

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For three-months period ended 31 March 2024
with

INDEPENDENT AUDITOR'S REPORT

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For three-months period ended 31 March 2024

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KPMG Professional Services

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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Emaar The Economic City

Introduction

We have reviewed the accompanying 31 March 2024, condensed consolidated interim financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of profit or loss and other comprehensive income for the three-months period ended 31 March 2024;
- the condensed consolidated statement of financial position as at 31 March 2024;
- the condensed consolidated statement of changes in equity for the three-months period ended 31 March 2024;
- the condensed consolidated statement of cash flows for the three-months period ended 31 March 2024; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2024, condensed consolidated interim financial statements of Emaar The Economic City and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأسمالها (40,000,000) ريال سعودي منقوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاء محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent auditor's review report on condensed consolidated interim financial statements (continued)

To the Shareholders of Emaar The Economic City

Emphasis of Matter

We draw attention to Note 1 of the condensed consolidated interim financial statements, which indicates that the Group incurred a net loss of SR 352 million during the three-months period ended 31 March 2024 and, as of that date, the Group's current liabilities exceeded its current assets by SR 7,272 million. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,361 million as at 31 March 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other Matter relating to comparative information

The condensed consolidated interim financial statements of the Group for the three-months period ended 31 March 2023 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 24 May 2023 (4 Dhu al-Qidah 1444).

For KPMG Professional Services



Ebrahim Oboud Baeshen
License No. 382



Jeddah, 22 May 2024
Corresponding to 14 Dhul Qadah 1445H

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

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

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

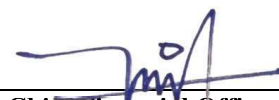
	Notes	2024 (Unaudited)	2023 (Unaudited)
Revenue	5	74,517	157,004
Cost of revenue		(112,886)	(139,285)
Gross (loss) / profit		(38,369)	17,719
Selling and marketing expenses		(17,639)	(8,411)
General and administrative expenses		(72,834)	(62,923)
Impairment loss on financial and contract assets		(21,264)	(16,814)
Amortization of unearned interest		3,491	7,824
Other operating income		--	1,163
Operating loss		(146,615)	(61,442)
Financial income		1,224	477
Fair value gain on derivative financial liability	12	7,356	--
Financial charges		(136,369)	(97,041)
Share of (loss) / profit of equity accounted investee	11	(1,214)	481
Loss before zakat		(275,618)	(157,525)
Zakat	13	(76,032)	(13,750)
Loss for the period		(351,650)	(171,275)
Other comprehensive loss:			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive loss of equity accounted investee	11	(903)	(2,116)
Total comprehensive loss for the period		(352,553)	(173,391)
Loss per share:			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	6	(0.31)	(0.15)



**Chairman Board of
Directors**



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 21 form integral part
of these condensed consolidated interim financial statements

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	As at 31 March 2024 (Unaudited)	As at 31 December 2023 (Audited)
Assets			
Non-current assets			
Property and equipment	7	5,124,320	4,917,219
Right-of-use assets		51,870	54,784
Investment properties	8	4,612,092	4,619,250
Intangible assets		3,579	3,664
Investment in equity accounted investees	11	2,835,251	2,837,368
Development properties	9	482,287	482,287
Unbilled revenue		236,579	285,260
Employees' receivable - home ownership scheme		54,759	57,765
Restricted cash		51	51
Total non-current assets		13,400,788	13,257,648
Current assets			
Development properties	9	838,167	839,341
Unbilled revenue		276,199	283,587
Current portion of employees' receivable - home ownership scheme		3,377	3,473
Trade receivables and other current assets	10	532,540	583,183
Restricted cash - current portion		10,049	3,354
Cash and cash equivalents		207,579	179,077
Total current assets		1,867,911	1,892,015
Total assets		15,268,699	15,149,663
Equity and liabilities			
Equity			
Share capital	1	11,333,333	11,333,333
Statutory reserve		11,536	11,536
Accumulated losses		(5,291,174)	(4,938,621)
Total equity		6,053,695	6,406,248
Non-current liabilities			
Long-term borrowings	12	--	--
Lease liabilities		33,191	32,794
Employee benefit obligations		42,193	41,630
Total non-current liabilities		75,384	74,424


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EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	As at 31 March 2024 (Unaudited)	As at 31 December 2023 (Audited)
Current liabilities			
Lease liabilities - current portion		56,299	56,212
Long-term borrowings - current portion	12	7,161,419	6,747,091
Short-term borrowings		155,479	152,429
Trade and other payables		737,485	725,360
Contract liabilities		678,140	712,349
Other provisions		24,812	24,812
Zakat provision	13	325,986	250,738
Total current liabilities		9,139,620	8,668,991
Total liabilities		9,215,004	8,743,415
Total equity and liabilities		15,268,699	15,149,663


