DAR AL ARKAN
دار الأركان

building for the future

2020 ANNUAL REPORT

King Salman Bin Abdulaziz Al Saud

The Custodian of
the two Holy Mosques

Crown Prince Mohammed Bin Salman Bin Abdulaziz Al Saud

Deputy Prime Minister
and Minister of Defense

table of contents

about Dar Al Arkan

PURPOSE

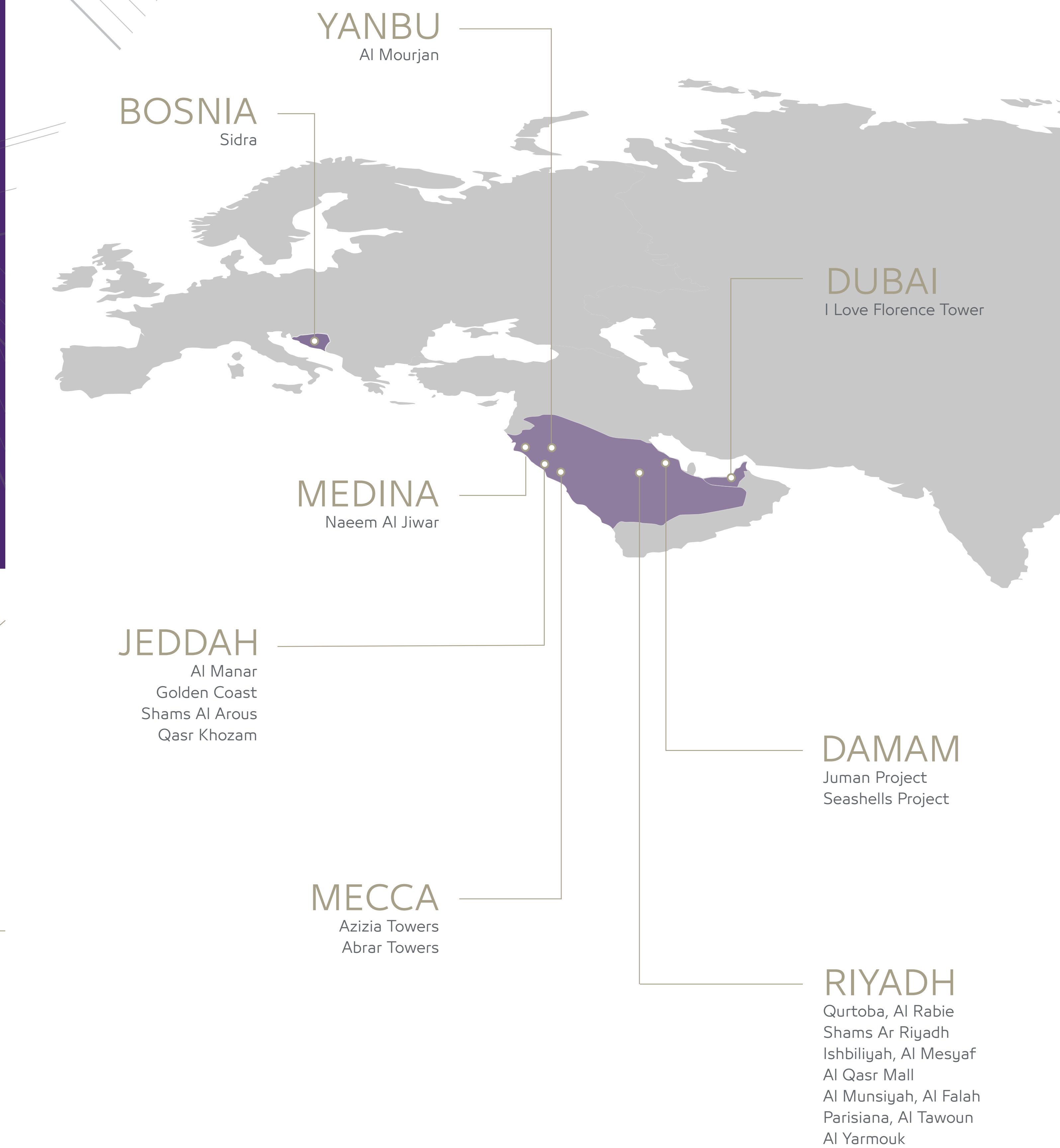
To support the urban expansion of Saudi cities and the access to home ownership for Saudi citizens

VISION

To be the Kingdom's premier and most trusted developer, delivering innovative real estate solutions to Saudis everywhere

MISSION

To create living communities and commercial environments that deliver on the evolving aspirations of Saudi society while maximizing shareholder returns



1994 Founded on 28 Dec 1994

2005 Dar Al Arkan becomes a joint stock company by ministerial decree number 1021

2007 Issuance of the first Sukuk in the value of $600 million in Feb 2007 and maturing in Mar 2010, listed on the Dubai NASDAQ

Listing of Dar Al Arakan on the Saudi Stock Exchange Tadawul

2013 Opening of Al Qasr Mall in Riyadh

2017 Launching I Love Florence tower in Dubai as the first international project

2018 Launching Mirabila the first phase of Shams Ar Riyadh development in the Saudi capital

Issuance of Sukuk in the value of $500 million in Mar 2018 and maturing in Apr 2023, listed on the Dubai NASDAQ

2019 Opening of 15 screen VOX cineplex in Al Qasr Mall

Issuance of 10th Sukuk in the value of $600 million in Oct 2019 and maturing in Feb 2025, listed on the Dubai NASDAQ

2020 Issuance of 11th Sukuk in the value of $400 million in Feb 2020 and maturing in Feb 2027, listed on the Dubai NASDAQ

Launched Verde, La Casa, Giovane and Palazzo in Shams Ar Riyadh

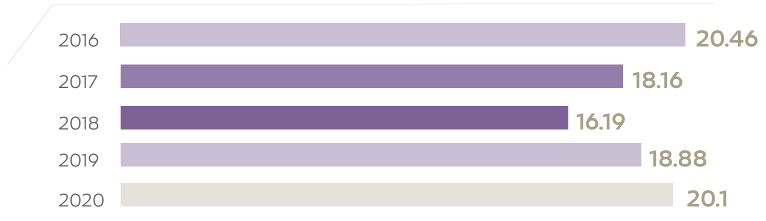
AT A GLANCE

CAPITAL **10.8** SAR Billion

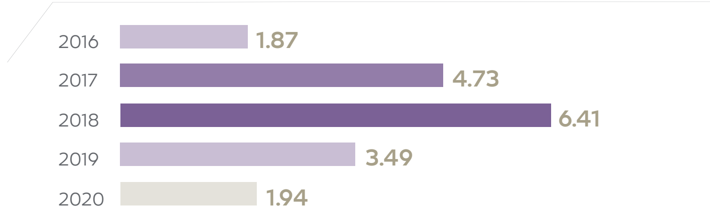
ASSETS **31** SAR Billion

BOOK VALUE PER SHARE **17.62** SAR

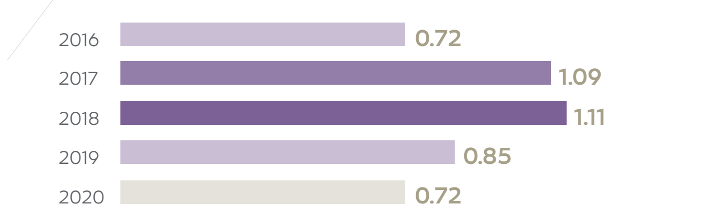
INVESTMENT IN LAND AND PROPERTIES (SAR Billion)



REVENUE (SAR Billion)



EBITDA (SAR Billion)



message of the chairman

On behalf of the Board of Directors, I am delighted to present Dar Al Arkan's Annual Report for the year ended 31 December 2020.

2020 will certainly go down in the history books as an exceptional year. A year when the human race has been put to one of its greatest tests. The Covid-19 pandemic imposed and continues to impose exceptional challenges not only to the public healthcare environment but also importantly to the economy of the Kingdom, the region and the world.

We had to deal with lockdowns, curfews, a quasi-stand-still in economic activity, an oil price that went negative for the first time ever, international travel freezes, and changes to taxation, all while learning to work and operate remotely.

I am proud of how the Kingdom responded to these unprecedented challenges. Under the wise guidance of our leadership, the Saudi Government distinguished itself in the handling of the pandemic. We feel privileged that the Saudi authorities adequately protected us as a society and properly supported us as businesses while we navigated these uncertain times.

The Saudi real estate market was not immune to the impact of the pandemic and the economic shock that ensued. However, it has demonstrated remarkable resilience. This was confirmation of the underlying strengths of the fundamental drivers of the market, positive generational demographic trends, supply shortages and Government support. The transaction values were only 4% below 2019 levels and 22% ahead of 2018, the trough of the previous down cycle. Pricing trends continued their positive trends as well with the real estate price index registering a positive 0.5%. The Government's decision to reverse applying the 15% VAT to the sector and replacing it with a 5% real estate transaction tax played a decisive role in the market rebound in the 4th quarter.

Against this backdrop, our management and staff worked tirelessly to enable us to remain

Yousef Abdullah Al Shelash
Chairman

focused on our strategic priorities for 2020. We deployed technologies to maintain access to our customers in a remote environment, as well as upgraded our IT infrastructure to deliver robust and secure solutions.

We had started the year with excellent levels of liquidity, boosted by our Sukuk XI issuance of USD$400 million in February 2020. This, our first, 7-year issuance was very well supported by the global capital markets, a testament to the credibility we have garnered over the last decade with international investors. However, given the uncertain environment, we adopted a cautious approach to capital deployment.

Operationally, results in our projects, especially Shams Ar Riyadh were very solid. In the face of the pandemic, we launched 3 phases in the 2nd, 3rd and 4th quarters of 2020, which were all exceptionally well received by the market. As of the end of 2020, booked sales in Shams Ar Riyadh had reached SAR 2.2 billion, which bodes well for revenue recognition in the years to come. While our top line revenues suffered through the economic volatility, our margins continued the positive trends we had seen in 2019 and delivered average gross margins of 35% at 47% growth year over year.

The global pandemic has focused the minds on issues of sustainability. Creating sustainable impact and long-term social and financial value is at the heart of the company's purpose. We recognize that long-term economic success comes in tandem with positively affecting social, environmental and ethical sustainability. To achieve this success we need to unlock the potential of our people, properties and communities. As a real estate company with a large physical footprint, we understand our role in the collective approach to environmental challenges.

Looking forward, and although some uncertainty continues to cloud the outlook, Dar Al Arkan is very well positioned to manage through the economic headwinds and to leverage its strengths in riding what we believe is a secular growth opportunity in residential real estate in Saudi Arabia in the few years to come. To that end, we have added to our talent pool with the appointments of Kolood Algofaily as Chief Operating Officer and Nawfal Al Khudhairy as Head of Business Development.

> **"With Dar Al Arkan on solid foundations, we approach 2021 with confidence and optimism. We have weathered together the challenges of 2020 and will persevere in delivering exceptional service to our customers and superior value to our shareholders."**

I want to express my gratitude and appreciation to our customers, shareholders, management, staff, and my colleagues on the Board for their continued support.

With Dar Al Arkan on solid foundations, we approach 2021 with confidence and optimism. We have weathered together the challenges of 2020 and will persevere in delivering exceptional service to our customers and superior value to our shareholders.

strategic review

MESSAGE OF THE CEO

Anand Raheja
Chief Executive Officer

The year 2020 will be remembered as the year of Covid-19, an unprecedented situation for our business and our people, as it was for the world.

Our overarching priority was to safeguard the integrity of our operations while protecting our employees, supporting our customers and continuing to deliver against our strategic objectives. We proactively adopted best practices and government guidelines in combatting the spread of the virus, implementing measures in our properties and offices to promote sanitization, use of masks and social distancing. We also upgraded our remote working protocols and the cyber security stance of the business as we adapted to the evolving conditions.

The pandemic had a severe impact on our revenue levels for the year in our main land development business segment as the levels of market activity suffered through the lockdown and uncertainty surrounding the fiscal treatment.

While the biggest impact of the lockdown was on our tenants in Al Qasr Mall, as they could no longer be open for business. The firm took a conscious decision to support our customers in their time of need and offered them a rental holiday for the duration of the closure, the impact of which was a onetime, non-recurring SAR 16 million absorbed in the 2nd quarter of 2020.

Furthermore, I am particularly proud of the progress we made in our projects division. Against a very difficult and disrupted operating environment, we made great strides. All residential plots in Shams Ar Riyadh were launched to great reception with booked sales levels reaching 84% of total plots. Importantly, we awarded the infrastructure and construction contracts, and we now have six contractors on site and works are progressing to plan. Similarly, our "I Love Florence" tower in Dubai accelerated construction in the second half of the year and now we are at second floor slab level post the three levels of podium. This progress bodes well for revenue recognition going forward as we expect to start realizing revenues from our Projects division in 2021.

Recognising that the market disruption brought on by the pandemic will offer us opportunities to acquire attractive assets at distressed valuations, as well as present us with partnership opportunities with asset owners looking for capital injection as well as development and marketing expertise, we formalised our Business development efforts under new leadership and structure. This allowed us to create a funnel for potential opportunities and to engage with the market on building our future project pipeline.

"I am particularly proud of the progress we made in our projects division. Against a very difficult and disrupted operating environment, we made great strides."

