

**EMAAR THE ECONOMIC CITY
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS AND REVIEW REPORT FOR
THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2022**

**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022**

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Report on review of condensed consolidated interim financial statements

To the shareholders of Emaar The Economic City:
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Emaar The Economic City (the "Company") and its subsidiaries (collectively, the "Group") as at 30 September 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw attention to Note 1 to the condensed consolidated interim financial statements, which indicates that the Group incurred a loss of Saudi Riyals 608.07 million and has negative operating cash flows amounting to Saudi Riyals 182.43 million during the nine-month period ended 30 September 2022. In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 3,785.14 million and the Group had accumulated losses amounting to Saudi Riyals 4,073.66 as at 30 September 2022. The Group is dependent on the successful execution of management's plans to generate sufficient cash flows to enable it both to meet its obligations as they fall due and for the continuity of its operations without significant curtailment. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

November 9, 2022



**EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)**

Condensed consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Three-month period ended September 30		Nine-month period ended September 30	
		2022	2021	2022	2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	61,998	86,026	226,916	257,686
Cost of revenue		(85,533)	(90,840)	(277,791)	(299,260)
Gross loss		(23,535)	(4,814)	(50,875)	(41,574)
Selling and marketing expenses		(10,074)	(14,768)	(46,701)	(40,503)
General and administrative expenses		(66,822)	(61,868)	(220,922)	(179,353)
Impairment loss on financial assets		(1,976)	(801)	(22,859)	(33,793)
Depreciation		(39,887)	(44,861)	(121,091)	(136,849)
Amortisation		(379)	(2,664)	(1,530)	(5,865)
Other operating income		13,616	21,250	36,231	77,196
Operating loss		(129,057)	(108,526)	(427,747)	(360,741)
Financial income		983	182	1,602	648
Financial charges	11	(84,875)	(65,059)	(195,631)	(195,663)
Share of results of equity accounted investee	9	4,097	12,043	25,132	42,418
Loss before zakat		(208,852)	(161,360)	(596,644)	(513,338)
Zakat	14	(10,000)	(11,406)	(30,000)	(31,500)
Loss for the period		(218,852)	(172,766)	(626,644)	(544,838)
Other comprehensive income					
<i>Items that will be reclassified to condensed consolidated statement of profit or loss in subsequent periods:</i>					
Share of other comprehensive income of equity accounted investees	9	18,641	14,638	18,579	27,970
Total comprehensive loss for the period		(200,211)	(158,128)	(608,065)	(516,868)
Loss per share:					
Basic and diluted loss per share attributable to equity holders of the Parent Company (in Saudi Riyals per share)	5	(0.19)	(0.20)	(0.55)	(0.64)

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

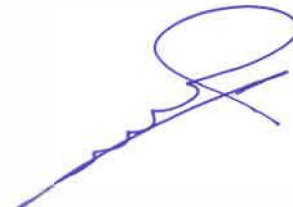
Chairman
Board of Directors



Chief Executive Officer



Chief Financial Officer



EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited) (Restated- Note 19)
Assets			
Non-current assets			
Property and equipment	6	5,214,540	5,364,992
Investment properties	7	4,791,327	4,831,742
Intangible assets		4,375	4,430
Investment in equity accounted investees	9	2,576,754	2,533,043
Right-of-use assets		59,713	67,701
Development properties	8	574,426	578,451
Unbilled revenue		-	122,967
Employees' receivable - home ownership scheme		67,065	75,681
Total non-current assets		13,288,200	13,579,007
Current assets			
Development properties	8	835,749	838,275
Unbilled revenue		269,459	118,612
Current portion of employees' receivable - home ownership scheme		3,893	4,116
Trade receivables and other current assets	10	472,464	594,450
Cash and cash equivalents		188,918	348,154
Total current assets		1,770,483	1,903,607
Total assets		15,058,683	15,482,614
Equity and liabilities			
Equity			
Share capital		11,333,333	11,333,333
Statutory reserve		11,536	11,536
Accumulated losses		(4,073,663)	(3,465,598)
Total equity		7,271,206	7,879,271
Non-current liabilities			
Loans and borrowings	11	2,151,731	2,378,533
Lease liabilities		34,784	36,556
Employee benefit obligation		45,340	43,371
Total non-current liabilities		2,231,855	2,458,460

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Chairman
Board
of
Directors



Chief Executive Officer



Chief Financial Officer



EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Condensed consolidated statement of financial position - continued
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited) (Restated- Note 19)
Current liabilities			
Lease liabilities		46,768	45,005
Loans and borrowings – current portion	11	3,858,323	3,579,797
Short-term borrowings	12	210,115	198,773
Trade and other payables	13	1,249,149	1,260,382
Other liabilities	16	124,228	-
Zakat provision	14	67,039	60,926
Total current liabilities		5,555,622	5,144,883
Total liabilities		7,787,477	7,603,343
Total equity and liabilities		15,058,683	15,482,614

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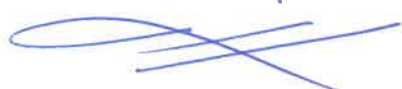
<p>Chairman Directors</p> 	<p>Board of</p>	<p>Chief Executive Officer</p> 	<p>Chief Financial Officer</p> 
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EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Condensed consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Accumulated losses	Total equity
Balance as at 1 January 2021 (audited)	8,500,000	11,536	(2,668,263)	5,843,273
Loss for the period	-	-	(544,838)	(544,838)
Other comprehensive income for the period	-	-	27,970	27,970
Total comprehensive loss for the period	-	-	(516,868)	(516,868)
Increase in share capital from converting long-term loan to equity (Note 11)	2,833,333	-	-	2,833,333
Transaction costs arising from conversion of long-term loan to equity (Note 11)	-	-	(18,778)	(18,778)
Balance as at 30 September 2021 (unaudited)	11,333,333	11,536	(3,203,909)	8,140,960
Balance as at 1 January 2022 (audited)	11,333,333	11,536	(3,465,598)	7,879,271
Loss for the period	-	-	(626,644)	(626,644)
Other comprehensive income for the period	-	-	18,579	18,579
Total comprehensive loss for the period	-	-	(608,065)	(608,065)
Balance as at 30 September 2022 (unaudited)	11,333,333	11,536	(4,073,663)	7,271,206