Chairman Board of
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Chief Executive Officer


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EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as at 1 January 2023 (Audited)	11,333,333	11,536	(4,690,092)	6,654,777
Loss for the period	--	--	(171,275)	(171,275)
Other comprehensive loss for the period	--	--	(2,116)	(2,116)
Total comprehensive loss for the period	--	--	(173,391)	(173,391)
Balance as at 31 March 2023 (Unaudited)	11,333,333	11,536	(4,863,483)	6,481,386
Balance as at 1 January 2024 (Audited)	11,333,333	11,536	(4,938,621)	6,406,248
Loss for the period	--	--	(351,650)	(351,650)
Other comprehensive loss for the period	--	--	(903)	(903)
Total comprehensive loss for the period	--	--	(352,553)	(352,553)
Balance as at 31 March 2024 (Unaudited)	11,333,333	11,536	(5,291,174)	6,053,695


Chairman Board of
Directors


Chief Executive Officer


Chief Financial Officer

The attached notes 1 to 21 form integral part
of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2024 (Unaudited)	2023 (Unaudited)
Operating activities			
Loss before zakat		(275,618)	(157,525)
<u>Adjustments for:</u>			
Depreciation on property and equipment	7	46,574	49,863
Depreciation on investment properties	8	12,186	12,500
Depreciation on right-of-use assets		2,915	2,423
Impairment loss on financial and contract assets		21,264	16,814
Amortisation		122	241
Financial charges		136,369	97,041
Share of results of equity accounted investees	11	1,214	(481)
Financial income		(1,224)	(477)
Amortization of unearned interest		(3,904)	(7,138)
Gain on disposal of investment properties		--	(2,896)
Fair value gain on derivative financial liability	12	(7,356)	--
Gain on contribution of development property to the Fund		--	(28,224)
Impairment reversal on development properties	9	(689)	(1,386)
Impairment reversal on investment properties	8	--	(1,383)
Interest (income) / expense on unwinding of Employees' receivable – home ownership scheme		(30)	463
Provision for employee benefit obligations		3,665	3,631
		(64,512)	(16,534)
<u>Changes in operating assets and liabilities:</u>			
Development properties		1,863	11,589
Employees' receivable - home ownership scheme		3,132	252
Unbilled revenue		59,973	1,586
Trade receivables and other current assets		29,379	(20,472)
Trade and other payables		12,125	5,918
Contract liabilities		(34,209)	77,394
Restricted cash balances received		(6,695)	--
Increase in restricted cash		--	(1,499)
Cash generated from operations		1,056	58,234
Financial charges paid on borrowings		(11,154)	(39,506)
Zakat paid	13	(784)	--
Employee benefit obligations paid		(1,874)	(389)
Net cash (used in) / generated from operating activities		(12,756)	18,339


Chairman Board of
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Chief Executive Officer


Chief Financial Officer

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of these condensed consolidated interim financial statements.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(continued)

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>2024</u> (Unaudited)	<u>2023</u> (Unaudited)
Investing activities			
Financial income received		--	477
Additions to property and equipment	7	(253,676)	(5,331)
Additions to investment properties	8	(5,028)	(817)
Proceeds from sale of investment properties		--	5,850
Restricted cash balances disbursed		--	(51)
Additions to intangible assets		(38)	--
Net cash (used in) / generated from investing activities		(258,742)	128
Financing activities			
Proceeds from loans and borrowings		300,000	120,000
Net cash generated from financing activities		300,000	120,000
Net increase in cash and cash equivalents		28,502	138,467
Cash and cash equivalents at the beginning of the period		179,077	82,141
Cash and cash equivalents at the end of the period		207,579	220,608



**Chairman Board of
Directors**



Chief Executive Officer



Chief Financial Officer

The attached notes 1 to 21 form integral part
of these condensed consolidated interim financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION

Emaar The Economic City (the "Company" or the "Parent Company") is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia ("KSA") under Ministerial Decision No. 2533, dated 03 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration No. 4030164269 on 8 Ramadan 1427H, corresponding to 26 September 2006.

The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

As of 31 March 2024 and 31 December 2023, the Company's authorized and issued share capital was Saudi Riyals 11,333.33 million consisting of 1,133.33 million shares of Saudi Riyals 10 each (2022: 1,133 million shares of Saudi Riyals 10 each), allocated as follows:

	Three-months periods ended 31 March 2024		For the year ended 31 December 2023	
	No. of shares' 000	Capital	No. of shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity	283,333	2,833,333	283,333	2,833,333
	1,133,333	11,333,333	1,133,333	11,333,333

These condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the 'Group'). The Group is engaged in the development of real estate in the economic or other zones and other development activities including infrastructure, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, and construction on behalf of other parties. The main activity of the Group is the development of the King Abdullah Economic City ("KAEC").