As we look back on 2020 with a sense of relief that the worst is probably behind us. We remain vigilant and cautious in our approach to capital deployment. Our strong liquidity position guarantees our ability to withstand any further economic shocks while offering us the financial muscle to take advantage of attractive opportunities and support our execution program for current projects.

I take this opportunity to extend my heartfelt thanks to our Board of Directors for their continued support and guidance and to the management team and staff at Dar Al Arkan for their dedication and hard work in unparalleled circumstances.

CORPORATE STRATEGIC PILLARS

Dar Al Arkan operates across the real estate value chain, leveraging a long history and deep experience in the Saudi market.

Activate and monetise our substantial land bank to generate superior returns

- Dar Al Arkan has an enviable land bank with a national footprint.
- We aim to leverage our land bank and maximize returns across cycle.

Our focus is to serve our Saudi clientele at home and abroad

- Dar Al Arkan aims to be the real estate partner of choice for Saudi investors, be it for their primary residence in the Kingdom, or further afield as they seek second homes or attractive investment returns.

Innovation is at the core of our identity

- In product, delivering aspirational living environments.
- In distribution, applying cutting edge marketing tactics.
- In structures, providing comprehensive financial solutions.

Maintain a disciplined and efficient capital structure supported by excellent relationships with the debt capital markets

- A conservatively run balance sheet with emphasis on liquidity and flexibility.
- Dar Al Arkan has pioneered the corporate debt capital markets in Saudi and continues its partnership with global Sukuk investors to support access to growth capital.

Attract and retain top talent

- Nothing can be achieved without the work ethic and dedication of our loyal employees.
- We are strong believers in the value of human capital in the development of both Dar al Arkan and Saudi.
- We are supportive of female inclusion in the work force and are proud of our track record.
- We offer career progression and training opportunities to our employees.

Maximise shareholder value

- As a leading publically listed company on the Saudi Stock Exchange, Dar Al Arkan strives to deliver superior returns to its shareholders, while not losing sight of stakeholders at large.

OUR OPERATING MODEL

Land Transactions

- Acquire large strategic plots with a long term vision of the direction and trends of Urban development in key cities.
- Add value to raw land through infrastructure works and master planning before farming out to brokers and smaller developers.

Asset management portfolio

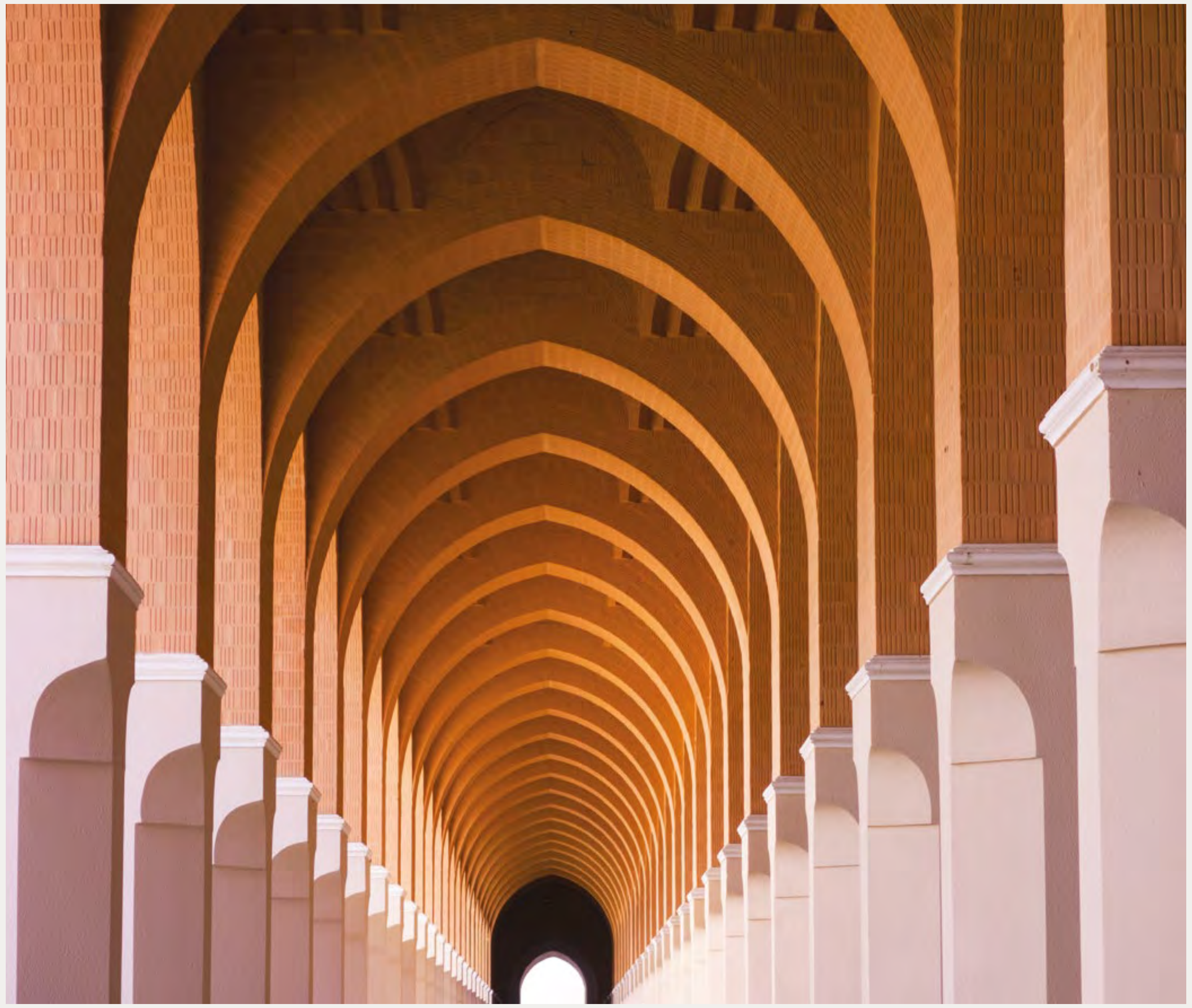
- Manage Al Qasr Mall in Riyadh our flagship retail asset.
- Manage the commercial, office and retail assets in the mixed use Parisiana development.
- Manage the residential rentals in Al Azizia Towers in Mecca.

Development portfolio

- Acquire or earmark plots for development.
- Design: Concept, master plan and detailed.
- Build: Project manage contractors with emphasis on cost control and quality standards.
- Sell: Direct sales force as well as agency sales to deliver an off-plan sales model.

GROWTH AVENUES

Dar Al Arkan's Business Development department leads the way in building a pipeline of opportunities that feeds the project launch engine.



In 2020, we laid down the framework and structure for a systematic approach to identifying, targeting and closing on new growth initiatives.

Identifying opportunities

- Create a Business Development Data base.
- List idle lands (white lands) with joint development potential.
- Highlight stalled projects that require an injection of capital and / or development and marketing know-how.
- Mine the Etimad Platform for visibility and access to all major opportunities with key Government entities.
- Generate a master tracker of suitable lands for development.

Targeting high quality projects

- Research and rank identified high quality projects.
- Engage with organizations and investors to understand their needs and build relationships.
- Articulate the best project structure to follow per initiative: JDA, BOT, BLT, DBOT, DFOT.
- Build strategic business plans associated with target projects, underpinned by a thorough understanding of the local real estate market.

Closing on top targets

- Develop negotiation strategies based on a detailed evaluation of risks and returns.
- Articulate and present commercial terms and legal framework.
- Negotiate with counterparties.
- Close agreements.

our assets

PROJECTS

Dar Al Arkan is a leader in the development of integrated master plan communities delivering mixed-use, residential, commercial and retail developments.

SHAMS AR RIYADH

Strategically located in the growing northwest of Riyadh and overlooking the picturesque Wadi Hanifa. Shams Ar Riyadh is one of the largest mixed-use development projects ever initiated in the Kingdom. Initial footprint comprised a total area of approximately five million square meters divided into five zones. After selling zone 2 which is estimated at 1.8 million square meters to SABIC for their employee housing, Dar Al Arkan is currently developing the remaining 4 zones, an area over 3.1 million square meters.

Shams Ar Riyadh targets the growing and underserved middle to upper-middle segments of the market. The project offers complete integrated living including residential, commercial, hospitality, entertainment, sporting, health care and educational components. The master plan paid particular attention to creating a harmonious interaction with the Wadi, bringing magnificent panoramic views and many public paths to enjoy this unique location.

The project's infrastructure works are ongoing as well as the building of the show villas which are expected to be completed by the end of 2021.

PROJECTS

SHAMS AR RIYADH

MIRABILIA

In 2018, Shams Ar Riyadh zone (4B) (Mirabilia) was launched, including 208 villa and mansion plots, in collaboration with Roberto Cavalli for interior designs. Selling directly off-plan to end buyers, under the WAFI program, by the end of 2020 circa 94% of this phase has been sold.

GIOVANE

In the third quarter of 2020, Shams Ar Riyadh zone (1) (Giovane) was launched, including 771 units. Selling directly off-plan to end buyers, under the WAFI program, by the end of 2020 circa 76% of this phase has been sold.

VERDE

In the first quarter of 2020, Shams Ar Riyadh zone (4A) (Verde) was launched, including 406 villa and mansion plots, in collaboration with Versace for interior designs. Selling directly off-plan to end buyers, under the WAFI program, by the end of 2020 circa 93% of this phase has been sold.

LA CASA

In the second quarter of 2020, Shams Ar Riyadh zone (3) (La Casa) was launched, including 491 units. Selling directly off-plan to end buyers, under the WAFI program, by the end of 2020 circa 82% of this phase has been sold.

PALAZZO

In the last quarter of 2020, Shams Ar Riyadh zone (5) (Palazzo) was launched, including 189 units. Selling directly off-plan to end buyers, under the WAFI program, by the end of 2020 circa 78% of this phase has been sold.

PROJECTS

SHAMS AL AROUS

Shams Al Arous is a master-planned community project strategically located east of downtown Jeddah, on the extension of Palestine Road, a 5 lane highway and a major commercial artery in Jeddah.

The project area is approx. 863,000 sqm divided into 4 zones and complete with a retail strip to offer amenities and serve the community. The project comprises a diverse range of residential and mixed-use buildings. The residential areas of the project are characterized by contemporary designs, both diverse and harmonious, with multiple areas of apartments and villas.

In 2020, infrastructure work had been updated and is to be completed in 2021. Work includes internal roads and sidewalks, electrical power and water supply networks, a drainage system, street lighting and landscaping.

Revised plans were undertaken in preparation for launching off-plan sales in 2021.

NAEEM AL JIWAR

Naeem Al Jiwar, a development located in southwest Medina, within the Al Haram zone boundaries. The project is on a total land area of 2.2 million square meters.

The project planning is complete and divided into plots. The company had finished the construction of 499 villas.

In 2020, the project is now completed and the units available for sale are fully sold out.

PROJECTS

QASR KHOZAM

KHOZAM REAL ESTATE
DEVELOPMENT COMPANY

"Khozam" is a Joint Venture limited liability company, between Jeddah Development and Urban Regeneration Company (49% equity owner) and Dar Al Arkan Projects Company (51% equity owner a fully owned subsidiary of Dar Al Arkan) and headquartered in Jeddah.

The main purpose of the Company is to develop the Qasr Khozam area and surrounding neighborhoods and is considered the largest project for regenerating and developing slum areas in Jeddah. The initiative enjoyed generous patronage from the late Custodian of the two Holy Mosques, King Abdullah bin Abdulaziz, who laid the foundation stone for this ambitious development project. In 2020 new design concepts and studies were completed in preparation for the project relaunch. Infrastructure and construction works are planned for 2021.

SIDRA, BOSNIA

Dar Al Arkan is the master developer of a project land area of 500k sqm in Bosnia which is considered to be the largest single real estate development project in the country. The site is located in Ravne, Vareš, 38 km outside Sarajevo, Capital of Bosnia and Herzegovina. The project aims to provide 443 plots of low-rise residential holiday villas, commercial area, hotel and recreational facilities. Municipal and federal approval for the development have been obtained. The project is targeting Saudi and GCC nationals seeking summer holiday properties in Europe.

PROJECTS

I LOVE FLORENCE, UAE

I Love Florence Tower (ILF), Dar Al Arkan's first international real estate development project was launched, in December 2017, with a Gross Development Value of SAR 817 million (USD 218 million) and comprises 455 units. The ILF tower, features bespoke apartments with **luxury interiors designed by Roberto Cavalli**, with water views and access on the Dubai Canal, and easy proximity to major attractions. In 2018, off-plan sales were launched in Saudi, with encouraging results delivering 73% of total sales to Saudi investors in our home market as of end 2020. We launched 37% of total units and sold 81% of that by the end of December 2020.

A new Contractor was hired and commenced the works in July 2020. The concrete work has been completed for the Ground Floor, 1st Podium, 2nd Podium, 3rd Podium, 1st Floor slab and the work is ongoing.

PROPERTY MANAGEMENT AND LEASING

AL QASR MALL

The state-of-the-art Al Qasr Mall provides an important retail and entertainment destination for the residents of Central, Southern and Western Riyadh. With a total area of 220,000 square meters, that has family entertainment and food and beverage outlets, as well as a 15 screen cinema and a bowling alley. The Mall offers visitors a modern, spacious environment that provides a convenient location for shopping, socializing and family leisure. By the end of 2020, the occupancy rate reached 91%. New tenants in 2020 included: Dunkin Donuts, Baskin Robbins, SEPHORA, Giordano, The Beauty Secrets, Cotton Home, Cardial, The Royal Crepe Cafe and Doctor M.