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman
Directors



Board of

Chief Executive Officer



Chief Financial Officer



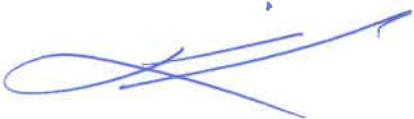

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine-month period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited) (Restated- Note 19)
Operating activities			
Loss before zakat		(596,644)	(513,338)
<i>Adjustments for:</i>			
Depreciation on property and equipment	6	160,142	177,792
Depreciation on investment properties	7	37,963	38,642
Depreciation on right-of-use asset		7,988	13,230
Impairment loss on financial assets		22,859	33,793
Amortisation		1,530	5,865
Financial charges		195,631	195,663
Share of results of equity accounted investees	9	(25,132)	(42,418)
Financial income		-	(648)
Interest income on unwinding of unbilled revenue		(11,605)	2,197
Gain on disposal of investment properties	7	(22,447)	(12,875)
Impairment reversal on investment properties	7	(10,636)	-
Impairment reversal on development properties	8	(13,704)	-
Interest income on unwinding of Employees' receivable – home ownership scheme		(1,055)	2,684
Provision for employee benefit obligation		9,411	10,517
		(245,699)	(88,896)
<i>Changes in operating assets and liabilities:</i>			
Employees' receivable – Home Ownership Scheme		9,894	9,398
Unbilled revenue		(16,275)	251,886
Development properties		20,255	(9,908)
Trade receivables and other current assets		99,127	5,574
Trade and other payable		(11,233)	40,957
Other liabilities		124,228	-
Net cash (used in) / generated from operations		(19,703)	209,011
Financial charges on borrowings		(129,781)	(84,572)
Finance charges on lease liabilities		(1,618)	(2,180)
Zakat paid	14	(23,887)	(69,879)
Employees' terminal benefits paid		(7,442)	(19,827)
Net cash (used in) / generated from operating activities		(182,431)	32,553

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Condensed consolidated statement of cash flows – continued
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine-month period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited) (Restated- Note 19)
Investing activities			
Investment in short-term investment		(707,320)	(641,694)
Proceeds from disposal of short-term investment		707,320	643,052
Additions to property and equipment	6	(9,690)	(6,268)
Additions to investment properties	7	(5,610)	-
Financial income		-	648
Proceeds from sale of investment properties		41,145	19,498
Additions to intangible assets		(1,475)	(3,428)
Net cash generated from investing activities		24,370	11,808
Financing activities			
Proceeds from loans and borrowings		15,242	-
Repayments of loans and borrowings		(16,408)	(42,228)
Repayment of lease liabilities		(9)	(981)
Net cash used in financing activities		(1,175)	(43,209)
Net (decrease) / increase in cash and cash equivalents		(159,236)	1,152
Cash and cash equivalents at the beginning of the period		348,154	174,904
Cash and cash equivalents at the end of the period		188,918	176,056

The accompanying notes from 1 to 20 form an integral part of these condensed consolidated interim financial statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

Chairman Directors	Board of	Chief Executive Officer	Chief Financial Officer
			

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
for the three-month and nine-month periods ended 30 September 2022
(All amounts in Saudi Riyals thousands 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.

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>Commercial Registration Number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602006934

The Company has the following subsidiaries as at 30 September 2022. 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 of subsidiaries</u>	<u>Commercial registration number</u>	<u>Effective ownership at 30 September 2022</u>	<u>Effective ownership at 31 December 2021</u>	<u>Principal Activities</u>
Economic City Investments Company Limited (“ECIC”)	4602006934	100%	100%	Marketing and sale of real estate properties including brokerage activities and operating educational and technical institutes.
Industrial Zones Development Company Limited (“IZDCL”)	4602211995	100%	100%	Investment & development services in the real estate sector.
Economic City Real Estate Operation and Management Company Limited (“REOM”)	4602004968	100%	100%	Marketing and sale of real estate and hospitality services.
Economic City Pioneer Real Estate Management Company Limited (“REM”)	4602004970	100%	100%	Development of real estate and leasing services.
Economic City Real Estate Development Company Limited (“RED”)	1010937549	100%	100%	Sale of real estate properties and providing hospitality, education and leisure services.
Emaar Knowledge Company Limited (“EKC”)	4602006620	100%	100%	Operating educational and technical institutes.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
for the three-month and nine-month periods ended 30 September 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information (continued)

Going Concern

The Group incurred a loss of Saudi Riyals 608.07 million (for the year ended 31 December 2021: loss of Saudi Riyals 778.56 million and for nine-month period ended 30 September 2021 loss of Saudi Riyals 516.87 million) and has negative operating cash flows amounting to Saudi Riyals 182.43 million during the nine-month period ended 30 September 2022 (positive operating cash flows, during the year ended 31 December 2021 of Saudi Riyals 137.63 million and nine-month period ended 30 September 2021 of Saudi Riyals 32.55 million). In addition, the Group's current liabilities exceeded its current assets by Saudi Riyals 3,785.14 million and the Group had accumulated losses amounting to Saudi Riyals 4,073.66 million as at 30 September 2022 (31 December 2021: current liabilities exceeded current assets by Saudi Riyals 3,241.28 million and accumulated losses amounted to Saudi Riyals 3,465.60 million).

The impact of the outbreak of novel coronavirus (COVID-19), classified as a pandemic, in March 2020, continue to affect the Group during the period. The Group 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 restructuring and the sale of properties is of immense significance to meet both the Group's obligations when they become due and to continue its operations without a significant curtailment. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

At 30 September 2022	Within 1 year	1-2 years	2-5 years	Over 5 years	Total contractual cash flows
Loans and borrowings	4,120,292	561,764	1,062,934	921,385	6,666,375
Trade and other payable	1,249,149	-	-	-	1,249,149
Short term borrowings	210,115	-	-	-	210,115
Other liabilities	124,228	-	-	-	124,228
Lease liabilities	46,806	9,935	30,411	-	87,152
Total	5,750,590	571,699	1,093,345	921,385	8,337,019

In assessing the appropriateness of applying the going concern basis in the preparation of these condensed consolidated interim financial statements, the Group's management has developed a plan 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. The plan comprises the Group's liquidity and forecasted cash flows taking into account reasonably possible outcomes over a 12-month period from the approval of these condensed consolidated interim financial statements. This plan principally includes:

- The Group's intention to sell certain plots of land and properties including certain operating assets and expects to generate aggregate cash amounting to Saudi Riyals 1,124 million within twelve months from the date of the condensed consolidated statement of financial position.
- The Group is in discussion with the Ministry of Finance ("MoF") to finalise restructuring agreement to defer the repayment of loan obligation amounting to Saudi Riyals 2,647.60 million, including interest due, classified under current liabilities. Previously, the Group received an approval from the MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein the MoF approved conversion of accrued interests as principal outstanding and deferral of the total obligation with repayments starting from June 2024. Also see Note 11.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
for the three-month and nine-month periods ended 30 September 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General information (continued)

Going concern (continued)

• The Group's obligations against lenders and banks carry financial covenants in respect of a loan amounting to Saudi Riyals 6,010.05 million, disclosed in Note 11. During the nine-month period ended September 30, 2022, the Group has not complied with the requirements of financial covenant related to a borrowing facility with an outstanding obligation of Saudi Riyals 976.24 million. Consequently, the management has classified the outstanding obligation under current liabilities. The management has applied to the lender to obtain a waiver and the lender confirmed vide letter dated June 29, 2022 that the request is in process. Also, during the nine-month period ended September 30, 2022, the Group signed a restructuring agreement containing repayments from June 2023. On this basis, the Group's management is confident that a waiver is expected to be granted.

The Group's management has developed a plan to enable the Group to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern. The plan comprises the Group's liquidity and forecast cash flows taking into account reasonably possible outcomes over a 12-month period from the approval of these condensed consolidated interim financial statements.

In preparing the forecast, the management believes it has considered all reasonably probable cash flows with such timing and amount as supported by the circumstances and facts available as of the date of issuance of these.

Based on the above plan, the Group's cash flow forecast for the twelve-month period from the reporting date indicates a net positive cash flow position. 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 will materialise as expected and that 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.

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").

These condensed consolidated interim financial statements do not include all the information and disclosures required for a complete set of annual consolidated financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the material changes in the Group's financial position and performance since the date of last audited financial statements. In addition, results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. Accordingly, the condensed consolidated interim financial statements should be read in conjunction with the Group's last audited annual consolidated financial statements for the year ended 31 December 2021.

The Group has elected to present a single statement of comprehensive income and presents its expenses by function.

The Group reports cash flows from operating activities using the indirect method. The acquisitions and additions to development properties are disclosed as cash flows from operating activities and the acquisitions and additions to investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
for the three-month and nine-month periods ended 30 September 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured as follows:

<u>Items</u>	<u>Measurement basis</u>
Lease liability	Present value of minimum lease payment
Provisions for employee terminal benefits	Present value of the defined benefit obligation using projected credit unit method

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal, which is the Company's functional and the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated

2.4 New and amended standards

There are no new standards issued, however, there are a number of amendments to standards which are effective from 1 January 2022, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for interim reporting period ended 30 September 2022 and have not been early adopted by the Group. Management is currently evaluating these standards and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.5 Critical accounting estimates and judgments

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 2021.

3. Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in Group's last annual consolidated financial statements and corresponding interim reporting period.

EMAAR THE ECONOMIC CITY
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
for the three-month and nine-month periods ended 30 September 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Revenue

	Three-month periods		Nine-month Periods	
	ended September 30		ended September 30	
	(Unaudited)		(Unaudited)	
	2022	2021	2022	2021
Revenue from contract with customers	27,322	51,346	119,466	154,639
Revenue from rental income	34,676	34,680	107,450	103,047
	61,998	86,026	226,916	257,686

Disaggregation of revenue from contract with customers

	Three-month periods		Nine-month Periods	
	ended September 30		ended September 30	
	(Unaudited)		(Unaudited)	
	2022	2021	2022	2021
Residential business	9,025	13,690	47,577	54,887
Industrial development	21,166	29,815	50,549	65,054
Hospitality and leisure	20,706	31,207	77,390	99,901
Others	11,101	11,314	51,400	37,844
	61,998	86,026	226,916	257,686

5. Loss per share

Loss per share has been calculated by dividing the loss for the period attributable to the owners of the Company by the weighted average number of shares outstanding during the period.

The loss per share calculation is given below:

	Three-month periods		Nine-month Periods	
	ended September 30		ended September 30	
	(Unaudited)		(Unaudited)	
	2022	2021	2022	2021
Loss for the period attributable to owners of the Company (Saudi Riyals '000')	(218,852)	(172,766)	(626,644)	(544,838)
Weighted average number of ordinary shares (in thousands)	1,133,333	850,000	1,133,333	850,000
Loss per share (Saudi Riyals) - Basic and Diluted	(0.19)	(0.20)	(0.55)	(0.64)

EMAAR THE ECONOMIC CITY
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6. Property and equipment

	For the nine-month period ended 30 September 2022	For the year ended 31 December 2021
	(Unaudited)	(Audited)
Cost:		
At the beginning of the period/year	7,111,277	7,121,320
Additions during the period/year	9,690	7,294
Transfer to intangible (Note c)	-	(1,777)
Disposals during the period/year	-	(15,560)
At the end of the period/year	<u>7,120,967</u>	<u>7,111,277</u>
Accumulated depreciation and impairment:		
At the beginning of the period/year	1,746,285	1,511,660
Depreciation charge for the period/year	160,142	219,065
Impairment charge for the period/year	-	15,560
At the end of the period/year	<u>1,906,427</u>	<u>1,746,285</u>
Net book value at the end of the period / year	<u>5,214,540</u>	<u>5,364,992</u>

a) Included within property and equipment is capital work in progress amounting to Saudi Riyals 1,829.80 million (2021: Saudi Riyals 1,820.37 million) which mainly represents construction costs in respect of the infrastructure and other projects at KAEC.

b) Included within property and equipment is freehold land amounting to Saudi Riyals 135 million (2021: Saudi Riyals 135 million) which mainly relates to infrastructure and operating assets.

c) During the year ended 31 December 2021, an asset was reclassified to intangible assets amounting to Saudi Riyals 1.7 million.

d) During the period ended 30 September 2022, the Group has recognised an impairment loss, amounting to Nil (year ended 31 December 2021: Saudi Riyals 15.6 million).

For the purpose of impairment testing of the properties, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU). The Group has determined the recoverable amounts of each CGU by assessing the fair value less cost of disposal (FVLCD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Based on the valuation, no impairment was identified.

The valuation methodology and related significant inputs and assumptions used by valuers in estimation of net recoverable amount are as follows:

Valuation process for properties:

At 31 December 2021 the Group engaged independent professionally qualified valuation expert i.e. 'ValuStrat' (Khabeer Altathmen Alaqaria) who holds recognised relevant professional qualification and have recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ValueStrat is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM). The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. The valuations are then presented to Group Audit Committee ("AC") by CFO and discussions of valuation processes and results are held between the CFO, AC, finance department and the independent valuer. Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates.