These condensed consolidated interim financial statements include the results, assets and liabilities of the following registered branches of the Group:

<u>Branch</u>	<u>CR Number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

The Company has the following subsidiaries as at 31 March 2024. The Company and its subsidiaries are incorporated in the Kingdom of Saudi Arabia. The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership as at 31 March 2024</u>	<u>Effective ownership as at 31 December 2023</u>	<u>Nature of activities</u>
Economic Cities Investments Company Limited ("ECIC")	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited ("IZDCL")	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership as at 31 March 2024</u>	<u>Effective ownership as at 31 December 2023</u>	<u>Nature of activities</u>
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%	Construct and operate business educational institute in KAEC.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its bylaws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of bylaws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

Going concern

The Group incurred a net loss of SR 352 million during the period ended 31 March 2024 (31 March 2023: loss of SR 171 million) and as of that date its current liabilities exceeded its current assets by SR 7,272 million (31 December 2023: current liabilities exceed current assets by SR 6,777 million). Furthermore, as of 31 March 2024, the Group had accumulated losses amounting to SR 5,291 million (31 December 2023: accumulated losses amounted to SR 4,939 million). In addition to this, the Group has not complied with the requirements of covenants related to long-term borrowing facilities during the period ended 31 March 2024, resulting in borrowings with outstanding balance of SR 2,361 million (also see Note 12) as at 31 March 2024 (31 December 2023: SR 2,361 million) being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions, along with certain other events as disclosed in the subsequent paragraphs, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern (continued)

King Abdullah Economic City (“KAEC” or the “City”) was announced in 2005, and development began in 2006. The City is intended to be a hub for various economic sectors, including industry, logistics, and tourism. It is planned to include residential areas, commercial centres, and other amenities, such as schools, hospitals, and recreational facilities. KAEC has faced challenges related to investment and development, besides logistical and infrastructure challenges. Building a city from scratch on a large scale is a complex undertaking. However, over the years, the Group has done massive development in the City. Apart from the Industrial Valley, the City has six distinctive residential districts each with its unique construction, location and facilities. Further, the City has multiple fully developed and functional facilities like luxury hotels, 18-hole championship golf course, resorts, beaches, a cinema, yacht club, karting centre, lagoon campsite, art centre, retail, schools, college, medical facilities, labour village etc. The Group is currently going through a restructuring plan.

Going concern plan

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management’s plans to generate sufficient cash flows from debt restructuring, additional funding from shareholders and the sale of properties is important to meet both the Group’s obligations when they become due and to continue its operations without significant curtailment.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments:

As at 31 March 2024	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total contractual cash flows</u>
Loans and borrowings	7,161,419	--	--	--	7,161,419
Trade and other payables	737,485	--	--	--	737,485
Short term borrowings	155,479	--	--	--	155,479
Lease liabilities	58,036	12,037	23,669	--	93,742
Total	8,112,419	12,037	23,669	--	8,148,125

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group's management has developed a plan which covers a period of at least twelve-months from 31 March 2024 to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern in both the short and long term.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-months period from 31 March 2024. As per the forecasted cash flows, management expects that there will be no loan repayment in the next 15 months. The Group has a Board approved business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of this plans to the lenders.

This plan principally includes:

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt restructuring	Loan due to Ministry of Finance ("MoF") - Note 12	2,860 million	The Group is in discussion with the MoF to finalise a restructuring agreement to defer the repayment of the loan obligation amounting to SR 2,720 million, to be payable starting from June 2024, in six equal annual instalments, including interest due of SR 553.2 million classified under current liabilities.

The Group has received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement (which is under process as of 31 March 2024), wherein the MoF approved conversion of accrued interest, amounting to SR 553.2 million, as principal outstanding and deferral of the obligation, amounting to SR 2,720 million, with repayments starting from June 2024. Such conditional approval for conversion of SR 189 million (which is included in SR 553.2 million) was received during the year ended 31 December 2023.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt restructuring	Loan due to local banks - Note 12	3,535 million	<p>The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to SR 3,535 million, disclosed in Note 12. During 2022, the Group did not comply with the requirements of covenants relating to long- term borrowing facilities. This position is unchanged till 31 March 2024. Consequently, the management has classified the outstanding obligation under current liabilities as at 31 December 2023.</p> <p>The Group has prepared a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the lenders. However, in the intervening period, the Group has applied for support from all of the commercial banks, during which the Group has requested the commercial banks to postpone the principal repayments of the existing borrowing facilities.</p> <p>The unused balance of the short-term borrowings facility as at 31 March 2024 amounted to SR 126.5 million (31 December 2023 amounted to SR 126.5 million).</p>
Additional financing	Loan from Public Investment Fund ("PIF") - Note 12	1,000 million	<p>During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility is based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 March 2024, management has drawn down SR 750 million from this facility.</p>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. GENERAL INFORMATION (continued)