2019 saw a surge in footfall following the opening of VOX Multiplex Cinema, where circa 7.5 million shoppers visited the mall a 50% growth on the preceding year. Although 2020 suffered the impact of the lockdowns and prolonged pandemic, footfall did recover towards the end of the year.

MAJOR BRANDS IN QASR MALL

PROPERTY MANAGEMENT AND LEASING

AZIZIA TOWERS “DAR AL MASHAER”

The Azizia Towers in Mecca are located in the heart of the Azizia quarter on Prince Sultan Street, only 5.5km from the Holy Mosque and 3km from the Mashaer Mina. The Azizia Towers comprise 7 Towers, including 3 Towers at the front overlooking Prince Sultan Street each with 12 residential floors and 4 Towers at the rear, each with 11 residential floors.

Azizia Towers has a total of 5,841 square meters comprising a total built up area of 76,486 square meters, which includes 285 apartments and six showrooms with a total area of 41,720 square meters. Current tenants are expected to handover the property in March 2021 which will then undergo a full renovation.

PARISIANA

Parisiana leasing community is one of Dar Al Arkan’s most important developments in the Kingdom. Situated in Al-Swaidi district of Riyadh its modern, spacious layout is proving to be popular with middle-income families, Government and corporate institutions. Its location adjacent to King Fahad Road provides good access to key Government agencies and the central business district. By 31 December 2020, 93% of units available for leasing were leased.

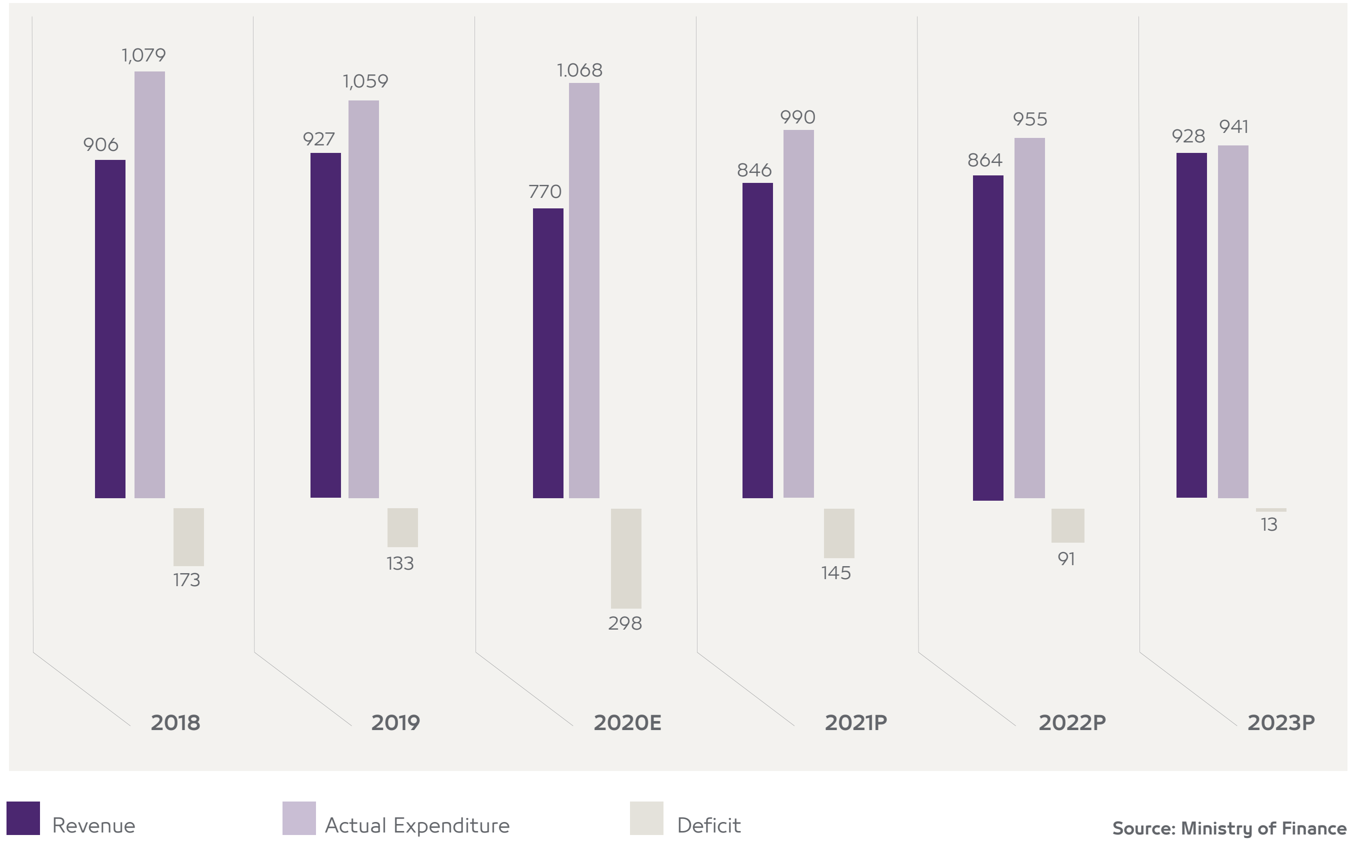
Saudi real estate a bright future

In 2020, the Covid-19 pandemic disrupted the global economy. Saudi was not immune to its impact. In fact, the precipitous drop in the oil price as demand shrunk with global lockdowns and reduced economic activity compounded the Government's budget deficit as it grabbled with supporting the economy.

The Saudi government increased Value Added Tax (VAT) from 5% to 15% effective July 1 2020 to shore-up the fiscal deficit, which created volatility in the economy with forward buying of goods and services ahead of the effective date and the inevitable hangover thereafter.

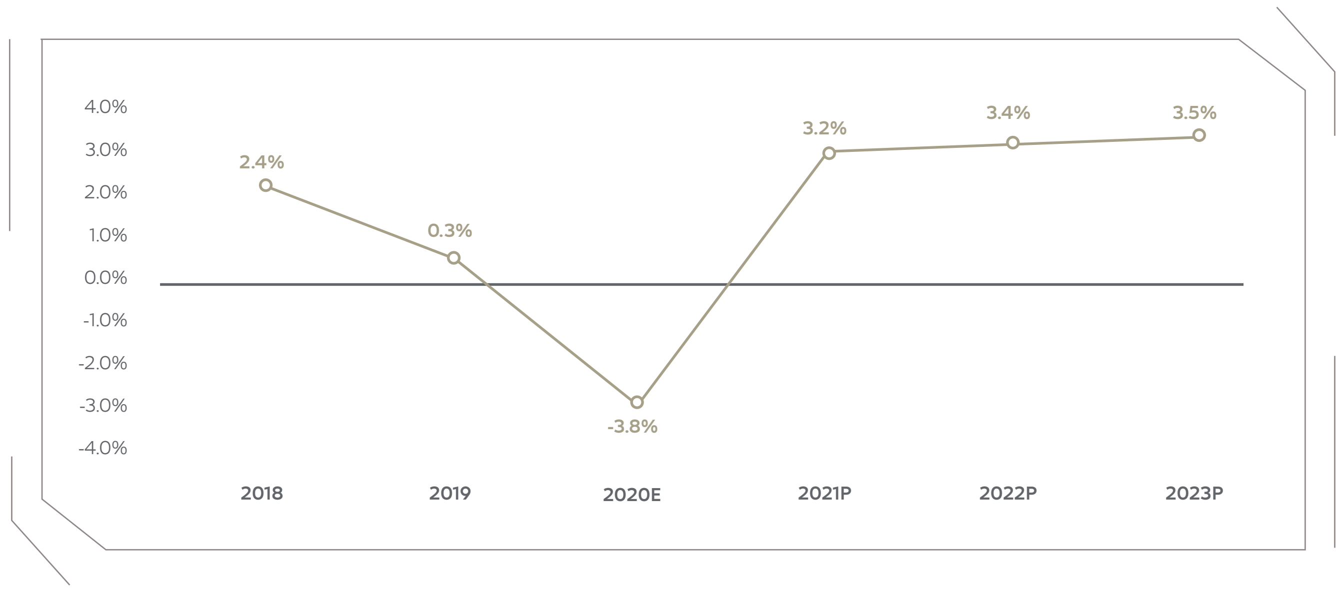
The real estate sector was no exception; however, the Government reversed its decision concerning VAT for the sector in October 2020 and scrapped the 15% VAT on real estate, replacing it with a 5% real estate transaction fee, restoring in the process the original taxation level.

Fiscal Performance (SAR Bn)



Source: Ministry of Finance

GDP Growth



Source: Ministry of Finance

Beyond the short-term impact of the pandemic, the Saudi real estate market represents a secular growth opportunity for residential development in particular.

The drivers of growth are anchored in four pillars:

1- Positive Demographic Trends

2- Structural Supply Deficit

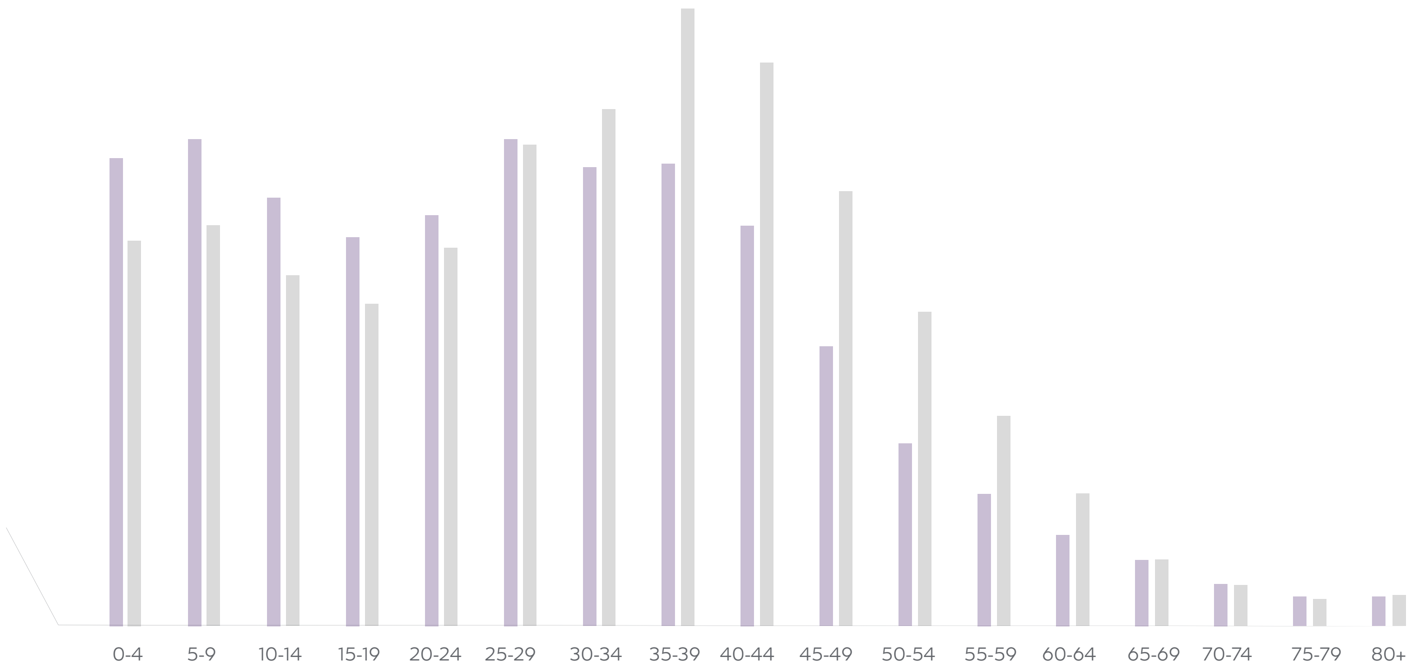
3- Relatively Low Home Ownership Penetration

4- Government Focus and Support

1- Positive Demographic Trends

A young and growing population with circa 60% below the age of 30 and a total population expected to reach 37.4 million by 2024. The evolving labor mobility and societal norms are increasing demand for housing stock for young professionals and newly formed families.