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6. Property and equipment (continued)

There were no changes in the valuation techniques during the period.

The Group has relied on the valuation done as of 31 December 2021. Management of the Group believes that the valuation of the Group's properties didn't significantly change from the valuation done at Group's last audited consolidated financial statements for the year ended 31 December 2021 up to the period ended 30 September 2022.

7. Investment properties

	For the nine- month period ended 30 September 2022	For the year ended 31 December 2021
	(Unaudited)	(Audited)
Cost:		
At the beginning of the period / year	5,203,291	5,229,376
Additions during the period / year	5,610	2,564
Transfer to development property (Note e)	-	(15,439)
Disposals during the period / year	(22,649)	(19,274)
Reversal of impairment	10,636	6,064
At the end of the period/year	5,196,888	5,203,291
Accumulated depreciation and impairment:		
At the beginning of the period/year	371,549	323,099
Depreciation charge for the period/year	37,963	51,194
Disposals during the period/year	(3,951)	(2,744)
At the end of the period/year	405,561	371,549
Net book value at the end of the period / year	4,791,327	4,831,742

a) Investment properties comprises commercial centres, serviced lands, residential units, properties with undetermined future use and properties under development. Commercial centres, serviced lands and residential units generate rental income through lease agreements. Properties with undetermined future use mainly comprise raw land parcels that do not generate any income and no expense is incurred on those properties.

b) Included within investment properties at 30 September 2022 is capital work in progress amounting to Saudi Riyals 1,024.80 million (2021: Saudi Riyals 1,019.19 million) which represents assets under construction relating to a commercial centre's expansion and infrastructure development work on the land parcels.

c) At 30 September 2022 the Group's investment properties with a carrying amount of Saudi Riyals 1 billion (31 December 2021: Saudi Riyals 1 billion) were mortgaged as collateral against loans and borrowings. Also, see Note 11.

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7 Investment properties (continued)

d) Following is the fair value and carrying amount of investment properties held for various purposes:

	Fair value		Carrying amount	
	30 September 2022 (Unaudited)	31 December 2021 (Audited)	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Rental income	4,067,689	4,067,689	1,972,690	2,013,105
Currently undetermined future use	30,419,200	30,419,200	2,818,637	2,818,637
	34,486,889	34,486,889	4,791,327	4,831,742

e) At 31 December 2021: Saudi Riyals 15.44 million was transferred from 'investment properties' to 'development properties' as it underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale (30 September 2022: Nil). There is a development plan for this property which assumes the existence of infrastructure including parks, roads etc. which would lead to a significant change in price once the development is completed. And as such (a) the development activities lead to a significant transformation, and (b) management considers this transformation significant enough to demonstrate the change in use and transfer to development property. Accordingly, this property was classified and transferred to development properties as related development work commenced.

f) Leasing arrangements

Some of the investment properties are leased to tenants under operating leases with rentals payable on a monthly, quarterly and semi-annual basis. Rental payments for some contracts are variable and are based on percentage of sales, and not on an index rate. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the investment properties.

g) As at 30 September 2022 and 31 December 2021, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

h) Management has determined the recoverable amount of the investment properties by assessing the fair value less cost of disposal (FVLCO). No impairment was identified.

i) Also refer Note 6 for key assumptions and information about fair value measurements using significant unobservable input.

8. Development properties

These represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plot of lands which is determined by management to be used for future sale in the ordinary course of Group's operations.

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8. Development properties (continued)

Movement during the period ended 30 September 2022 is as follows:

	30 September 2022 (Unaudited)	31 December 2021 (Audited) (Restated- Note 19)
Opening balance	1,416,726	1,460,647
Transferred from investment properties (Note 7(e))	-	15,439
	1,416,726	1,476,086
Additions	-	12,813
Less: Disposals	(20,255)	(33,472)
Less: Reversal of impairment / (Impairment) provision for development properties	13,704	(38,701)
Total	1,410,175	1,416,726
Current portion of development properties	(835,749)	(838,275)
Non-current portion of development properties	574,426	578,451

8.1 Disposals from development properties are recognised as expense within cost of revenue.

8.2 Determination of net realisable value:

Projects other than plots of land

The management of the Group has carried out an exercise to determine the net realisable value of their development properties other than plots of land. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. At 30 September 2022 the net realisable value of the residential units is assessed to be higher than their carrying value. However, during the year 2021, the management based on the above assessment recorded an impairment amounting to Saudi Riyals 38.7 million as the net realisable value of some of the properties were assessed to be lower than the carrying amount of the residential unit.

Plots of land

For details relating to determination of net realisable value of plots of land refer to Note 6.

9. Investment in equity accounted investees

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 (%)		30 September 2022	31 December 2021
	30 September 2022	31 December 2021	(Unaudited)	(Audited)
Investment in Ports Development Company "PDC" (see note (a) below)	50%	50%	2,530,964	2,487,253
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (see note (b) below)	20%	20%	45,790	45,790
			2,576,754	2,533,043

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9. Investment in equity accounted investees (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.

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Beginning of the period / year	2,487,253	2,400,032
Profit for the period / year,	25,132	45,839
Other comprehensive income for the period / year	18,579	41,382
End of the period / year	2,530,964	2,487,253

b) Investment in Biyouat - Associate

Biyouat 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 Biyouat for the period are insignificant for the Group.

10. Trade receivables and other current assets

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Trade Receivables	652,220	801,627
Advances to suppliers	47,446	16,001
Prepayments	20,310	16,175
Other receivables	57,835	43,136
Less: impairment loss on financial assets	(305,347)	(282,489)
	472,464	594,450

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 days. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 30 September 2022, five largest customers accounted for 27% (31 December 2021: 22%) of the outstanding trade receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

Receivables in respect of other operations and services mainly relates to hotel and resorts operations and facility management services.

Advances to suppliers mainly include advances for undertaking repair and maintenance of infrastructure work.