Going concern plan (continued)

Based on the above plan, the Group has prepared a detailed cash flow forecast for the fifteen-months period from the reporting date which indicates a net positive cash flow position, subject to non-repayment of any loan outstanding amounts and additional shareholder funding. Although, there is a material uncertainty related to the successful execution and conclusion of the above plan, management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders and sale of properties is probable and these plans will be successful and it remains appropriate to prepare the condensed consolidated interim financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern. In the event that there are changes to the circumstances described above, further enhanced disclosures in the financial statements of the Group for subsequent periods may be required.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The condensed consolidated interim financial statements do not include all the information and disclosures required for the full set of annual financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. In addition, the results for the three-months period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the year ending 31 December 2024.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

The Group's condensed consolidated interim financial statements are presented in Saudi Arabian Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands except when otherwise indicated.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The significant judgments made by management in applying the Group's accounting policies and the key assumptions concerning the future and other key sources of estimation uncertainty were the same as those described in the annual consolidated financial statements for the year ended 31 December 2023.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED

New and amended standards adopted by the Group

Following amendments and interpretations apply for the first time in 2024, which are effective for annual periods beginning on or after 1 January 2024 which do not have a material impact on these condensed interim consolidated financial statements:

<u>Standard / Interpretation</u>	<u>Description</u>
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)
IAS 7 and IFRS 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect future periods.

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4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED (continued)

Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

5. REVENUE

	Three-months period ended 31 March	
	<u>2024</u>	<u>2023</u>
	(Unaudited)	(Unaudited)
Types of revenue from contracts with customers:		
Sale of development properties	(424)	74,673
Utilities and other related services ("City operations")	27,216	29,087
Accommodation	15,524	19,370
Tuition and other fees ("Education")	15,730	12,607
Food and beverages and other related services	5,758	5,192
Leisure services	3,748	3,326
Total	67,552	144,255
Timing of revenue recognition		
Over time	58,046	136,087
Point-in-time (*)	9,506	8,168
Revenue from contract with customers	67,552	144,255
Lease rental income		
Industrial	4,614	9,856
Residential	2,351	2,893
Total lease rental income	6,965	12,749
Total revenue	74,517	157,004

(*) Revenue from point-in-time includes food and beverage services amounting to SR 5.7 million and leisure services amounting to SR 3.7 million.

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6. LOSS PER SHARE

Loss per share has been calculated by dividing the loss for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period. The Parent Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

The loss per share calculation is given below:

	Three-months period ended 31 March	
	<u>2024</u>	<u>2023</u>
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(351,650)	(171,275)
Weighted average number of ordinary shares (in thousands)	1,133,333	1,133,333
Loss per share (SR) - Basic and Diluted	(0.31)	(0.15)

7. PROPERTY AND EQUIPMENT

	For the three- months period ended 31 March <u>2024</u> (Unaudited)	For the year ended 31 December <u>2023</u> (Audited)
Cost:		
At the beginning of the period/year	7,127,541	7,081,788
Additions during the period/year	253,676	53,785
Write-off	--	(5,529)
Disposal	--	(2,502)
At the end of the period/year	<u>7,381,217</u>	<u>7,127,542</u>
Accumulated depreciation and impairment:		
At the beginning of the period/year	2,210,323	2,016,864
Depreciation charge for the period/year	46,574	193,971
Impairment charge for the period/year	--	--
Disposal	--	(512)
At the end of the period/year	<u>2,256,897</u>	<u>2,210,323</u>
Net book value at the end of the period / year	<u><u>5,124,320</u></u>	<u><u>4,917,219</u></u>

- a) Included within property and equipment is capital work in progress amounting to SR 1,964.93 million (2023: SR 1,711.83 million) which mainly represents construction costs in respect of the infrastructure and other projects at KAEC.

The Group has relied on the impairment assessment performed as of 31 December 2023. Management of the Group believes that the recoverable value of the Group's properties didn't significantly change from the assessment performed for the purpose of the Group's last audited consolidated financial statements for the year ended 31 December 2023, up to the three-months period ended 31 March 2023.