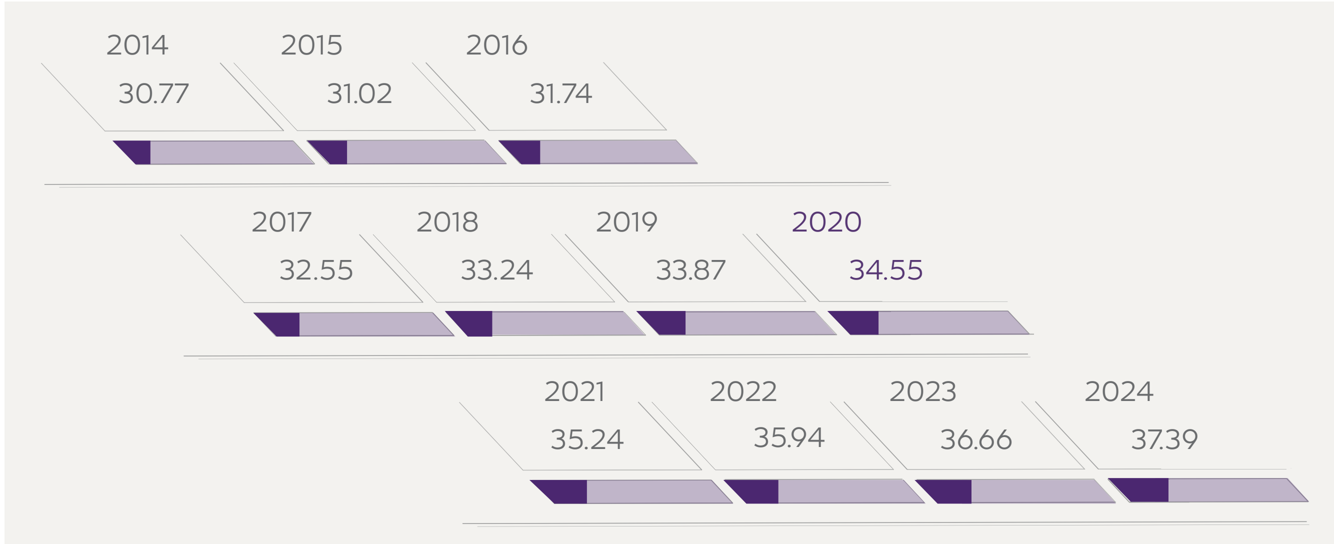
Total Population (Age/Gender)



Female Male

Source: General Authority of statistics

Population (mn)



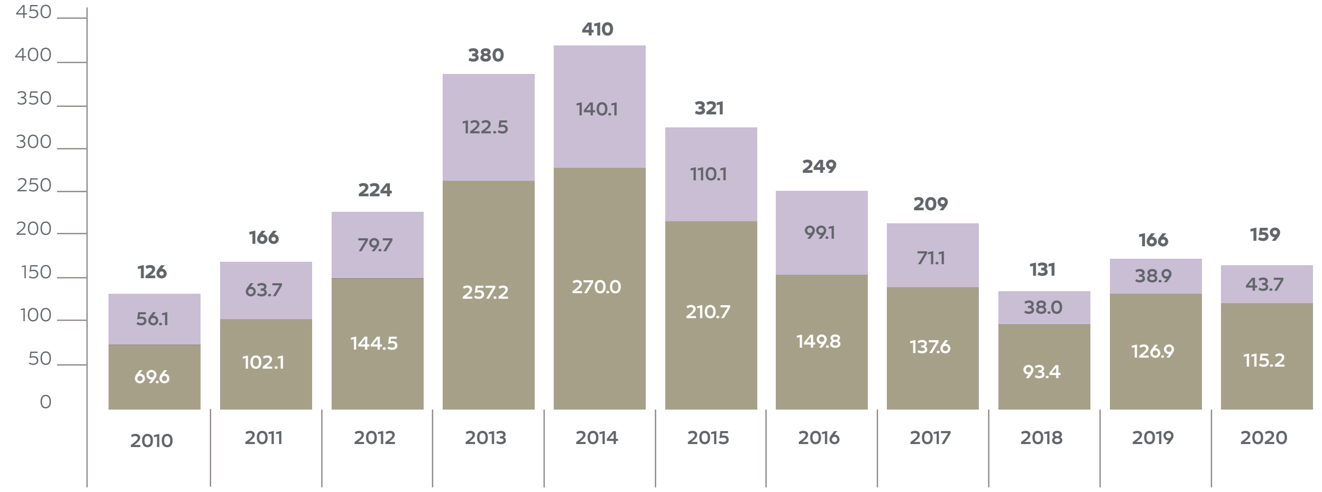
Source: IMF Forecast

2- Structural Supply Deficit

The housing market in Saudi has gone through a phase of anemic supply, expanding the gap between underlying demand for housing and available supply. The Ministry of Housing estimates suggest that cumulative unmet demand stands at 1.45 Million units.

After the market turned in 2019 following a 5 years downturn and delivering SAR 166 billion in transaction values, 2020 was expected to build on that momentum. The pandemic certainly changed the outlook; however, delivering circa SAR 160 billion is encouraging.

Value of Real Estate Transactions in KSA (SAR bn)

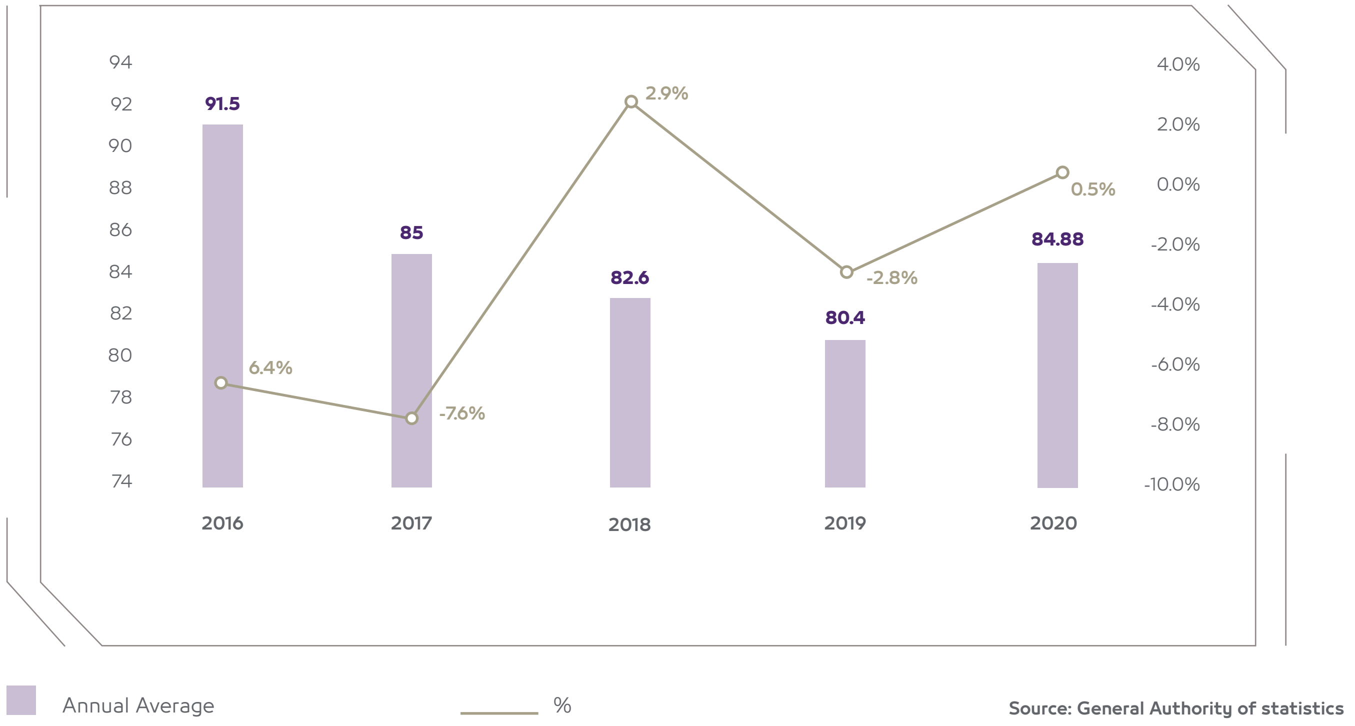


Residential Commercial

Source: Ministry of Justice

Pent-up demand remained solid and returned swiftly to the market as the fiscal uncertainty cleared. As such pricing trends year over year were positive and the Real Estate Price Index grew by over 0.5%.

KSA Real Estate Price Index



Source: General Authority of statistics

3- Relatively Low Home Ownership Penetration

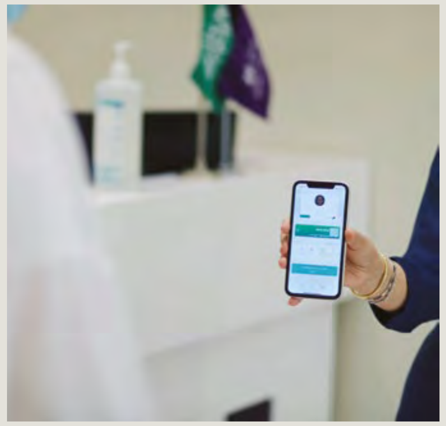
By the end of 2020, home ownership penetration is estimated to have reached 60% for Saudis, a relatively low penetration compared to countries with similarly sized economies. As Saudis pursue home ownership, the demand for housing units will expand.

4- Government Focus and Support

However, the Government through its Ministry of housing 2020 strategic objectives as well as its 2030 Vision program, which has Housing as one of the pillars, is actively supporting the sector. The regulatory framework for both facilitating development permitting as well as introducing new structures like Off-Plan selling are improving the operating environment for developers. More directly, the action on VAT exemption had a positive impact on the sector.

Moreover, direct investment initiatives are promoting growth in the sector, an example being, the ambitious plans for the capital Riyadh growing into an industrial and economic hub for the kingdom and the region with its population expected to reach 15 million inhabitants.

covid-19 response



Employee Wellbeing

Dar Al Arkan proactively embraced best corporate practices and government guidelines in combatting the spread of Covid-19.

- Promoting awareness was the cornerstone of the adopted preventative strategy.
  - » Multiple circulars with guidance on precautionary measures were periodically distributed.
  - » Visible guidelines reminder posters and roll-ups were strategically positioned throughout the Headquarters and satellite offices.
  - » Floor markers were used to highlight social distancing measures.

- Operations were altered to promote the new guidelines and reduce risk of potential for spread of infection.
  - » Appointed dedicated personnel to perform temperature checks and inspect PPE at all facility entrances.
  - » Installed sanitizer dispensers on all floors, especially by high usage frequency locations.
  - » Provided PPE (masks and gloves) to all employees.
  - » Reconfigured catering services on premise, moved to disposable kitchenware, and bottled water.
  - » Conducted regular deep clean sanitization of work premises.
  - » Restricted group meetings and visitors to specific areas and encouraged conducting business meetings over remote conference facilities.
  - » Followed a rigorous contact tracing process for employees exposed to or infected with the virus.

- Arranged a partnership between our Insurance provider and a major pharmacy group to provide home delivery of employee prescriptions, thus limiting the need to physically attend healthcare facilities, especially during lockdown.

Business continuity

While Dar Al Arkan continuously invests in information technology solutions to promote automation, security and connectivity to enhance business operations, the pandemic accelerated the adoption of certain solutions and introduced new specific challenges. Our teams worked tirelessly to make sure we did not face disruptions.

- Implemented a rotating work schedule and enabled working from home solutions to maintain operational functionality at the peak of virus spread and during lockdown.
- Enabled mobility through softphone, to attend fixed line calls while working from home.
- Deployed remote interactivity solutions to allow our sales team to maintain an uninterrupted marketing and lead management process with direct access to their clients during lockdown and working from home situations. Those included, Chatbots, video chats, WhatsApp Chat, and email and SMS campaigns.
- Upgraded internal processes to support a remote working environment such as the implementation of electronic document signature and the full automation of the Lease Offer process.
- Supported the increased use of video conferencing in every day operations.
- With the increase remote access, we hardened the IT security posture of the organization by implementing proactive monitoring and management solutions to ensure mitigation of cyber security threats and shore up system vulnerabilities. Thus guaranteeing high availability, data protection and adherence to governance and compliance requirements.

Business Impact

Dar Al Arkan faced both direct and indirect impacts from the pandemic. As the lockdown was imposed, our Al Qasr mall operations were directly impacted through a two months' closure of the facility. In support of our tenants, we offered a rent holiday for the duration of the closure which had a SAR 16 million non-recurring impact on our leasing revenues fully absorbed in our second quarter 2020 reported results.

More generally, the economic slowdown compounded by the government's fiscal changes and outlook uncertainty, conspired to negatively impact our top line revenues as we recorded an overall drop in revenue of 44% versus 2019.

Post Covid-19 outlook

Despite the disruptive force of the global pandemic and its local impact on the Saudi economy and the real estate sector, the positive fundamentals of the Saudi residential real estate market remained robust. Levels of demand continued to positively surprise and pricing trends were positive, which bodes well for a post pandemic recovery.

Going forward, and as the economic environment normalizes we are expecting a return to growth for the real estate sector in line with our earlier projections for a multi-year upcycle.

ESG at Dar Al Arkan

At Dar Al Arkan, we recognize the importance of sustainability as a guiding principle for our business strategy.

We strongly believe that corporates carry a responsibility towards all stakeholders; employees, investors, the community in which they operate and our planet. Such a belief is not in conflict with delivering superior shareholder returns, in fact, it is only by approaching business through a sustainability lens that we could position Dar Al Arkan for success.

Moreover, Dar Al Arkan has been recognized as a key player in delivering against the Saudi VISION 2030, especially as it pertains to the real estate sector.