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11. Loans and borrowings

	30 September 2022 (Unaudited)	31 December 2021 (Audited) (Restated- Note 19)
Government loan ("MoF") loan (Note (b) below)	2,166,667	2,166,667
Accrued commission	480,936	420,366
Facility from a local bank (Note (c) below)	976,244	976,250
Accrued commission	11,072	1,875
Facility from a local bank (Note (d) below)	1,689,815	1,688,896
Accrued commission	16,406	33,961
Facility from a local bank (Note (e) below)	114,105	131,428
Accrued commission	1,329	3,154
Facility from a local bank (Note (f) below)	536,985	528,731
Accrued commission	16,495	7,002
	6,010,054	5,958,330
Current portion of long-term loans	(3,858,323)	(3,579,797)
Non-current portion of long-term loans	2,151,731	2,378,533

(a) Loan and borrowings are non-derivative financial liabilities carried at amortised cost. These borrowings are denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SIBOR) plus spread.

(b) During 2011, the Group received a loan of Saudi Riyals 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is secured against pledge of 24.7 million sqm of the Group's Greenfield land and was originally repayable, with a three-year grace period, in seven annual instalments commencing from September 01, 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

On 20 March 2021, a partial novation agreement was signed between the Company, Public Investment fund "PIF" & MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to Saudi Riyals 2.8 billion (the novation amount) from MoF to PIF. The novation agreement was approved by the Company's Board of Directors on 30 March 2021. The request to increase the Company's share capital through conversion of debt amounting to Saudi Riyals 2,833 million was approved by the Capital Market Authority (CMA) on 1 Aug 2021. Further, on 26 September 2021, the Shareholders in extraordinary general assembly approved the increase of the share capital of the Company from Saudi Riyals 8,500 million to Saudi Riyals 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283 million new shares, at the fair value of Saudi Riyals 10 per share, against the debt amount of Saudi Riyals 2,833 million.

Further, during 2021, the Company received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved conversion of accrued interests as of 1 June 2021 amounting to Saudi Riyals 363.9 million as principal outstanding and restructuring of the total remaining obligation of Saudi Riyals 2,531 million to be payable starting from June 2024, in six equal annual instalments of Saudi Riyals 361.5 million each and the final seventh instalment in June 2030 amounting to Saudi Riyals 361.6 million. The Group is under discussion with MoF to finalise the restructuring agreement. There are no financial debt covenants related to the facility.

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11. Loans and borrowings (continued)

(c) During 2014, the Group signed an Islamic facility agreement with a commercial bank for Saudi Riyals 2,000 million Murabaha liquidity finance facility. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from 30 June 2018 to 31 December 2021. The loan is secured against part of the Group's greenfield land and a promissory note for Saudi Riyals 1,276 million. During the nine-month period ended 30 September 2022, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable in fourteen semi-annual instalments starting from June 2023 to December 2029. The management has determined the modification gain, related to the amendment of certain terms and conditions including repayment schedule, as immaterial. The loan carries financial covenant which the Group has not complied with at 30 September 2022 and hence, the entire outstanding loan obligation has been classified within current liabilities. The management has applied to the lender to obtain a waiver and the request is in process.

(d) During 2014 and 2015, the Group signed two facility agreements with a commercial bank for Saudi Riyals 1,000 million each. As per the terms of the agreements, the loans were payable in five annual equal instalments after three years of grace period starting from respective dates of the agreements. Subsequently, an additional facility of Saudi Riyals 250 million was given to the Group. During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2023 to April 2030. The loan is secured against part of the Group's greenfield land and a promissory note for Saudi Riyals 1,700 million. The management has determined the modification gain, related to the amendment of certain terms and conditions including repayment schedule, as immaterial. There are no financial debt covenants related to the facility.

(e) During 2015, the Group signed an Islamic facility agreement with a commercial bank for Saudi Riyals 1,000 million. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from October 2019 to April 2023. During 2021, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the existing facilities which consisted of long-term and short-term loan were restructured into a long-term loan repayable in fourteen semi-annual instalments starting from April 2023 to April 2029. The loan is secured against part of Group's greenfield land and a promissory note for Saudi Riyals 587.5 million. There are no financial debt covenants related to the facility. During 2022, the Group requested the bank for extending the maturity of instalment amounting to Saudi Riyals 18.6 million due on 25th August 2022 and the bank has extended the payment date of instalment for 60 days. The management has determined the modification gain, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

(f) During 2018, the Group availed a short-term facility from a commercial bank, amounting to Saudi Riyals 250 million, to finance the working capital requirements. During 2020, the Group signed a revised facility letter agreement for working capital facility amounting to Saudi Riyals 170 million and a documentary credit ("DC") facility of Saudi Riyals 20 million with the same commercial bank. Accordingly, as per the revised terms, the loan is repayable in eight semi-annual equal instalments over 4 years starting from August 2021, subsequent to the payment of Saudi Riyals 21.25 million in February 2021. The loan is secured against part of the Group's greenfield land and a promissory note for Saudi Riyals 209 million. The management has determined the modification loss, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

The above loan carries financial covenant which the Group has complied with at 30 September 2022.

Also, refer to the restatement in Note 19.

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12. Short-term borrowings

The Group obtained short-term loan facility from a local commercial bank aggregating to Saudi Riyals 300 million as of 30 September 2022 (31 December 2021: Saudi Riyals 300 million). The unused balance of the facility as at 30 September 2022 amounted to Saudi Riyals 94.24 million (31 December 31 2021: Saudi Riyals 150 million). The facility bears finance costs at market rate which is based on SIBOR and is collateralised by promissory notes.

13. Trade and other payables

	30 September 2022	31 December 2021
	(Unaudited)	(Audited) (Restated - Note 19)
Trade payables	320,886	378,627
Retentions payable	227,791	247,906
Accrued expenses and other payables	248,704	293,625
Contractors accrued balances	114,882	151,552
Amounts due to related parties (Note 15)	4,694	8,043
Contract liabilities	295,646	144,417
Others	36,546	36,212
	<u>1,249,149</u>	<u>1,260,382</u>

Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current based on expected date of settlements which are within 12 months.

Accrued expenses comprise of accruals in respect of procurement costs, marketing costs, maintenance, and employee costs.

Contract liabilities represents advance amount received against sale and advance rent in respect of residential and commercial units and plots of land.

14. Zakat

Movement in provision

The movement in the Zakat provision is as follows:

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
At the beginning of the period / year	60,926	108,687
Charge for the current period / year	30,000	31,000
Payments during the period / year	(23,887)	(78,761)
At the end of the period / year	<u>67,039</u>	<u>60,926</u>

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14 Zakat (continued)

14.1 Components of zakat base

The Company and its fully owned Saudi Arabian subsidiaries file zakat declarations on a consolidated basis. The significant components of the zakat base under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans borrowing and estimated income subject to zakat, less deductions for the net book value of properties, plant 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 income for the period.