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8. INVESTMENT PROPERTIES

	For the three- months period ended 31 March 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Cost:		
At the beginning of the period / year	5,090,703	5,166,384
Additions during the period / year	5,028	1,037
Transfer to development property (Note d)	--	(59,574)
Disposals during the period / year	--	(17,144)
At the end of the period/year	5,095,731	5,090,703
Accumulated depreciation and impairment:		
At the beginning of the period/year	471,453	427,349
Depreciation charge for the period/year	12,186	50,796
Reversal of impairment	--	(2,546)
Disposals during the period/year	--	(4,146)
At the end of the period/year	483,639	471,453
Net book value at the end of the period / year	4,612,092	4,619,250

- a) Included within investment properties as at 31 March 2024 is capital work in progress amounting to SR 983 million (31 December 2023: SR 975 million) which represents assets under construction relating to a commercial centre's expansion and infrastructure development work on the land parcels.
- b) As at 31 March 2024 the Group's investment properties with a carrying amount of SR 928 million (31 December 2023: SR 928 million) were mortgaged as collateral against loans and borrowings.
- c) Following is the fair value and carrying amount of investment properties held for various purposes:

	<u>Fair value</u>		<u>Carrying amount</u>	
	31 March 2024 (Unaudited)	31 December 2023 (Audited)	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Rental income	9,917,674	9,917,674	1,821,219	1,828,377
Currently undetermined future use	25,000,000	25,000,000	2,790,873	2,790,873
	34,917,674	34,917,674	4,612,092	4,619,250

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8. INVESTMENT PROPERTIES (continued)

- d) As at 31 December 2023 properties amounting to SR 59.57 million were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the properties was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, these properties are classified and transferred to development properties.
- e) As at 31 March 2024 and 31 December 2023, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

The Group has relied on the impairment assessment performed as of 31 December 2023. Management of the Group believes that the recoverable value of the Group's properties didn't significantly change from the assessment performed for the purpose of the Group's last audited consolidated financial statements for the year ended 31 December 2023, up to the three-months period ended 31 March 2024.

9. DEVELOPMENT PROPERTIES

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Costs incurred to-date	1,492,988	1,549,852
Transferred from investment properties (Note 8(d))	--	59,574
Less: disposals	(1,865)	(116,440)
Less: provision for development properties	(170,669)	(171,358)
Total	1,320,454	1,321,628
Current portion of development properties	838,167	839,341
Non-current portion of development properties	482,287	482,287
Total	1,320,454	1,321,628

- 9.1** Disposals from development properties are recognised as expense within cost of revenue.

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10. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Financial assets		
Trade receivables	691,039	730,604
Amounts due from related parties	19,018	86,992
Less: impairment on trade receivables	(379,818)	(358,553)
	330,239	459,043
 Commission receivable on Murabaha term deposits	 1,083	 1,083
Others	26,023	31,619
	357,345	491,745
Non-financial assets		
Prepayments	12,105	13,445
Advances to suppliers	100,721	64,911
Others	62,369	13,082
	175,195	91,438
Trade receivables and other current assets	532,540	583,183

11. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The entities are incorporated in the Kingdom of Saudi Arabia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	Effective ownership interest (%)		31 March 2024 (Unaudited)	31 December 2023 (Audited)
	31 March 2024	31 December 2023		
Investment in Ports Development Company "PDC" (see note (a) below)	50%	50%	2,549,962	2,552,079
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%	20%	45,790	45,790
Investment in Albilad Tourism Fund (see note (c) below)	41.15%	41.15%	239,499 2,835,251	239,499 2,837,368

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11. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (continued)

a) Investment in PDC - Joint Venture

PDC is a closed joint stock company and is principally engaged in the development, finance, operation and maintenance of the King Abdullah Port through its own and third parties' resources.

	31 March <u>2024</u> (Unaudited)	31 December <u>2023</u> (Audited)
Beginning of the period / year	2,552,079	2,540,950
Share of (loss) / profit for the period / year	(1,214)	8,960
Share of other comprehensive (loss) / income for the period / year	(903)	2,169
End of the period / year	<u>2,549,962</u>	<u>2,552,079</u>

b) Investment in Biyoutat - Associate

Biyoutat is a limited liability company which was incorporated in 2016. It is principally engaged to build, own and manage a residential compounds at KAEC. The Company has not yet started its operations. Hence, the share of results of Biyoutat for the period are insignificant for the Group.

c) Investment in Albilad Tourism Fund - Equity investment

During 2023, the Group invested in the Albilad Toursim Fund (the "Fund"). The Group entered into a property sale agreement to sell a prime beachfront land plot, in Murooj Golf Community District in KAEC, as an in-kind contribution to the Fund.