VISION 2030 aims

> **"...to create a vibrant society in which all citizens can fulfill their dreams, hopes and ambitions to succeed in a thriving economy."**

Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud,
Deputy Premier Minister and Minister of Defense

Dar Al Arkan can only be successful by:

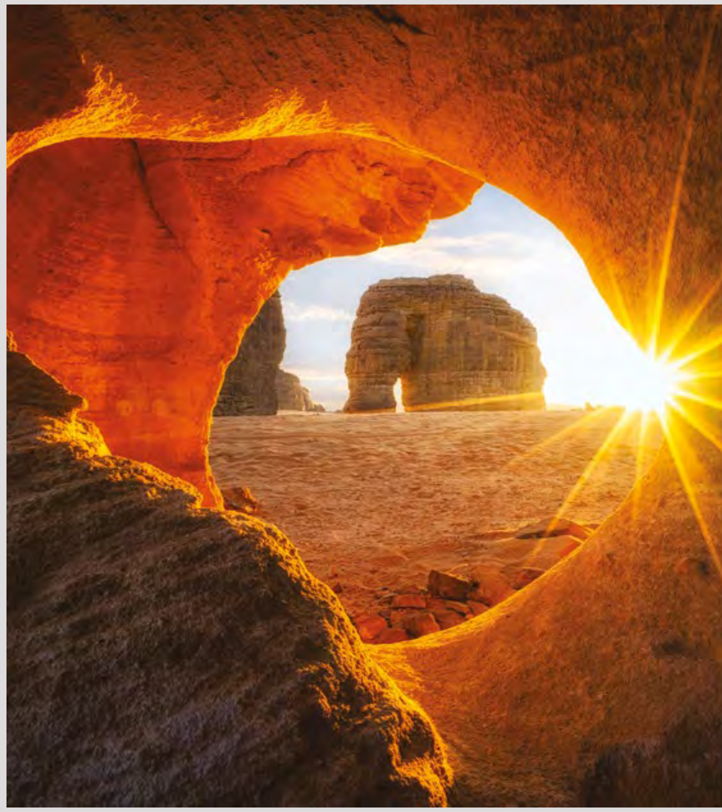
- Attracting and retaining top talent.
- Applying new environmental technology in its masterplan communities.
- Contributing to the Saudi economy and societal development as the standard bearer for the real estate sector.
- Adopting best practices in corporate governance to enhance the trust and support of the local and global investment community.

In 2020, against the backdrop of a global pandemic, ESG issues have gained in focus. Below we highlight corporate activities that directly pertain to the ESG pillars:

OUR PLANET

Our design philosophy at Dar Al Arkan is anchored in our Saudi landscape and environment; as such, we are particularly attuned to issues around resource conservation and sustainability, in particular:

- Using grey water technologies to irrigate public areas.
- Minimizing of building waste e.g. refilling and compacting using the same excavated earth.
- Adopting indigenous flora in landscaping to not only promote the preservation of the local environment but also to benefit from its lower water consumption and longer life.
- Deploying smart home technologies to maximize utility usage efficiency.
- Integrating local material content and traditional design concepts to create stronger harmony with the environment, longevity and sustainability.
- Establishing and communicating policies around energy conservation in our corporate headquarters and satellite offices.
  E.g. evening devices and lights off policies.



OUR ETHICS

Dar Al Arkan strives to be a model corporate citizen and goes beyond what regulatory requirements are set by the Capital Markets Authority (CMA) and / or Tadawul, The Saudi Exchange, which you can examine under a dedicated section in the report. Dar Al Arkan is the standard-bearer for the real estate sector and one of 39 Saudi companies included in the MSCI Emerging Markets index, as well as a regular issuer of debt instruments on the global capital markets; as such, we take our responsibilities around governance, transparency and disclosure to the financial community very seriously.

Dar Al Arkan has a strong internal audit department that reports functionally directly to the Audit Committee of the Board of Directors. The internal audit department conducts regular periodic checks of operations and finance as well as ad hoc spot checks to test for the robustness of our internal processes and adherence to the best practices in governance, transparency and corruption prevention.

Moreover, we have a clear Whistle Blower policy, encouraging employees to report any instance of malpractice and protecting them as they do, to combat corruption.

OUR PEOPLE AND COMMUNITY

Our employees are the assets on which the business is built. At Dar Al Arkan we are strong supporters of diversity in the work force and thrive to contribute to the development and upskilling of the Saudi society.

- Supporting Saudisation and seeking to employ and develop Saudi talent. With 53% of employees Saudi nationals, the Ministry of Human Resources and Social Development recognizes Dar Al Arkan as a High Green employer.
- Encouraging women in senior management roles. Our COO, Head of HR, Head of Sales and lessing and Mall Manger are all accomplished Saudi women, who not only bring diversity to the senior management team, but also a great deal of expertise and knowledge.
- Championing women in the work force. Dar Al Arkan has one of the highest female representations in the work force in the Kingdom with 30% of employees female. Dar Al Arkan also offers a number of benefits around childcare to support working mothers.
- Offering internship opportunities through a partnership with King Saud University, where successful candidates would spend up to 14 weeks in a rotation program at Dar Al Arkan.

financial review

MESSAGE OF THE CFO

Philip Antony
Chief Financial Officer

We have behind us a truly extraordinary year. The Covid-19 global pandemic undermined economic growth in every market and imposed a new set of challenges for businesses to surmount.

It was no different for us; our top line revenues suffered through lockdowns, market uncertainty and taxation changes. Total revenues came in at SAR 1.945 billion, a 44% drop versus 2019. We took a charge of SAR 16 million in rental holidays in Al Qasr Mall in the 2nd quarter to support our tenants during the lockdown period. On an underlying basis, we remain encouraged by a growth of circa 5% in our rental income.

However, the strong market fundamentals supported the pricing dynamics and gross margins grew by 47% to 34.7% in the year. In spite of the pandemic, there were a number of operational bright spots. Specifically, in our projects portfolio with construction accelerating in "I Love Florence" (ILFT), our Dubai project, as well as new zone launches and continued infrastructure development in Shams Ar Riyadh.

With certainty returning to the market, we successfully replenished our investment in land portfolio and turned net investors. We closed our 2020 Balance Sheet with SAR 4.9 billion in cash and cash equivalents a SAR 0.98 billion increase over the previous year.

During the year, Dar raised SAR 2.5 billion of long term cost effective funding from the local and international Debt Capital Markets to fuel its planned growth. The funding strategy remained prudent carefully matching funding availability with our projects' investment cycle of five to seven years. The Company continues to strengthen its relationship with the Global Debt Capital markets and 2020 witnessed the issuance of the 11th Sukuk since 2007. The Company raised US$ 400 million (SAR 1.50 billion) in February 2020, in an oversubscribed Sukuk issue maturing in 2027, our first 7-year issuance. We also continued to diversify our sources of funding with local and regional bilateral bank facilities now accounting for 28% of total debt.

Furthermore, the strong liquidity position allowed Dar Al Arkan to meets all its financial commitments on time from cash reserves, thus signaling to the markets the Company's confidence in its financial position and outlook.

> **The strong market fundamentals supported the pricing dynamics and gross margins grew by 47% to 34.7% in the year**

Looking forward, we strongly believe in the secular growth opportunity in residential real estate development in the Kingdom and have the financial resources as well as the operational expertise to deliver on our growth aspirations.

BUSINESS ACTIVITIES

Dar Al-Arkan Real Estate Development Company is a Saudi Joint Stock Company which started its business in 1994 under Commercial Registration No. 1010160195 and converted to a joint stock Company in 2005 under Ministerial Decree No. 1021 dated 10/06/1426 HD, corresponding to 17/07/2005.

The Company operates mainly in the Kingdom of Saudi Arabia (KSA), and its main activity is real estate development. The Company established many limited liability companies in order to facilitate the achievement of its strategic objectives of diversifying the investment portfolio and its income sources.

THE COMPANY'S SUBSIDIARIES

Company Name	Capital (SAR)	Principal Activity	Country of Incorporation	Ownership %	Commercial Registration	Entity Type
Dar Al-Arkan Properties (Real Estate) Company	5,000,000,000	Development and acquisition of the commercial and residential properties. Management, operations and maintenance of residential and commercial buildings and public facilities	Kingdom Of Saudi Arabia	100%	1010254063	Closed Joint Stock Company
Dar Al-Arkan Commercial Investment Company	500,000	Purchase and acquisition, lease of real estate investments	Kingdom Of Saudi Arabia	100%	1010247585	Limited Liability Company
Dar Al-Arkan Sukuk Company	500,000	Real estate investment and development	Kingdom Of Saudi Arabia	100%	1010256421	Limited Liability Company
Sukuk Al-Arkan Company	500,000	Management, maintenance and development of real estate, purchase of land and general contracting	Kingdom Of Saudi Arabia	100%	1010274407	Limited Liability Company
Dar Sukuk International Company	500,000	Real Estate investments and development	Kingdom Of Saudi Arabia	100%	1010275448	Limited Liability Company
Dar Al-Arkan Contracting Company	100,000	Real Estate investments and developments, leasing and property management	Kingdom Of Saudi Arabia	100%	1010521509	Limited Liability Company
Maaqel Real Estate Company	500,000	Real Estate, leasing and property management	Kingdom Of Saudi Arabia	100%	1010600708	Limited Liability Company
Bawadi For Real Estate Company	500,000	General Construction, purchase & sale, acquisition, leasing of real estate and property management	Kingdom Of Saudi Arabia	100%	1010600710	Limited Liability Company
Al-Enteshar Real Estate Company	500,000	Sale & Purchase, acquisition, leasing of real estate and property management	Kingdom Of Saudi Arabia	100%	1010600709	Limited Liability Company
Iktifa Real Estate Company	500,000	Sale & Purchase, acquisition, leasing of real estate and property management	Kingdom Of Saudi Arabia	100%	1010600711	Limited Liability Company

INVESTMENTS IN SUBSIDIARY COMPANIES AS DEFINED BY THE RULES OF THE CAPITAL MARKET AUTHORITY ("CMA")

Company Name	Capital (SAR)	Principal Activity	Country of Incorporation	Ownership %	Commercial Registration	Entity Type
Khozam Real Estate Development Company	540,287,280	Real estate development (development of Qasr Khozam Project)	Kingdom Of Saudi Arabia	51%	4030193909	Limited Liability Company
Alkhair Capital	1,000,000,000	Undertaking underwriting, management, arrangement and financial advisory services (Except for the implementation of marginal deals)	Kingdom Of Saudi Arabia	42.2%	1010264915	Closed Joint Stock Company
First Brokerage Properties Company	50,000	Management and rental of real estate owned or leased, brokers activities and real estate management activities for a commission	Kingdom Of Saudi Arabia	67%	1010635634	Limited Liability Company

COMPANY ACTIVIES AND CONTRIBUTION TO REVENUE

Most of the Company's operations are carried out within the Kingdom of Saudi Arabia. I Love Florence Tower (ILFT) is the Company's flagship project outside KSA located in Dubai. During the year, the Company did not recognize revenue in its income statement from ILFT as of 31 December 2020 since it has not completed the milestone as per IFRS 15. Dar Al-Arkan operates as three distinct divisions, as follows:

PROPERTIES DEVELOPMENT

Properties development which includes:

- Land Projects: Basic infrastructure development of undeveloped land
- Residential and Commercial Projects: the development of residential and commercial projects and the sale of units on such projects.

During the fiscal year 2020 this division accounted for SAR 1,812 million, representing 93.19% of the Company's total revenues, as compared to SAR 3,350 million, or 95.94% in 2019.

Off-plan sales of the properties in KSA and Dubai are in progress. For the year 2020, the Company did not recognize any revenue from Off-plan sales of the projects.

ASSET MANAGEMENT

Property Management and Leasing is Dar Al-Arkan's second largest division. Leasing and management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities for generating recurring revenues. In 2020, revenues generated in Asset Management amounted to SAR 132 million and represented 6.81% of Group revenues as compared to SAR 142 million and 4.06 % of total revenues in 2019.

INVESTMENTS

These represent strategic investments in companies that the management believes are complementary to the Group's real estate development operations. During 2020, the Company earned SAR 19 million as share of net profits from associates and joint ventures.

During 2020, no other material elements influenced the Company's net income. However, the Company earned SAR 143 million representing as profit from short term Islamic Deposits.

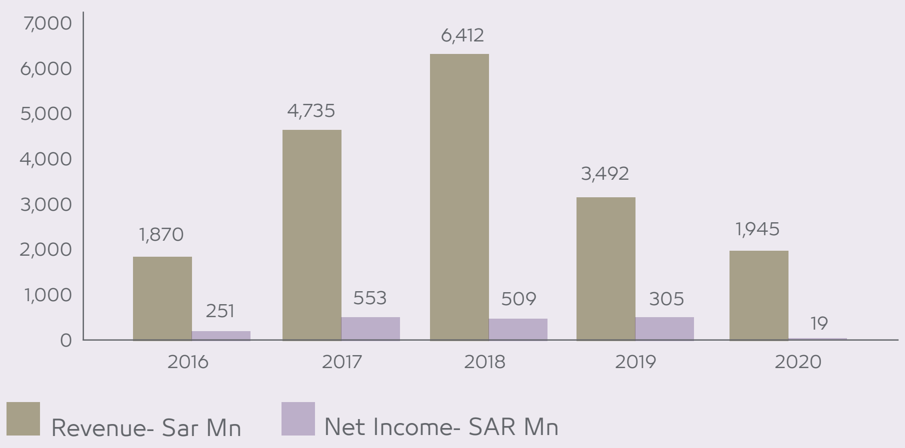
FINANCIAL HIGHLIGHTS

INCOME STATEMENT FOR THE FISCAL YEARS 2016 TO 2020

The following table illustrates the main income statement items for the last five years. This should be read in conjunction with the audited consolidated financial statements and accompanying notes.