14.2 Status of final assessments

Emaar the economic city ("ECC")

The Company and its wholly owned subsidiaries registered in the Kingdom of Saudi Arabia file zakat declaration on consolidation basis in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA").

The Company finalized its zakat status up to the year 2011 except for the WHT assessments for the years 2006 to 2008.

The ZATCA issued withholding tax ("WHT") assessment for the years 2006 to 2008 with an additional WHT liability of Saudi Riyals 3.96 million in addition to delay fines of Saudi Riyals 2 million on the WHT. In compliance with the appeal procedures, EEC paid the WHT difference under protest.

The WHT case was also under the review of the Board of Grievance ("BOG"). BOG issued a decision supporting EEC's objection relating to delay fine and ruled against the Company on imposition of WHT. The ZATCA has filed an appeal with the Royal Court against the BOG's decision in respect of the delay fine, which is pending adjudication.

During 2020, ZATCA issued Zakat assessment for the year 2014 and claimed additional Zakat of Saudi Riyals 67.7 million. EEC filed an appeal against the ZATCA's assessment. ZATCA issued a revised assessment on 8 October 2020 with a reduced Zakat liability of Saudi Riyals 33 million. The Company filed an appeal against the revised assessment with the Tax Violations Dispute Resolution Committee ("TVDRC"). The TVDRC rendered its decision on 28 December 2021 and partially accepted the Company's appeal resulting in a reduced Zakat liability to Saudi Riyals 21 million. EEC has further filed an appeal with the Tax Violations and Dispute Appellate Committee (TVDAC) which is pending adjudication.

The ZATCA has also issued Zakat assessments dated 23 November 2020 for the years 2015 to 2018 with additional Zakat liabilities of Saudi Riyals 254 million. EEC filed an appeal against the ZATCA's assessment. The ZATCA issued a revised assessment on 24 February 2021 with reduced Zakat liability of Saudi Riyals 247 million. The Company filed an appeal against the ZATCA's revised assessment with the TVDRC. The TVDRC rendered its decision on 11 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability to Saudi Riyals 219 million. EEC has filed an appeal with the TVDAC on 27 April 2022 which is pending adjudication.

The ZATCA issued Zakat assessments dated 8 November 2021 for the years 2019 and 2020 with additional Zakat liability of Saudi Riyals 27 million and Saudi Riyals 18 million, respectively. EEC filed objections against the ZATCA's assessments on 6 January 2022. The ZATCA issued a revised assessment on 25 April 2022 for the year 2019 with a reduced zakat liability of Saudi Riyals 20.6 million and on 24 April 2022 for the year 2020 with reduced zakat liability of Saudi Riyals 10.3 million. EEC has filed an appeal with the TVDRC on 4 May 2022. The TVDRC rendered its decision on 23 October 2022 and partially accepted the Company's appeal resulting in a reduced liability of Saudi Riyals 19.8 million for the year 2019 and Saudi Riyals 3.7 million for the year 2020.

The Company has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of the Company's remaining returns to date.

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14 Zakat (continued)

14.2 Status of final assessments (continued)

Industrial Zones Development Company Limited (“IZDCL”)

IZDCL finalized its Zakat returns up to the year 2012. The ZATCA issued Zakat assessment for the years 2013 to 2015 and claimed additional Zakat of Saudi Riyals 4.6 million. IZDCL objected against the ZATCA assessment, providing the supporting documents for its position. The ZATCA has transferred the case to the GSTC and IZDCL has also registered an appeal on GSTC's portal. The Tax Violations Dispute Resolution Committee (TVDR) conducted the hearing session on 22 October 2020 and rendered its decision on 22 December 2020, rejecting IZDCL's appeal. IZDCL has filed an appeal against the TVDR's decision with the TVDAC.

The ZATCA has issued Zakat assessment for the years ended 31 December 2016 and 2017 and claimed additional Zakat of Saudi Riyals 7.4 million and Saudi Riyals 18 million, respectively. IZDCL has objected against the ZATCA's assessment, providing the supporting documents for its position. The ZATCA rejected the objection through its letter dated 16 January 2022. IZDCL has filed an appeal with the GSTZC against the ZATCA decision, which is pending adjudication.

The Company filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of the Company's remaining returns to date.

Economic Cities Real Estate Development Company (“RED”)

The ZATCA issued Zakat assessments dated 29 November 2020 for the years 2015 to 2017 with additional Zakat liabilities of Saudi Riyals 72.45 million. The ZATCA rejected RED's objection and the Company has filed an appeal against the ZATCA's decision with the TVDR. TVDR rendered its decision on 5 April 2022 wherein they partially accepted the Company's appeal resulting in a reduced Zakat liability of Saudi Riyals 38.2 million. Following receipt of the TVDR's decision, RED has now filed an appeal with the TVDAC on 28 April 2022 which is pending adjudication.

The Company filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of the Company's remaining returns to date.

Economic City Real Estate Operation and Management Company Limited (“REOM”)

REOM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

Economic City Investments Company Limited (“ECIC”)

ECIC, finalized Zakat returns up to the year 2012. Furthermore, ECIC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of the remaining returns to date.

Emaar Knowledge Company Limited (“EKC”)

EKC finalized Zakat returns up to the year 2017. Furthermore, EKC has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not finalized the review of the remaining returns to date.

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14 Zakat (continued)

14.2 Status of final assessments (continued)

Real Estate Management Company Limited (“REM”)

REM has filed the Zakat returns up to the year 2021 and obtained the Zakat certificates. The ZATCA has not issued any assessments to date.

In relation to the aforementioned assessments, the management has applied its judgement and interpretation of the ZATCA requirements and applicable regulations and is confident that the matters will be ultimately decided in the Group’s favour.

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15. Related party matters

Related parties include the Company's shareholders, associated and affiliated companies and key management personnel of the Group. Terms and conditions of these transactions are approved by the management.

