. Murabaha deposits are placed with local commercial banks and are denominated in Saudi Riyals ("SR"). Murabaha deposits yield financial income at prevailing market rate. During 2017, the Company obtained a long-term loan facility from a local commercial bank amounting to SR 130 million. Such long-term loan facility is fully collateralized against the Murabaha deposits of same amount. As of March 31, 2020 and December 31, 2019, the Group did not utilize this facility and, accordingly, there is no restriction on the Murabaha deposits. As of reporting date, the said facility has expired.

9. CASH AND CASH EQUIVALENTS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	95,000	8,000
Cash at banks	30,840,139	36,276,637
Murabaha deposits (note 8)	-	160,579,580
	30,935,139	196,864,217

Murabaha deposits and cash at banks are placed with local commercial banks and denominated in Saudi Riyal ("SR"). Murabaha deposit yields financial income at prevailing market rates.

The Group is required to maintain escrow accounts for off plan sales of development properties as authorized by Economic Cities Authority ("ECA"). Use of this cash is restricted to the specific development properties to which the cash receipts relate and, hence it is considered as cash and cash equivalents. The balance as of March 31, 2020 amounted to SR 18.4 million (2019: SR 19.1 million). These deposits are not under lien.

10. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties transactions

Significant transactions with related parties in the ordinary course of business included in the interim condensed consolidated financial statements are summarized below:

	Three-month period ended	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Directors' remuneration and related expenses	1,093,149	1,382,574
Remuneration to the key management personnel	1,725,250	921,644
End of service benefits of key management personnel	376,233	32,807

Other transactions with subsidiaries

During the period ended March 31, 2020, the Company paid project management and other expense on behalf of Amaak amounting to SR 0.12 million (March 31, 2019: SR 0.08 million) which has been eliminated in the accompanying interim condensed consolidated financial statements.

KNOWLEDGE ECONOMIC CITY COMPANY
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
(Expressed in Saudi Riyals)

11. EMPLOYEES' END OF SERVICE BENEFITS

11.1 General description of the plan

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

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Employee end of service benefits scheme	7,454,390	7,024,313

11.2 Actuarial assumptions

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Discount rate	2.40% - 2.50%	2.40% - 2.50%
Future salary growth/expected rate of salary increase	5.00%	5.00%
Mortality rate	0.38%	0.38%
Employee turnover/withdrawal rates	18.33%	18.33%
Retirement age	60 years	60 years

12. ZAKAT

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

The movement in zakat provision is as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	10,786,541	12,569,593
Acquisition of a subsidiary	-	38,191
<i>Provision for:</i>		
Current period/year	2,728,687	11,478,908
Prior period/years	-	8,461,114
<i>Payments for:</i>		
Current period/year	-	(13,300,151)
Prior period/years	-	(8,461,114)
March 31, 2020/December 31, 2019	13,515,228	10,786,541

Status of assessments

The Company and its subsidiaries have filed the Zakat returns for the years until 2018 except for Al Garra, which is yet to file its zakat return after completing some procedural requirements. For 2017 and 2018, the Company has filed a consolidated zakat return for the Company and its 100% owned subsidiaries and have obtained a zakat certificate valid till April 30, 2021.

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12. ZAKAT (CONTINUED)

During 2017, the Company received an assessment from General Authority of Zakat and Tax ("GAZT") for the years from 2011 to 2014 with an additional zakat liability of SR 2.68 million principally related to adjustments for pre-operating expenses, unrealized gain on sale of development property, accumulated losses and investments. During 2019, the Company received an amended assessment for 2011 to 2014 with an additional zakat liability of 8.46 million instead of earlier assessed liability of SR 2.68 million. The said additional liability of SR 8.46 million for years 2011 to 2014 was settled by the Company in 2019. The zakat declaration of the Company for the years 2015 to 2018 are under review by the GAZT.