Item (in SAR '000s)	2016	2017	2018	2019	2020
Revenues	1,870,229	4,734,682	6,412,265	3,491,856	1,944,854
Cost of revenue	(1,078,286)	(3,620,672)	(5,355,114)	(2,667,416)	(1,270,204)
Gross profit	791,943	1,114,010	1,057,151	824,440	674,650
Principal activities expenses	(160,028)	(162,002)	(168,942)	(174,787)	(171,332)
Net income from principal activities	631,915	952,008	888,209	649,653	503,318
Financing expense	(385,984)	(441,523)	(511,652)	(478,418)	(645,883)
Net other Income	12,846	57,326	145,298	141,154	161,944
Net income before Zakat provisions	258,777	567,811	521,855	312,389	19,379
Zakat provisions	(7,943)	(14,443)	(13,046)	(7,799)	(585)
Net income	250,834	553,368	508,810	304,590	18,794
Earnings per share	0.23	0.51	0.47	0.28	0.02

Total revenue and net income changes from 2016 to 2020



THE BALANCE SHEET FOR THE FISCAL YEARS 2016 TO 2020

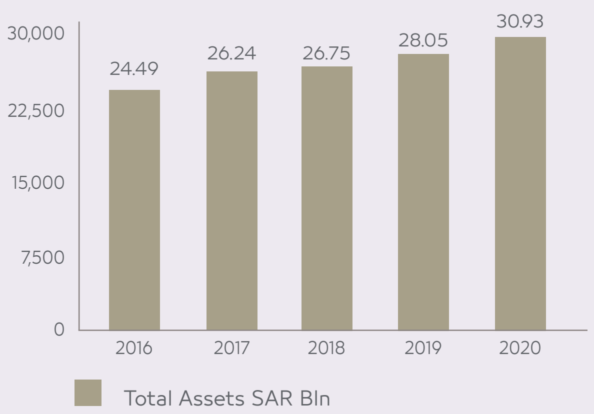
The following table illustrates the main balance sheet items for the last five years. This should be read in conjunction with the audited consolidated financial statements and accompanying notes.

Item (in SAR '000s)	2016	2017	2018	2019	2020
Current Asset	3,482,391	7,315,666	9,993,697	8,266,496	9,922,698
Non-current Asset	21,003,383	18,925,639	16,753,620	19,782,733	21,011,918
Total Asset	24,485,774	26,241,305	26,747,317	28,049,229	30,934,616
Current Liabilities	1,392,210	2,765,460	3,291,806	1,691,387	2,105,722
Non-Current Liabilities	4,916,057	4,742,295	4,750,178	7,348,354	9,802,714
Total Liabilities	6,308,267	7,507,755	8,041,984	9,039,741	11,908,436
Capital	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,003,383	1,058,720	1,109,601	1,140,016	1,141,895
Retained earnings	6,374,124	6,874,830	6,795,732	7,069,472	7,084,285
Total shareholders' Equity*	18,177,507	18,733,550	18,705,333	19,009,488	19,026,180
Total Liabilities and Shareholders' Equity	24,485,774	26,241,305	26,747,317	28,049,229	30,934,616
Book value per share*	16.83	17.35	17.32	17.60	17.62

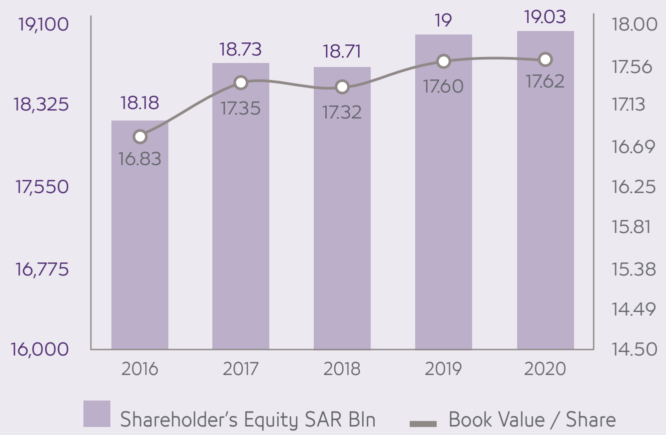
*Book value per share is calculated by dividing the total shareholders' equity by total number of outstanding shares at the end of each fiscal year.

Note: The Company discloses that for commercial and practical reasons, it registers some of its real estate assets under the name of representatives or agents, in return for official documents against them evidencing the Company's ownership of these assets. This procedure is adopted by some local Saudi banks and companies. However, the Company only undertook this course of action following legal consultation that assures the soundness of this practice, which preserves the Company's shareholders' rights.

Total assets from 2016 to 2020



Shareholders' equity and share book value changes from 2016 to 2020



GEOGRAPHICAL ANALYSIS OF COMPANY REVENUE FOR THE YEAR 2020

Location (in SAR '000s)	Development Properties	Lease	Residential Developments	Total
Western-Region	-	33,826	117,250	151,076
Central Region	-	98,649	69,153	167,802
Eastern	-	-	-	-
Investment	1,625,976	-	-	1,625,976
Total	**1,625,976**	**132,475**	**186,403**	**1,944,854**

The Company relies on diversification of its revenue from leasing of properties, sale of investments in lands and properties within and outside of Kingdome of Saudi Arabia. It is important to note that significant portion of revenue derives from the sale of investments in lands, which are not geographically based investments.

RESULTS OF OPERATIONS

The following table compares the results of operations for 2020 and 2019:

Item (in SAR '000s)	2020	2019	Change	Change%
Revenues	1,944,854	3,491,856	(1,547,002)	-44.30%
Cost of revenue	(1,270,204)	(2,667,416)	(1,397,212)	-52.38%
Gross Profit	674,650	824,440	(149,790)	-18.17%
Principal activities expenses	(171,332)	(174,787)	(3,455)	-1.98%
Net income from principal activities	503,318	649,653	(146,335)	-22.53%
Financing expense	(645,883)	(478,418)	167,465	35.00%
Net other Income	161,944	141,154	20,790	14.73%
Net Income before Zakat provisions	19,379	312,389	(293,010)	-93.80%
Zakat provision	(585)	(7,799)	(7,214)	-92.50%
Net income	18,794	304,590	(285,796)	-93.83%
Earnings Per Share	0.02	0.28	-0.26	-92.86%

REVENUES

Total revenues were SAR 1,945 million in 2020, compared to SAR 3,492 million in 2019, representing a decrease of 44.30%. The decrease is mainly attributable to decrease in land sales worth 1,626 million against 3,209 million in 2019. Though, there was an increase in sale of residential properties of SAR 186 million in 2020 against SAR 142 million in 2019. Rental revenues decreased by 6.47% to reach 132 million during 2020 compared to SAR 142 million in 2019 mainly due to Covid lockdown discounts provided in commercial leasing.

COST OF REVENUE

Cost of revenue accounted for SAR 1,270 million in 2020 representing 65.31% of total revenues compared to SAR 2,667 million in 2019 representing 76.39% of total revenues. The decrease is mainly due to the higher gross margins earned in land sales revenue in 2020 compared to 2019.

SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Selling and general administrative expenses were SAR 171 million in 2020 compared to SAR 175 million in 2019, representing a marginal decrease of 1.98%. This marginal decrease is primarily due to administrative control initiatives taken by the company.

FINANCING CHARGES

Net financing charges were SAR 646 million in 2020 as compared to SAR 478 million in 2019, representing an increase of 35.00% amounting to SAR 167 million. This increase is primarily attributable to the issuance of Sukuks of SAR 2.25 billion (US$ 600 million) in October 2019 and SAR 1.50 billion (US$ 400 million) in February 2020.

NET OTHER INCOME

Net other income was SAR 162 million in 2020 compared to SAR 141 million in 2019. The increase is due to increase in income from associates and profit from short term Islamic Deposits during 2020.

NET INCOME

Net income in 2020 was SAR 19 million compared to SAR 305 million in 2019. Earnings per share were SAR 0.02 in 2020 as compared to SAR 0.28 in 2019. In conclusion, the decrease in net income was driven by lower sales volume of land and increase in finance cost despite an increase of 11.08% in total gross margin.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2020, the Company had cash and cash equivalents of SAR 4,932 million as compared to SAR 3,950 million as at 31 December 2019.

CASH FLOW

The following table sets out the Company's cash flows for the financial periods 2018 to 2020:

Items (in SAR Million)	2018	2019	2020
Funds (used in)/ from Operating Activities	2,160	(1,743)	(1,462)
Funds (used in)/ from Investing Activities	(20)	(330)	(4)
Funds from/ (used in) Financing Activities	(396)	1,119	2,448

Net cash used in operations was SAR 1,462 million in 2020 compared to net cash used of SAR 1,743 million in 2019. The decrease in cash out flow is primarily related to lower cash used in replenishment of development properties as compared to last year.
Addtional investment in associate has led to an overall outflow of cash in investing activities of SAR 0.46 million in 2020 as compared to SAR 320 million in 2019.
Net cash from financing activities of SAR 2,448 million was primarily due to issuance of sukuk of SAR 1,500 million and murabaha of SAR 1,383 million, despite repayment of murabaha of SAR 411 million during the year.

PROJECTS AND INVESTMENT EXPENDITURES

The Company's priorities for expenditure on projects include building integrated residential developments and developing of existing lands. During 2020, the Company spent SAR 2,495 million primarily on replenishing the investment in land and developing projects for retail sales.

DEBT PROGRAM

FINANCING STRATEGY

Dar Al-Arkan's financial strategy primarily focused on matching its project investment cycle of five to seven years with the maturity profile of its funding. The company continues to diversify its sources of funding to avoid any dependency on any specific source. The company has successfully implemented its funding strategy, which is evident from the issuance of a series of local and international Shariah-compliant Sukuks. Since 2007 the company has issued 11 Sukuks.
Total funds raised from Sukuk amounted to SAR 20.25 billion of which SAR 12.75 billion has already been repaid by the end of 2020, whereas the remaining SAR 7.50 billion maturity is spread till 2027. Pursuant to its diversification strategy, the company has successfully established good relationship with local, regional and international banks where it has achieved medium and long term financing mostly through Islamic Murabaha or Ijarah facilities for general corporate purposes. The total outstanding amount at the end of 2020 was SAR 2.8 billion.

The ratio of Islamic Sukuks to total financing amount at the end of 2020 was approximately 73%, whereas the Murabahas and Ijaras with local and regional banks were 27%. In future, the Company's financing strategy will continue to focus on further diversifying its sources of funding including, acquiring project specific financing from local and regional banks, as well as exploring International Sukuk markets. In addition, the company started selling off-plan which is another source of funding directly from customers. The Company has also built up a portfolio of rental properties, where these income-generating assets can be offered as security for loans from financial institutions. Given the excellent track record, it will continue maintaining this relationship by accessing the domestic and international capital markets.

INDEBTEDNESS

All financing taken by the Company locally or internationally is Shariah-compliant and follow the structures of Ijarah and Murabaha transaction. Below is a description of the repayments and outstanding debts at the end of 2020.

INDEBTEDNESS DETAILS & INCREASE IN FINANCING AT THE END OF 2020

During 2020, the Company raised new Sukuk financing of SAR 1.50 billion. It also raised new Murabaha facility from local Banks of SAR 1,383 million and repaid some of the local bilateral Murabaha facilities amounting to SAR 411 million.

Bilateral Islamic Facilities	Settlement	Original Amount	Starting Date	Opening Balance	Addition During 2020	Paid During 2020	Closing Balance	Maturity
Murabaha: Local Bank Alinma	Yearly settlement	300	Q2 2015	242	33	18	257	Q2 2027
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q2 2020	0	600	0	600	Q2 2024
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q3 2020	0	600	0	600	Q2 2025
Murabaha: Local Bank Saudi Arab Investment Bank	Half Yearly settlement	150	Q1 2020	0	150	0	150	Q3 2024
Murabaha: Local Bank Saudi Arab Investment Bank	Half yearly settlement	800	Q2 2019	780	0	61	719	Q2 2029
Murabaha: Local Bank Muscat	Bullet	400	Q4 2016	400	0	0	400	Q2 2023
Murabaha: Local Bank Muscat	Quarterly settlement	175	Q1 2015	96	0	17	79	Q3 2022
Syndicated bilateral with group of banks	Quarterly settlemen	1,427	Q3 2015	315	0	315	0	Q1 2020
Gross Total		**4,452**		**1,832**	**1,383**	**411**	**2,804**	

The ratio of gross debt to capitalization stood at 35.2% at the end of 2020.The closing cash balance increased to SAR 4.93 billion at the end of 2020 compared to SAR 3.95 billion at the end of 2019. The increase was mainly due to new borrowing facilities.

Summary of the Murabaha and Sukuk due maturities

Maturity	SAR millions		
	Murabaha	Sukuk	Outstanding balance
2021	436	0	436
2022	486	1,875	2,361
2023	845	1,875	2,720
2024	369	0	369
2025 onwards	668	3,750	4,418
Total	**2,804**	**7,500**	**10,304**

Statement of payments due

Item	2018	2019	2019
	(Thousands)	(Thousands)	(Thousands)
Payables	440,472	270,045	260,221
Accrued expenses	121,480	147,782	209,444
Indemnity	19,011	21,614	21,323
Dividend payable	35,443	35,423	35,381
Others	99,098	156,132	537,679
Total	**715,504**	**630,996**	**1,064,048**

PREPARATION OF FINANCIAL STATEMENTS

In accordance with the compliance requirements of CMA and SOCPA, the Company follows International Financial Reporting Standards (IFRS) to report its statutory financials from 01 January 2017.