The 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-month period ended		Amounts of transactions for the nine-month period ended		Balance as at	
		30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<u>Amounts due from related parties:</u>							
Affiliates	Lease rentals, utilities charges and others	-	-	172	184	343	206
	Sale of properties	-	2,956	-	2,956	-	-
Joint Venture	Advance against services	-	-	-	-	3,269	3,269
	Lease rentals, utilities charges and others	2	-	2	-	-	-
Key management personnel	Sale of properties	-	-	-	-	-	88
	Lease rentals, utilities charges and others	143	119	312	196	181	-
Total						3,793	3,563
<u>Amounts due to related parties:</u>							
Affiliates	Services provided to the Group	(7)	3,637	917	5,588	(1,383)	(3,031)
Key management personnel	Remuneration	5,194	5,694	17,549	12,486	-	(12)
Board of Directors (the "BoD")	BoD meeting attendance fee	1,103	1,250	3,311	3,750	(3,311)	(5,000)
Total						(4,694)	(8,043)

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15. Related party matters (continued)

Compensation of key management personnel of the Group

	Amounts of transactions for the three-month period ended		Amounts of transactions for the nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Short-term employee benefits	4,723	4,633	15,337	10,927
Non-monetary benefits	282	440	840	597
Post-employment benefits	189	237	627	578
Termination benefits	-	384	745	384
	5,194	5,694	17,549	12,486

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.

16. Contingent liabilities and commitments

In addition to disclosure set out in 14, contingent liabilities and commitments, as at 30 September 2022, are as below:

(a) The Group has outstanding commitments related to future expenditure for the development of KAEC in the coming few years, amounting to Saudi Riyals 484.56 million (31 December 2021: Saudi Riyals Saudi Riyals 537 million).

(b) The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. The Management has recorded a provision amounting to Saudi Riyals 37 million (31 December 2021: Nil) for certain lawsuits, where the management expects an unfavourable outcome based on the consultation with its legal advisors.

(c) The Group has provided a corporate guarantee along with promissory notes to a commercial bank, limited to Saudi Riyals 1,321 million plus any murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, the subject loan is also secured by a pledge of the shares of the Group in PDC. Further, the Group has provided a corporate guarantee to a commercial bank, limited to Saudi Riyals 112.5 million plus any murabaha profits due to be paid by the PDC, to allow PDC to secure Shariah compliant commodity Murabaha facilities, having a maximum limit of Saudi Riyals 180 million. In this connection, the Group provided promissory notes, amounting to Saudi Riyals 90 million including any murabaha profits due to be paid by the PDC. The management has determined the fair value of financial guarantees to be immaterial.

(d) The Group has not entered into any capital commitments in relation to its interest in the joint venture during the nine-month period ended September 30, 2022. The Group's share in the capital commitments of the joint venture is Saudi Riyals 145.5 million (31 December 2021: Saudi Riyals 232.18 million)

(e) Refer Note 14 for zakat related contingencies and Note 11 for borrowing related contingencies.

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17. 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.

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 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.

Reportable segments

Operations

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.

Corporate (Head office)

Activities of corporate office including selling , marketing and financing.

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17. Segment reporting (continued)

Condensed consolidated statement of profit or loss and other comprehensive income:

	Residential business	Industrial development	Hospitality and leisure	Education	City Operations	Corporate	Adjustments and eliminations	Total
<i>Nine-month period ended:</i>								
30 September 2022								
(Unaudited)								
<u>Revenue</u>								
External customers	47,577	50,549	77,390	31,145	20,255	-	-	226,916
Inter-segment	11,489	-	24,676	-	43,619	-	(79,784)	-
	59,066	50,549	102,066	31,145	63,874	-	(79,784)	226,916
<u>Results</u>								
Cost of inventories and services recognised as an expense	(62,779)	(14,669)	(48,936)	(3,674)	(55,670)	-	52,464	(133,264)
Impairment loss on financial assets	(22,974)	(68)	2,897	(784)	(1,813)	(117)	-	(22,859)
Financial charges	-	-	-	-	-	(195,631)	-	(195,631)
Financial income	-	-	-	-	-	1,602	-	1,602
Depreciation	(59,138)	(55,054)	(63,453)	(14,712)	(2,418)	(11,326)	-	(206,101)
Amortisation	(200)	-	-	(39)	-	(1,291)	-	(1,530)
Share of results of equity accounted investee	-	-	-	-	-	25,132	-	25,132
Other (expenses) / income	(44,231)	(11,125)	(43,254)	(57,787)	(13,930)	(147,902)	27,320	(290,909)
Loss before zakat	(130,256)	(30,367)	(50,680)	(45,851)	(9,957)	(329,533)	-	(596,644)

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17. Segment reporting (continued)

Condensed consolidated statement of profit or loss and other comprehensive income:

	Residential business	Industrial development	Hospitality and leisure	Education	City Operations	Corporate	Adjustments and eliminations	Total
<u>Nine-month period ended:</u>								
30 September 2021 (Unaudited)								
<u>Revenue</u>								
External customers	54,887	65,054	99,901	20,511	17,333	-	-	257,686
Inter-segment	20,158	1,269	20,333		45,138	-	(86,898)	-
	<u>75,045</u>	<u>66,323</u>	<u>120,234</u>	<u>20,511</u>	<u>62,471</u>	<u>-</u>	<u>(86,898)</u>	<u>257,686</u>
<u>Results</u>								
Cost of inventories and services recognised as an expense	(40,818)	(14,048)	(85,140)	(1,754)	(68,329)	-	57,980	(152,109)
Impairment loss on financial assets	(28,844)	(1,257)	(1,236)	397	(2,242)	(611)	-	(33,793)
Financial charges	-	-	-	-	-	(195,663)	-	(195,663)
Murabaha deposit income	-	-	-	-	-	648	-	648
Depreciation	(64,492)	(55,526)	(67,433)	(16,673)	(5,366)	(20,173)	-	(229,663)
Amortisation	(396)	-	(15)	(1,269)	-	(4,185)	-	(5,865)
Share of results of equity accounted investee	-	-	-	-	-	42,418	-	42,418
Other (expenses) / income	(56,747)	672	(43,396)	(17,042)	(17,288)	(92,114)	28,918	(196,996)
Loss before zakat	<u>(116,252)</u>	<u>(3,836)</u>	<u>(76,986)</u>	<u>(15,830)</u>	<u>(30,754)</u>	<u>(269,680)</u>	<u>-</u>	<u>(513,338)</u>

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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.

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19. Restatement of comparative information

During the year, the Group restated certain amounts and balances included in the prior year financial statements in order to reflect appropriate accounting and classification, for the transactions to which these balances relate and to ensure compliance with IFRS. The details of each of such restatements have been summarised below:

Restatement - 1

In the prior years accrued financial charges were included within 'trade and other payables', which is inconsistent with the nature of trade and other payables. Trade and other payables are generally liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Interest payable is financing in nature and accounting standards require financing to be shown separately from trade and other payables. During the nine-month period ended 30 September 2022, management of the Group has reclassified these balances from 'trade and other payables' to 'loans and borrowings – current portion' in order to reflect the nature of these balances and also to realign the accounting for long-term loans with amortised cost accounting. The comparative information has been restated to reflect the appropriate classification.