Further, during 2017 the GAZT had issued an assessment for 2015 and 2016 for Amaak. The GAZT claimed additional zakat of SR 1.56 million for 2015, principally related to deduction of King Abdullah foundation for his parent share and development property. This amount was reduced to SR 0.99 million. Further, the GAZT made an additional claim amounting to SR 0.33 million for 2016. The Company and Amaak have recorded the additional provision and filed an appeal against the assessments of 2015 and 2016 with the GAZT and the Company is confident for the favorable decision. The Company's other subsidiaries have not received any additional assessments for the years for 2016 and 2017.

13. SHARE CAPITAL

As of March 31, 2020 and December 31, 2019, the Company's share capital of SR 3,393,000,000 consists of 339,300,000 fully paid shares of SR10 each.

14. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share for the three month period ended March 31, 2020 and 2019 respectively have been computed by dividing the net (loss)/income attributable to equity holders of the Company by the weighted average number of shares outstanding during such periods.

	March 31, 2020	March 31, 2019
Net (loss)/profit attributable to owners of the Company	(5,289,697)	19,564,119
Weighted average number of shares	339,300,000	339,300,000
Basic (loss)/earnings per share (Saudi Riyals per share)	(0.016)	0.058

The Company does not have any dilutive potential shares.

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15. SEGMENT INFORMATION

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

- Real estate development segment represents activities related to developing real estate, economic cities and other development projects in the Kingdom of Saudi Arabia.
- Investment segment represents financial position and financial results of Group's equity accounted investees and other short term investments provided in the Kingdom of Saudi Arabia.
- Real estate management and consulting services represents activities related to wide range of real estate management and consulting services provided in the Kingdom of Saudi Arabia. As of December 31, 2018, the segment is classified as held for sale in these interim condensed consolidated financial statements (refer note 18).
- Executive education and training segment represents activities related to various executive and education and training programs 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. Selected financial information as of March 31, 2020 and December 31, 2019 and for the three month period ended on March 31, 2020 and 2019, summarized by segment, is as follows:

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15. SEGEMENT INFORMATION - CONTINUED

	Real estate development	Investment	Real estate management and consulting services	Executive education and training	Total
As of March 31, 2020 (Unaudited)					
Investment properties	2,537,625,494	-	-	-	2,537,625,494
Development properties	156,096,370	-	-	-	156,096,370
Short-term investment	-	402,853,833	-	-	402,853,833
Total assets	2,928,896,959	402,853,833	-	7,488,863	3,339,239,655
Total liabilities	120,145,280	-	-	7,661,737	127,807,017
As of December 31, 2019 (Audited)					
Investment properties	2,524,303,335	-	-	-	2,524,303,335
Development properties	164,625,086	-	-	-	164,625,086
Short term investment	-	265,989,889	-	-	265,989,889
Total assets	2,915,463,707	426,569,469	-	9,588,542	3,351,621,718
Total liabilities	126,128,650	-	-	8,767,383	134,896,033
Three month period ended March 31, 2020 (Unaudited)					
Revenues derived from external customers	24,672,214	-	-	258,701	24,930,915
Revenue - At point in time	-	-	-	258,701	258,701
Revenue - Overtime	24,672,214	-	-	-	24,672,214
Income from Murabaha deposits and short term investment	-	2,504,986	-	-	2,504,986
Depreciation and amortization	(507,344)	-	-	(12,283)	(519,627)
Zakat expense	(2,728,687)	-	-	-	(2,728,687)
Net (loss)/profit	(6,803,994)	2,504,986	-	(994,039)	(5,293,047)

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15. SEGMENT INFORMATION - CONTINUED