RELATED PARTY TRANSACTIONS

During 2020, the company entered into transactions with related parties. The company followed the same procedures as with other non-related parties. These transactions are not limited to certain duration and are presented in the Annual General Meeting (AGM) to obtain the required approvals for the current year and the coming one. Following is a brief of these transactions:

SAUDI HOME LOANS "SHL"

In the ordinary course of business, the company enters into transactions with Saudi Home Loans "SHL". SHL is a related party and the company owns a 15% equity stake equivalent to 15 million shares out of 100 million issued shares. The common Board member between SHL and Dar Al-Arkan is Mr. Yousef Bin Abdullah Al Shelash. These transactions were meant for financing Dar Al-Arkan's customers to buy homes. The choice of SHL as a home loan provider is at the discretion of the customer. During 2020, there were sales of SAR 15.5 million which were paid off by SHL during the year and no outstanding balance to be paid or settled with this related party. This transaction was approved during the AGM on June 2, 2020.

KHOZAM REAL ESTATE DEVELOPMENT COMPANY (KDC)

Khozam Real Estate Development Company (KDC) is a related party as the company has 51% equity holding equivalent to 27,554,651 shares out of total equity of 54,028,728 shares and also has no common member in Board of Managers who is in the Board of Directors of Dar Al-Arkan. The management of KDC requested that it invests its excess cash balance (opening balance as at beginning of 2020 amounted to SAR 189.40 million) with Dar Al-Arkan at a nominal interest repayable on demand to facilitate its working capital needs. During 2020 the company repaid SAR 0.616 million of this amount in advance; together with interest of SAR 0.96 million for its operational requirements. The closing balance as at 31 December 2020 was SAR 189.74 million. This transaction was approved during the AGM on June 2, 2020 and the company can repay the amount and close the balance anytime.

ALKHAIR CAPITAL

Alkhair Capital is a related party as the company owns 42.2% equity stake equivalent to 42,200,000 equity shares out of total issued 100 million equity shares of SAR 10 each, and has common Board Members with Dar Al-Arkan. The common Board Members are Mr. Yousef Bin Abdullah Al Shelash and Mr. Majed Bin Abdul Rahman Al Qasim. Alkhair Capital Saudia and AlKhair Capital Dubai were engaged to provide secondment services to international subsidiaries, general financial advices, representing and filing the documents on behalf of the company with the Capital Market Authority (CMA), Tadawul and other statutory bodies. This party also provides Shariah compliance reviews and management support for the international Sukuk issuances, the partial pre-closure of the Sukuk and leasing/ subleasing of properties. During 2020, SAR 1.5 million was paid to AlKhair Capital Dubai in full towards expenses charged SAR 1.5 million for the year. This transaction was approved during the AGM on June 2, 2020. During 2020, there were no other transactions and no outstanding balance to be paid or settled with Alkhair Capital Saudia.

DIVIDEND POLICY

Article (45) of the Company's Articles of Association stipulates that: The Company's net profits shall be distributed after deduction of all general expenses and other expenses including Zakat in the following manner:

Ten percent (10%) of net profits shall be set aside to build up a statutory reserve. The Ordinary General Assembly may stop or reduce the rate of this deduction for reserve if the statutory reserve has reached an amount equal to thirty percent (30%) of the paid capital.

The Ordinary General Assembly may, according to the recommendation of the BoD, set aside an equal rate of net profits to build up an agreed-upon reserve to be allotted for certain purpose(s).

The Ordinary General Assembly may resolve to build up other reserves to the extent that benefits the company or allows for the distribution of fixed profits to shareholders. The Ordinary General Assembly may also cut from the net profits certain amounts to be used for the establishment of social institutions for company employees or for assisting the existing institutions.

The Ordinary General Assembly may decide, according to the recommendation of the BoD, to distribute from the remainder an amount of 1% of the paid capital to the shareholders.

The Ordinary General Assembly may decide, according to the recommendation of the BoD, to distribute the remainder to the shareholders as additional share of profits at the rate recommended by the BoD and approved by the General Assembly.

The company may make periodical distribution of profits to its shareholders: half-yearly or quarterly in accordance with the rules and instructions issued by the Capital Market Authority. This is done in the light of a delegation issued by the Ordinary General Assembly to the BoD to distribute profits at stages. This delegation shall be annually renewed.

investor relations review

SHARE PERFORMANCE

Dar Al Arkan equity shares are listed on the Saudi Stock Exchange (Tadawul).

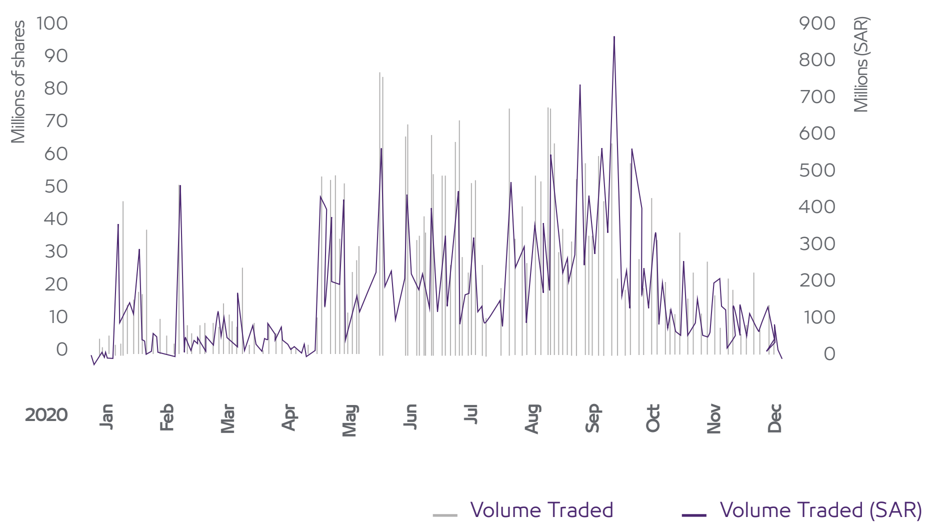
AS AT 31ST DECEMBER 2020, DAR AL ARKAN HAD SAR 10,800 MILLION IN AUTHORIZED CAPITAL AND ISSUED 1,080 MILLION SHARES.

Share data performance (SAR)

End of the Year (31 Dec 2020)	8.66	52 Weeks Low (11 May 2020)	6.68
Year Ago	11.00	Absolute annual performance	-21.27%
3 Year Ago	14.40	Annual Relative performance vs Sector	-17.67%
52 Weeks High (1 Jan 2020)	11.14	Annual Relative performance vs TASI	-24.85%

Dar Al Arkan Share Price (SAR)

Dar Al Arkan Volume & Value Traded



INVESTOR COMMUNICATION

At Dar Al Arkan, Investor Relations takes the lead in communicating with the financial community, in particular, institutional shareholders, retail investors and covering analysts on the sell-side both for the equity and debt. Anchored in the regulatory requirements of the Capital Markets Authority (CMA) and international best practice, the IR department strives to provide optimal disclosures and transparency to shareholders through regular and periodic contact.

In February 2020, Dar Al Arkan conducted a Deal Road Show for a 7-year US$ 400 million Reg S Sukuk issuance that was very well received. The Road Show included in person meetings in Riyadh, Abu Dhabi, Dubai and London with Asia meetings conducted virtually due to pandemic.

Investor Relations Activities

Throughout the rest of the year, Dar Al Arkan conducted a number of investor events over and above the regulatory requirement of issuing quarterly results and hosting the corresponding Conference Call. The uncertainly around the impact of the global pandemic and the related sharp correction in the oil price, drove an increased level of interest from the investment community. These events included participation in broker conferences, and non-deal road shows, as well as ad-hoc on demand meetings and calls with both retail, institutional investors and sell-side analysts. Total investor touch points reached 603 in 2020.

Category	Number
Conference attended	6
Non deal road shows	4
Deal road shows - Sukuk	4
Institutional meetings	166

Category	Number
Retail Investors contacts	197
Institutional inversors met	406
Total	**603**

In addition, the IR Department organized the first ever online General Assembly meeting, in compliance with the regulatory instructions given the global pandemic, which was held on Jun 2, 2020. The IR department maintained the IR section of the corporate website and the IR App for Dar Al Arkan to offer investors multiple channels to access up to date financial information and stock price data.

AWARDS AND ACHIEVEMENTS

Bonds, Loans & Sukuk AWARDS

Dar Al Arkan won the **Sub-Investment Grade Corporate Bond/Sukuk Deal of the Year Award** from the GFC Media Group in February 2020.

The issuance of US$ fixed rate "RegS" Senior Unsecured Sukuk back in October 2019. was recognized as the year's most innovative and ground-breaking deals from Sovereign, Corporate and Financial Institution issuers and borrowers in the Middle East.

INVESTOR INFORMATION

An integral part of the IR department's role, is to offer the executive management and the board of director's regular feedback from investors, as well as compile and distribute regular trading and shareholdings reports.

Below tables are information about investors in terms of type and nationality of investors as of 31 December 2020:

Type of investors

Category	Shares	%	Count
Institutions	179,981,077	16.66%	339
Retail	900,018,923	83.34%	103,118
Total	**1,080,000,000**	**100%**	**103,457**

Nationality of investors

Nationality	Number of Investors	Qty Share	% of total
Saudis	101,231	896,479,314	83.01%
GCC	160	63,809,791	5.91%
Foreign	2,066	119,710,895	11.08%
Total	**103,457**	**1,080,000,000**	**100%**

SHARHOLDER REGISTER REQUESTS

During 2020 Dar Al Arkan requested its shoulder register from Tadawul 22 times as per the below schedule:

Number	Request Date	Reason for request
1	19-Jan-20	Company procedures
2	21-Jan-20	Company procedures
3	23-Jan-20	Company procedures
4	30-Jan-20	Company procedures
5	03-Mar-20	Company procedures
6	11-Mar-20	Company procedures
7	05-Apr-20	Company procedures
8	10-May-20	Company procedures
9	19-May-20	Company procedures
10	02-Jun-20	The General Assembly Meeting
11	03-Jun-20	Company procedures
12	11-Jun-20	Company procedures
13	18-Jun-20	Company procedures
14	02-Jul-20	Company procedures
15	16-Jul-20	Company procedures
16	13-Aug-20	Company procedures
17	20-Aug-20	Company procedures
18	03-Sep-20	Company procedures
19	14-Sep-20	Company procedures
20	12-Nov-20	Company procedures
21	17-Dec-20	Company procedures
22	31-Dec-20	Company procedures

corporate governance

BOARD OF DIRECTORS

The current board of directors of the company, which was elected on 23/6/2019 until 22/6/2022, consists of 6 members, including (4) non-executive members and (2) independent members.

Yousef Bin Abdullah Al Shelash

CHAIRMAN - Non-executive member

Yousef Bin Abdullah Al Shelash is the founder and chairman of Dar Al Arkan Real Estate Development Company. His experience lays in strategic planning and is a foremost real estate development expert. In addition, he is also the Chairman of Saudi Home Loans "SHL", Chairman of Alkhair Capital Saudi Arabia and the Chairman of Alkhair Bank – Bahrain. Mr. Al Shelash holds a Bachelor degree in Islamic Law from Imam Muhammad bin Saud Islamic University, and a Diploma of Studies in Procedural Systems from the Institute of Management.

Majed Bin Abdulrahman Al Qasem

VICE CHAIRMAN - Non-executive member

Majed Bin Abdulrahman Al Qasem is the vice chairman of the board of Dar Al Arkan Real Estate Development Company. His experience lays in Strategic Planning, real estate development, investment management and control, as well as regulations, risk and governance. Mr. Al Qasem is also the vice chairman of the board of Alkhair Bank – Bahrain, and of Alkhair Capital Saudi Arabia. Mr. Al Qasem holds a Bachelor degree in Islamic Law from Imam Muhammad bin Saud Islamic University, and a Diploma of Studies in Procedural Systems from the Higher Judicial Institute.

Tariq Bin Mohamed Al Jarallah

Non-executive member

Tariq Bin Mohamed Al Jarallah is a member of the board of Dar Al Arkan Real Estate Development Company. His expertise is in land planning and valuation of real estate. He holds a Diploma of Accounting and Business Sciences.

Ahmed Bin Mohammed Al Dahash

Independent Member

Ahmed Bin Mohammed Al Dahash is a member of the board of Dar Al Arkan Real Estate Development Company. He has a General Education and his expertise is in real estate development, property management and investment and real estate valuation.

BOARD OF DIRECTORS

Hethloul Bin Saleh Al Hethloul

Non-executive member

Hethloul Bin Saleh Al Hethloul is a member of the board of Dar Al Arkan Real Estate Development Company. He was also a member of the board of Alkhair Bank – Bahrain from 2004 till 2016, and a member of the board of Alkhair Capital Saudi Arabia (until 10 October 2018) and formerly served as a member of the board of Saudi Home Loans "SHL" (until 17 April 2018). His expertise is in real estate investment, finance and valuation, and strategic planning. Mr. Al Hethloul holds a Diploma of Business Science.