Restatement - 2

During the nine-month period ended 30 September 2022, the presentation of unearned finance income related to revenue from contracts with customers was reassessed. In prior years, unbilled receivables from customers were recorded at the gross amount of such consideration. Given such transactions contained a significant financing component, revenue was recorded at the gross amount less an adjustment for the significant financing component which was recorded as "unearned financing component" in non-current liabilities. This resulted in an overstatement of the unbilled receivables and non-current liabilities and did not conform to the requirements of IFRS 15 – Revenue from Contracts with Customers ("IFRS 15").

During the nine-month period ended 30 September 2022, Management reassessed the above treatment of "unearned financing component" and consequently restated the comparative figures by adjusting the 'unearned financing component' from non-current liabilities against related 'unbilled revenue' to correct the presentation. The comparative information has been restated to reflect the appropriate accounting and classification.

Restatement - 3

The Group operates an "Employee Ownership Scheme", which is categorised as finance lease in the financial statements. In prior years, management has recorded receivables comprising lease payments at the gross value which included unearned interest and a liability was recognised for 'unearned interest income' in the statement of financial position under non-current liabilities and the current portion within 'trade and other payables'. In accordance with IFRS 16 - Leases, the lessor shall recognise assets under a finance lease at an amount equal to the net investment in the lease, which does not include 'unearned finance income'.

During the nine-month period ended 30 September 2022, management corrected the above treatment of "unearned interest income" and consequently has adjusted such balance of 'unearned interest income' from non-current liabilities against the lease receivables.

The comparative information has been restated to reflect the appropriate accounting and classification.

Restatement – 4

The development properties of the Group represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plots of lands. Management has determined the properties and plots of land would be used for future sale in the ordinary course of Group's operations and in its normal operating cycle. In the prior years, management classified certain development properties under non-current assets, which it determined to be completed, and not as current assets.

During the nine-month period ended 30 September 2022, management reconsidered the classification of development properties under non-current assets. As a result, certain properties and plots of lands which are completed and are available for immediate sale in their current condition without significant development activities were reclassified to current assets to align with the requirements of IFRS. The comparative information has been restated to reflect the appropriate classification.

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19. Restatement of comparative information (continued)

The resultant impact of the above-mentioned restatements on each of the impacted financial statement line items for the prior periods is reflected in the table below:

Effect on the condensed consolidated statement of financial position:

	Previously reported	Restatement -1	Restatement -2	Restatement -3	Restatement -4	Restated
As at 31 December 2021						
Assets						
Non-current assets						
Unbilled revenue	182,344	-	(59,377)	-	-	122,967
Development properties	1,118,702	-	-	-	(540,251)	578,451
Employees' receivable - home ownership scheme	101,900	-	-	(26,219)	-	75,681
Total non-current assets	14,204,854	-	(59,377)	(26,219)	(540,251)	13,579,007
Current assets						
Current portion of employees' receivable - home ownership scheme	7,280	-	-	(3,164)	-	4,116
Development properties	298,024	-	-	-	540,251	838,275
Total current assets	1,366,520	-	-	(3,164)	540,251	1,903,607
Total assets	15,571,374	-	(59,377)	(29,383)	-	15,482,614
Liabilities						
Non-current liabilities						
Unearned financing component on long-term receivables	59,377	-	(59,377)	-	-	-
Unearned interest income - home ownership scheme	26,219	-	-	(26,219)	-	-
Total non-current liabilities	2,544,056	-	(59,377)	(26,219)	-	2,458,460
Current liabilities						
Trade and other payables	1,729,905	(466,359)	-	(3,164)	-	1,260,382
Current portion of long-term loans	3,113,438	466,359	-	-	-	3,579,797
Total current liabilities	5,148,047	-	-	(3,164)	-	5,144,883
Total liabilities	7,692,103	-	(59,377)	(29,383)	-	7,603,343
Total equity and liabilities	15,571,374	-	(59,377)	(29,383)	-	15,482,614

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19. Restatement of comparative information (continued)

Effect on the condensed consolidated statement of financial position:

	Previously reported	Restatement - 1	Restatement - 2	Restatement - 3	Restatement - 4	Restated
As at 1 January 2021						
Assets						
Non-current assets						
Unbilled revenue	300,848	-	(93,906)	-	-	206,942
Development properties	1,315,494	-	-	-	(451,231)	864,263
Employees' receivable - home ownership scheme	117,848	-	-	(31,977)	-	85,871
Total non-current assets	14,788,076	-	(93,906)	(31,977)	(451,231)	14,210,962
Current assets						
Current portion of employees' receivable - home ownership scheme	7,785	-	-	(3,571)	-	4,214
Development properties	145,153	-	-	-	451,231	596,384
Total current assets	1,528,586	-	-	(3,571)	451,231	1,976,246
Total assets	16,316,662	-	(93,906)	(35,548)	-	16,187,208
Liabilities						
Non-current liabilities						
Unearned financing component on long-term receivables	93,906	-	(93,906)	-	-	-
Unearned interest income - home ownership scheme	31,977	-	-	(31,977)	-	-
Total non-current liabilities	5,714,300	-	(93,906)	(31,977)	-	5,588,417
Current liabilities						
Trade and other payables	1,510,420	(338,459)	-	(3,571)	-	1,168,390
Current portion of long-term loans	2,262,250	338,459	-	-	-	2,600,709
Total current liabilities	4,759,089	-	-	(3,571)	-	4,755,518
Total liabilities	10,473,389	-	(93,906)	(35,548)	-	10,343,935
Total equity and liabilities	16,316,662	-	(93,906)	(35,548)	-	16,187,208

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19. Restatement of comparative information (continued)

Effect on condensed consolidated statement of cash flows:

	Previously reported	Restatement - 2	Restatement -3	Restated
<u>For the nine-month period ended 30 September 2021</u>				
Operating activities				
Unbilled revenue	283,448	(31,562)	-	251,886
Employees' receivable – home ownership scheme	9,723	-	(325)	9,398
Trade and other payable	40,632	-	325	40,957
Net cash generated from operations	240,573	(31,562)	-	209,011
Financing activities				
Movement in unearned interest income	(31,562)	31,562	-	-
Net cash used in financing activities	(74,771)	31,562	-	(43,209)

20. 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 November 7, 2022, corresponding to Rabi' II 13, 1444H.