In return for the land sale, the Group acquired units in the Fund amounting to SR 269.2 million, representing 41.15% of the Fund's equity. The Fund's term is 12 years and is extendable up to 3 additional years. The Group has performed an assessment of the criteria to determine whether the Group has control over the Fund and concluded that the Group does not have control, but significant influence over the Fund. Accordingly, the Fund is being accounted as equity investment in the condensed consolidated interim financial statements for the three-months period ended 31 March 2024.

	31 March <u>2024</u> (Unaudited)	31 December <u>2023</u> (Audited)
Initial investment	269,204	269,204
Elimination of share of profit on contribution of land (*)	(22,481)	(22,481)
	<u>246,723</u>	<u>246,723</u>
Opening balance of investment	239,499	246,723
Share of loss for the period	--	(7,224)
Closing investment	<u>239,499</u>	<u>239,499</u>

(*) The amount pertains to profit derived by the Group on contribution of land to the Fund.

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12. LONG-TERM BORROWINGS

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Ministry of Finance ("MoF") loan (Note (a) below)	2,166,667	2,166,667
Accrued commission	693,777	651,813
	2,860,444	2,818,480
Current portion	(2,860,444)	(2,818,480)
Non-current portion	--	--
Facility from a local bank (Note (a) below)	3,317,894	3,317,894
Accrued commission	217,158	158,196
	3,535,052	3,476,090
Current portion	(3,535,052)	(3,476,090)
Non-current portion	--	--
Facility from a shareholder (Note (b) below)	709,502	413,476
Accrued commission	52,322	31,565
Derivative financial liability	4,099	7,480
	765,923	452,521
Current portion	(765,923)	(452,521)
Non-current portion	--	--
Total long-term borrowings	7,161,419	6,747,091
Current portion of long-term borrowings*	(7,161,419)	(6,747,091)
Non-current portion of long-term borrowings	--	--

*The Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,361 million as at 31 March 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowings. Such borrowings have been classified as current portion in the above schedule.

- (a) There are no changes in term and conditions of the borrowings from the consolidated financial statements for the year ended 31 December 2023.
- (b) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 March 2024, the Group has drawn SR 750 million from this loan facility.

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12. LONG-TERM BORROWINGS (continued)

The loan contains an embedded derivative due to the presence of a call option in the loan arrangement. The Group has recognized fair value gain amounting to SR 7.3 million as a result of change in fair value from year end 31 December 2023. As at 31 March 2024, carrying value of the embedded derivative is SR 4.1 million. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 31 March 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

13. ZAKAT

Movement in provision

The movement in the Zakat provision is as follows:

	31 March <u>2024</u> (Unaudited)	31 December <u>2023</u> (Audited)
At the beginning of the period / year	250,738	215,458
Charge for the period / year	76,032	45,000
Payments during the period / year	(784)	(9,720)
At the end of the period / year	<u>325,986</u>	<u>250,738</u>

13.1 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

13.2 Status of final assessments

There have been no changes to the status of open zakat assessments as of March 31, 2024, as disclosed in the Group's consolidated financial statements for the year ended December 31, 2023. However, with regards to zakat assessments for the years 2015 to 2018, the Group received notification from TVDAC after the period ended March 31, 2024, resulting in additional zakat charge amounting to SR 66 million.

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14. RELATED PARTY TRANSACTIONS

Related parties include shareholders, directors, associated companies and key management personnel of the Group. Further, these also includes entities controlled or jointly controlled such parties.

The Government of Kingdom of Saudi Arabia controls Public Investment Fund which exercises significant influence over the Group due to its shareholding. As a result, the Government of Saudi Arabia, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group. In accordance with the exemption in IAS 24, the management has adopted a partial exemption for disclosure of transactions and balances for government-related entities as required under IAS 24.

The related parties, other than subsidiaries and associates, include the following:

<u>Name</u>	<u>Relationship</u>
Ports Development Company	Joint Venture
Biyoutat Progressive Company for Real Estate Investment & Development	Joint Venture.
Public Investment Fund (PIF)	Holds Significant influence.
Lucid Limited Liability Company	Government related entities (subsidiaries of PIF)
CEER National Automotive Company	
Dar Al Himmah Projects Company Limited	
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14. RELATED PARTY TRANSACTIONS (continued)

In addition to Notes 11 and 12, following are the details of major related party transactions during the period and the related balances at period / year end:

Related party	Nature of transactions	Amounts of transactions for the three-months period ended		Balance as at	
		31 March 2024 (Unaudited)	31 March 2023 (Unaudited)	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Amounts due from related parties					
Lucid Limited Liability Company	Lease, service and utility charges	28	12	17	36
CEER National Automotive Company	Sale of properties	--	--		67,952
Dar Al Himmah Projects Company Ltd	Sale of properties	--	--	18,339	18,338
RIXOS - AlBilad Tourism Fund	Sale of properties	--	269,204	--	--
Biyoutat Progressive Company for Real Estate Investment & Development	Lease, service and utility charges				
Ports Development Company	Lease, service and utility charges	--	--	401	402
		--	--	180	180
Key management personnel					
	Sale of properties, utilities and service charges	--	31	--	8
Board of Directors					
	Lease, service and utility charges	5	5	81	76
Total		33	269,252	19,018	86,992