	Real estate development	Investment	Real estate management and consulting services	Executive education and training	Total
Three month period ended March 31, 2019 (Unaudited)					
Revenues derived from external customers	79,743,602	-	-	2,391,559	82,135,161
Revenue - At point in time	12,000,000	-	-	2,391,559	14,391,559
Revenue - Overtime	67,743,602	-	-	-	67,743,602
Income from Murabaha deposits and short term investment	-	3,805,056	-	-	3,805,056
Depreciation and amortization	(594,914)	-	-	(14,635)	(609,549)
Zakat expense	(3,535,035)	-	-	-	(3,535,035)
Net income	15,097,100	3,805,056	-	658,613	19,560,769

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16. CONTINGENCIES AND COMMITMENTS

- As of March 31, 2020, capital and consultancy expenditures contracted by the Group, but not incurred on that date were approximately SR 152 million (December 31, 2019: SR 138 million).
- As of March 31, 2020, the Group had an outstanding letter of guarantee amounting to SR 0.07 million (December 31, 2019: SR 0.08 million).
- The Group is a defendant in lawsuits in respect certain cases with its contractors. During November 2019, the Court had granted interim order in favor of the Company having appeal right to both parties. However, the Company has not yet received the final signed and stamped Court order. On the basis of said Court order, the final determination of any resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Group.

17. FINANCIAL INSTRUMENTS

Assets and liabilities carried at fair value

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2020 and December 31, 2019, all of the Group's financial assets and liabilities are classified as amortized cost and their fair values are estimated to approximate their carrying values due to the short-term nature and the discounting effect.

18. HELD FOR SALE

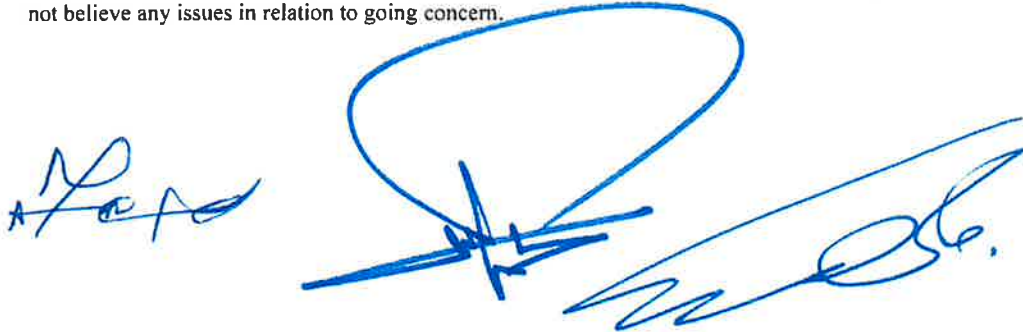
During 2018, the Board of Directors of the Group decided to sell the share of the Group in Midrar, consequently, the subsidiary has been classified as held for sale as of December 31, 2018. On March 26, 2019, the Company entered into an agreement effective from January 1, 2019, with the existing shareholders of Midrar to sell its shares representing 60% of the total share capital of Midrar to the existing shareholders at a consideration of SR 1,090,610, which was paid in 2019. Consequently, the subsidiary have been disposed off and net loss of SR 383,976 (after netting off with actuarial loss of SR 65,541 derecognized on disposal of subsidiary) is recorded in the interim condensed statement of profit and loss and other comprehensive income as a difference between sale proceeds of SR 1,090,610 and carrying value of investment of SR 1,474,586 in these interim condensed consolidated financial statements.

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19. GOING CONCERN

The spread of coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing significant macro-economic uncertainty, disruptions to businesses and economic activities. The Group does not expect any impact on the balances as of March 31, 2020 especially around impairment of investment and development properties due to the nature of properties and margins as disclosed in note 4 and 5. The management and those charged with governance will continue to monitor the situation and accordingly update all stakeholders as soon as more information is available. Further based on the financial position and likely scenarios assessed, the management does not believe any issues in relation to going concern.

Three handwritten signatures in blue ink are present. The first signature on the left is a stylized 'A' followed by 'P' and 'A'. The middle signature is a large, bold, looped 'R' with a horizontal line through it. The third signature on the right is a cursive 'M' followed by 'S' and 'B'.