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14. RELATED PARTY TRANSACTIONS (continued)

Related party	Nature of transactions	Amounts of transactions for the three-months period ended		Balance as at	
		31 March	31 March	31 March	31 December
		2024	2023	2024	2023
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Amounts due to related parties					
Public Investment Fund (PIF)	Loan obtained	300,000	--	(761,824)	(445,041)
	Accrued interest	20,757	--	--	--
Key management personnel					
	Remuneration	2,627	4,676	--	--
Board of directors					
	Remuneration and meeting fees	1,100	1,100	(1,100)	(4,400)
	Advances	--	--	(16)	(16)
Total		324,484	5,776	(762,940)	(449,457)

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14. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel of the Group

	For the three-months period ended 31 March	
	<u>2024</u>	<u>2023</u>
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,411	4,122
Non-monetary benefits	110	274
Post-employment benefits	106	180
Termination benefits	--	100
	<u>2,627</u>	<u>4,676</u>

Key management personnel comprise Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

15. CONTINGENT LIABILITIES AND COMMITMENTS

There are no changes in contingent liabilities and commitments, as at 31 March 2024, as disclosed in the Group's consolidated financial statements for the year ended 31 December 2023, except as mentioned below:

- (a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to SR 523.60, SR 154.64 million and SR 58.77 million respectively (31 December 2023: SR 297.43 million, SR 156.33 million and SR 58.55 million respectively).
- (b) The Group's outstanding commitments related to letter of guarantee and letters of credit amounting to SR 22.89 million and SR 1.50 million respectively (31 December 2023: SR 22.82 million and SR 1.50 million respectively).
- (c) The Group's share in the capital commitments of the joint venture is SR 124.85 (31 December 2023: SR 130.41 million).

16. SEGMENT REPORTING

Basis of segmentation

For management purposes, the Group has six strategic divisions, which are its operating segments. These divisions offer different products and/or services and are managed separately. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group, and makes strategic decisions including resource allocation.

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16. SEGMENT REPORTING (continued)

The CODM primarily uses a measure of profit / loss before tax to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue on a quarterly basis.

The profit / loss before tax of the Group's operating segments reported to the CODM are measured in a manner consistent with that in condensed interim consolidated statement of profit or loss and other comprehensive income. Hence, a reconciliation is therefore not presented separately.

Financial income charges are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

<u>Reportable segments</u>	<u>Operations</u>
Residential business	Includes revenue from sale/lease rental income of land and units for residential purposes.
Industrial development	Includes revenue from sale/lease rental income of land and units for commercial purposes and situated in industrial zone.
Hospitality and leisure	Includes room rent, food and beverages and other related services from operations of hotels, resorts and other leisure clubs.
Education services	Includes revenue from tuition and other fees from schools and colleges operated by the Group.
City operations	Includes revenue from utilities and other city management services by the Group in KAEC.

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(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

16. SEGMENT REPORTING (continued)

	<u>Residential business</u>	<u>Industrial development</u>	<u>Hospitality and leisure</u>	<u>Education</u>	<u>City operations</u>	<u>Total segment</u>	<u>Adjustments and Eliminations</u>	<u>Consolidated</u>
<u>For the three-months period ended:</u>								
31 March 2024								
(Unaudited)								
<u>Revenue</u>								
External customers	19,971	8,515	24,976	15,730	5,291	74,483	34	74,517
Inter-segment	135	--	7,209	--	16,255	23,599	(23,599)	--
	<u>20,106</u>	<u>8,515</u>	<u>32,185</u>	<u>15,730</u>	<u>21,546</u>	<u>98,082</u>	<u>(23,565)</u>	<u>74,517</u>
<u>Results</u>								
Cost of inventories and services recognised as an expense	(15,306)	(6,072)	(9,063)	(724)	(22,523)	(53,688)	13,808	(39,880)
Impairment loss on financial and contract assets	(12,662)	(12,444)	(190)	3,662	598	(21,036)	(228)	(21,264)
Financial charges	(49)	--	(539)	(108)	--	(696)	(135,673)	(136,369)
Financial income	--	--	--	--	--	--	1,224	1,224
Depreciation	(8,812)	(5,391)	(15,605)	(3,541)	(522)	(33,871)	(27,804)	(61,675)
Amortisation	--	--	--	(5)	--	(5)	(117)	(122)
Share of results of equity accounted investee	--	--	--	--	--	--	(1,214)	(1,214)
Other (expenses) / income	(9,682)	280	(19,494)	(18,821)	(5,135)	(52,852)	(37,983)	(90,835)
(Loss) before zakat	(26,405)	(15,112)	(12,706)	(3,807)	(6,036)	(64,066)	(211,552)	(275,618)
Zakat	--	--	--	--	--	--	(76,032)	(76,032)
Loss for the year	<u>(26,405)</u>	<u>(15,112)</u>	<u>(12,706)</u>	<u>(3,807)</u>	<u>(6,036)</u>	<u>(64,066)</u>	<u>(287,584)</u>	<u>(351,650)</u>

EMAAR THE ECONOMIC CITY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period ended 31 March 2024

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

16. SEGMENT REPORTING (continued)**Condensed consolidated interim statement of profit or loss and other comprehensive income:**

	<u>Residential business</u>	<u>Industrial development</u>	<u>Hospitality and leisure</u>	<u>Education</u>	<u>City operations</u>	<u>Corporate</u>	<u>Adjustments and Eliminations</u>	<u>Total</u>
<u>For the three-months period ended:</u>								
31 March 2023								
(Unaudited)								
<u>Revenue</u>								
External customers	28,583	45,869	59,701	12,799	10,008	44	--	157,004
Inter-segment	2,748	--	7,921	--	16,934	--	(27,603)	--
	<u>31,331</u>	<u>45,869</u>	<u>67,622</u>	<u>12,799</u>	<u>26,942</u>	<u>44</u>	<u>(27,603)</u>	<u>157,004</u>
<u>Results</u>								
Cost of inventories and services recognised as an expense	(23,865)	(11,016)	(22,868)	(496)	(20,276)	(2,455)	17,644	(63,332)
Impairment loss on financial and contract assets	(15,060)	(10,000)	4,285	(341)	3,037	1,265	--	(16,814)
Financial charges	(16)	--	(630)	(773)	--	(95,622)	--	(97,041)
Financial income	--	--	--	--	--	477	--	477
Depreciation	(8,818)	(5,621)	(17,147)	(3,520)	(649)	(29,031)	--	(64,786)
Amortisation	(17)	--	--	(11)	--	(213)	--	(241)
Share of results of equity accounted investee	--	--	--	--	--	481	--	481
Other expenses	(18,271)	(8,738)	(16,809)	(10,265)	(4,412)	(24,737)	9,959	(73,273)
(Loss) / profit before zakat	(34,716)	10,494	14,453	(2,607)	4,642	(149,791)	--	(157,525)
Zakat	--	--	--	--	--	(13,750)	--	(13,750)
Loss for the year	<u>(34,716)</u>	<u>10,494</u>	<u>14,453</u>	<u>(2,607)</u>	<u>4,642</u>	<u>(163,541)</u>	<u>--</u>	<u>(171,275)</u>

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the Management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Discussion regarding the restructuring of the loans and repayment plans are already in progress with the lenders (Note 1).

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 March 2024 (Unaudited)	<u>Less than 12 months</u> (“000”)	<u>More than 12 months</u> (“000”)	<u>Total</u> (“000”)
Loans	7,161,419	--	7,161,419
Short-term borrowings	155,479	--	155,479
Lease liabilities	58,036	35,706	93,742
Trade and other payables	737,485	--	737,485
	8,112,419	35,706	8,148,125
31 December 2023 (Audited)	<u>Less than 12 months</u> (“000”)	<u>More than 12 months</u> (“000”)	<u>Total</u> (“000”)
Loans	6,747,091	--	6,747,091
Short-term borrowings	152,429	--	152,429
Lease liabilities	58,018	35,706	93,724
Trade and other payables	725,360	--	725,360
	7,682,898	35,706	7,718,604

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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For the three-months period ended 31 March 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

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

As at the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities approximate their fair values and are measured at amortized cost.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-months period ended 31 March 2024

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. COMPARATIVE FIGURES

Depreciation and amortization expenses pertaining to three-months period ended 31 March 2023 amounting to SR 9.04 million and SR 0.24 million respectively are reclassified from the face of condensed consolidated statement of profit or loss and other comprehensive income to cost of revenue and administrative expenses for better presentation purposes.

20. SUBSEQUENT EVENTS

No matter has occurred up to and including the date of the approval of these condensed consolidated interim financial statements by the Board of Directors which could materially affect these condensed consolidated interim financial statements and the related disclosures for the three-months period ended 31 March 2024.

21. DATE OF APPROVAL AND AUTHORISATION FOR ISSUE

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 13 May 2024, corresponding to 5 Dhul Qadah 1445H.