Dr. Abdulaziz Bin Ibrahim Al Mana

Independent Member

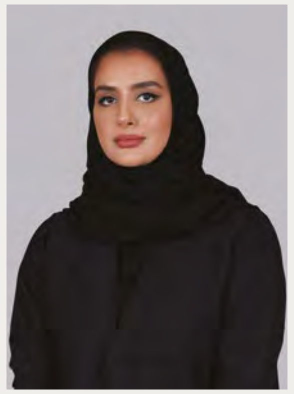
Dr. Abdulaziz Bin Ibrahim Al Mana is a member of the board of Dar Al Arkan Real Estate Development Company. Dr. Al Mana was also a University Professor, a former Minister of State in the Council of Ministers, and a former member of the Shoura Council. His expertise is in strategic planning, engineering education and management systems. Dr. Al Mana holds several degrees including: a Bachelor degree in Civil Engineering, University of Santa Clara, USA, a Master of and Ph.D. in Civil Engineering from Stanford University, USA.

EXECUTIVE TEAM

Anand Raheja

CEO

Mr. Raheja was promoted to the role of Chief Executive Officer (CEO) in June 2019. He previously held the position of Chief Financial Officer (CFO) from May 2018 till June 2019. He has more than 30 years of experience working with the largest real estate companies and accounting & auditing firms in the Middle East, US, UK and India. Mr. Raheja holds a Master's degree in Finance from New York University.



Kolood Algofaily

COO

Ms. Algofaily has joined Dar Al Arkan as a Chief Operations Officer in October 2020. She has 17 years of experience in Retail Banking and Wealth Management where she held the position of Regional Head for retail banking at SAAB in the central region. Ms. Algofaily holds a bachelor's degree in English Literature from Qassim University and a master's degree in Business Administration from the University of Leicester, UK. Ms. Algofaily will be in charge of driving our ambitious strategic operation's plan across the kingdom.

Philip Antony

CFO

Mr. Antony has been with Dar Al-Arkan since 2008 and got promoted several times and currently holds the position of Chief Financial Officer (CFO) since June 2019. He leads several key company initiatives, including Sukuk issuances and syndicated financing programs. Prior to joining Dar Al-Arkan, Mr. Antony spent 16 years in senior corporate finance and management roles with Sonata Software Ltd and Novell Inc. Mr. Antony holds a Master of Commerce degree from University of Calicut and is a Chartered Accountant from India.

EXECUTIVE TEAM

Mohammed Al Ghamdi

Head of Govt. Affairs and Advisor to the Chairman

Mr. Al Ghamdi joined Dar Al Arkan in 2016 and is head of Govt. Affairs as well as advisor to the Chairman of the Board of Directors. His career spans 28 years during which he held many administrative and executive leadership positions in both the public and private sectors. Mr. Al Ghamdi is also a member of many executive committees in the areas of Tourism, Athletics and Real Estate Development. Mr. Al Ghamdi studied at the college of Sharia at Al-Imam University and the College of Commerce, Department of Business Administration.

Nawfal Al Khudhairy

Head of Business Development

Mr. Khudhairy joined Dar Al-Arkan in June 2020. Mr. Al Khudhairy holds a Post Graduate diploma in Landscape Architecture and BA (Hons) Landscape Architecture, HND Civil Engineering from Kingston University, London. He has approximately 15 years of experience in the field of Infrastructure, Landscape Architecture and General Management. Prior to joining Dar Al Arkan, Mr. Khudhairy was Vice President of Strategy and Growth for AECOM, Riyadh, KSA.

Hazem Abdallah

Head of Investor Relations

Mr. Abdallah is the Head of Investor Relations at Dar Al Arkan since May 2018. An international senior executive with 28 years of experience in the UK and the GCC. Mr. Abdallah spent over 16 years in capital markets, the last four with particular emphasis on Investor Relations in the Real Estate development sector in the gulf having led the Investor Relations effort at DAMAC Properties in Dubai. Mr. Abdallah started his career with P&G in the UAE before moving to London to be a Strategy consultant with Monitor Deloitte, then building the European division of Sanford C Bernstein the US Equity Research house. Mr. Abdallah holds a BA in Economics from AUB and an MBA from INSEAD.

Rasha Al Othaim

Head of Sales

Ms. Al Othaim joined Dar Al-Arkan in September 2017, Where she grew through the ranks to lead the sales operation. Ms. Al Othaim holds a Bachelor degree from the college of Advocacy and Media at Al Imam Muhammad Bin Saud Islamic University. She has approximately 7 years of experience in Sales. Prior to joining Dar Al Arkan, Ms. Al Othaim was Team Leader in Al Awwal Bank.

Laura Al Ruzaig

Head of HR and Admin

Ms. Al Ruzaig has joined Dar Al Arkan as a HR & Admin Director in July 2020. She has 11 years of experience in the Human Resources field. She leads the organization to deliver on its strategic staffing plans, compensation & benefits, training and development and performance management. Prior to joining Dar Al Arkan, Ms. Al Ruzaig held senior roles in HR & Support Services with Kingdom Holding Company. She holds a Bachelor degree in Business Administration and Management from Arab Open University in Riyadh.

INTEREST IN CONTRACTUAL SECURITIES AND UNDERWRITING RIGHTS

Below table is a description of any interest in contractual securities and underwriting rights of Board Directors and senior executives and their relatives in the shares or debt instruments of the company or any of its affiliates and any change in that interest or rights during 2020.

Name	Capacity	No. of shares at the beginning of the year	(%) Ownership at the beginning of the year	Change in the No. of shares during the year	Total Shares at the end of the year	(%) Ownership at the end of the year	Nature of ownership
Yousef Bin Abdullah Al Shelash	Chairman	—	—	—	—	—	
Majed Bin Abdulrahman Al Qasem	Vice Chaiman	3,844,550	0.36%	-3,844,550	0	0	Direct
		639,154	0.06%	—	639,154	0.06%	Direct owned by direct relative
Tariq Bin Mohamed Al Jarallah	Board Member	3,000	0.00%	—	3,000	0.00%	Direct
Ahmed Bin Mohammed Al Dahash	Board Member	2,005,104	0.19%	—	2,005,104	0.19%	Direct
Hethloul Bin Saleh Al Hethoul	Board Member	8,028,850	0.74%	-8,028,482	368	0.00%	Direct
Dr.Abdulaziz Bin Ibrahim Al Mana	Board Member	2,000	0.00%	—	2,000	0.00%	Direct
Anand Raheja	CEO	—	—	—	—	0.00%	
Philip Antony	CFO	—	—	—	—	0.00%	
TOTAL		14,522,658	1.35%	11,873,032	2,649,626	0.25%	

MEETINGS ATTENDANCE

Meetings Attendance

Board meetings register

#	Name	Meeting Register				Total
		24 March	31 May	19 August	8 November	
1	Yousef Bin Abdullah Al Shelash	✓	✓	✓	✓	4
2	Majed Bin Abdulrahman Al Qasem	✓	✓	✓	✓	4
3	Tariq Bin Mohamed Al Jarallah	✓	✓	✓	✓	4
4	Ahmed Bin Mohammed Al Dahash	✓	✓	✓	✓	4
5	Hethloul Bin Saleh Al Hethloul	✓	✓	✓	✓	4
6	Dr. Abdulaziz Bin Ibrahim Al Mana	✓	✓	✓	✓	4

Board members General Assembly meetings register 2020

Name	2 June
Yousef Bin Abdullah Al Shelash	✓
Majed Bin Abdulrahman Al Qasem	✓
Tariq Bin Mohamed Al Jarallah	✓
Ahmed Bin Mohammed Al Dahash	✗
Hethloul Bin Saleh Al Hethloul	✓
Dr. Abdulaziz Bin Ibrahim Al Mana	✓

BOARD COMMITTEES

The Board comprises of three committees: Executive, Audit and Remuneration and Nominations committee. The formation of these committees is as follows:

THE EXECUTIVE COMMITTEE

The Executive Committee formation and meetings register:

#	Name	Capacity	Meeting Register				Total
			25 March	17 June	27 September	22 December	
1	Yousef Bin Abdullah Al Shelash	Chaiman	✓	✓	✓	✓	4
2	Tariq Bin Mohamed Al Jarallah	Member	✓	✓	✓	✓	4
3	Majed Bin Abdulrahman Al Qasem	Member	✓	✓	✓	✓	4

Commitee's responsibilities and meetings

Monitor the implementation of the company strategy by overseeing the preparation of the operational plan and its execution; reviewing and recommending the adoption of the Company's values, vision, goals and policies that determine the Company's overall approach to executing its work; pursue financing plans in respect of the Company's investments; provide advice in relation to investments including engagement in mergers and/or joint ventures and/or obtaining project financing; ensure the proper allocation of resources for the implementation of the Company's strategies such as funding and human resources; develop criteria for selecting the CEO and senior executive staff and to supervising its implementation; review and evaluate the performance of the executive management in achieving the goals of the set strategy and monitor and address any deviations; review and evaluate strategic plans quarterly in order to evaluate and modify them when necessary according to market information and internal requirements; review periodic reports presented by the executive management that relate to the Company's competitive situation and organizational, financial and technical factors which may affect the Company's long term strategy; approve the recommendations of the human resources policies and regulations; review and evaluate the market and competitive trends put forward by the executive management and assess its impact on the Company's business. The Committee held four meetings during 2020.

THE AUDIT COMMITTEE

The Audit Committee formation and meetings register:

#	Name	Capacity	Meeting Register					Total
			24 March	27 April	31 May	18 August	8 November	
1	Tariq Bin Mohamed Al Jarallah	Chaiman	✓	✓	✓	✓	✓	5
2	Hethloul Bin Saleh Al Hethloul	Member	✓	✓	✓	✓	✓	5
3	Majed Bin Abdulrahman Al Qasem	Member	✓	✓	✓	✓	✓	5
4	Ahmed Bin Mohammed Al Dahash	Member	✓	✓	✓	✓	✓	5

Commitee's responsibilities and meetings

The Audit Committee shall have the authority to monitor the Company's business and shall have the right to inspect its records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management. The Committee shall perform its approved functions, including supervising the Company's internal audit department and studying its report, in addition to the study of annual financial statements, the accounting policies adopted and recommending the Board of Directors to nominate the auditors of the company, and study the reports of the regulatory authorities on the company's compliance with the regulations and instructions.

The employees of the company are able to provide their observations regarding any violation of the company's internal regulations. The committee submits its recommendations to the board of directors. The Audit committee held five meetings during 2020. The committee discussed and reviewed the quarterly and annual financial statements for the year 2020 and passed their recommendations to the Board.

THE NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations and Remuneration Committee formation and meetings register:

#	Name	Capacity	Meeting Register		Total
			24 March	24 September	
1	Dr. Abdulaziz Bin Ibrahim Al Mana	Chaiman	✓	✓	2
2	Yousef Bin Abdullah Al Shelash	Member	✓	✓	2
3	Majed Bin Abdulrahman Al Qasem	Member	✓	✓	2

Commitee's responsibilities and meetings

Recommendation to the Board of Directors to nominate for Board membership; annual review of the appropriate skills needed for Board membership and provide a description of the capabilities and qualifications required for membership; review the structure of the Board of Directors and recommend necessary changes identifying weaknesses and strengths; confirm periodically the independence of members and absence of any conflict of interests in the event of another Company Board membership; develop clear policies and criteria for Board members and senior executive remuneration according to performance criteria. The Committee held two meetings during 2020.

BOARD UNDERTAKINGS

The Board of Directors undertakes the following:

1. Proper accounting books have been maintained
2. The system of internal control has been effectively implemented
3. There are no significant doubts concerning the Company's ability to continue as a going concern

risk factors

RISK MANAGEMENT POLICIES

The Company has adopted appropriate risk management policies and procedures to manage operational, financial, market-related and other risks. Risk management is an integral part of the company's activities and decision-making processes. The company aims to secure an acceptable balance between risks and returns as the company seeks to achieve its business goals. The company's Risk Management Framework applies risk standards, which follow a logical and systematic approach to determine, analyze, assess, treat, monitor and report the significant risks that are faced by the company and to take appropriate decisions and promptly respond to risks or potential opportunities that have an impact on the company's competitiveness. Risks by their nature can cause unforeseen outcomes and following risk management processes is not by itself a guarantee that all risks can be mitigated to ensure that they do not have any impact on the business.

THE RISKS THAT THE COMPANY MAY FACE AND COMMENSURATE MANAGEMENT & CONTROL POLICIES

The following section describes the principal risks facing the company and our efforts to mitigate them. It should be noted that there could be no assurance that these efforts will be successful in mitigating these risks, wholly or partly. It should also be noted that the following section is intended to be only a summary and there are numerous other risks, which could materially affect the company's financial condition and operational results adversely.

Price fluctuation

The company cannot control the market prices of its real estate products, and the market fluctuations in product prices may directly affect revenues. This effect can be positive in times of rising product prices, or can be negative when product prices decline, leading to a significant impact on profitability and cash flows. In general, the Company seeks to mitigate this risk by providing cost-effective products and to satisfy the requirements of tenants and / or buyers. The excess supply of real estate products in the market, with low prices, might lead high-cost real estate developers to exit the market, while cost balanced companies could maintain their position in the market as they continue to operate with a positive cash margin.

Country risk

Country risk refers to the risk of investing in a foreign country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets in that country. This risk is the result of a drastic change in local policies, laws and regulations in foreign countries, which could adversely affect the expected returns from investment in real estate or projects. The company frequently undertakes adequate investment studies of foreign investment opportunities and invests in the most stable countries in line with the objectives and strategy of the company's growth, provided that these investments/projects are implemented in accordance with adequate control procedures

Cyber security

Cyber-attacks and security breaches may threaten the integrity of our intellectual property and other sensitive information, disrupt operations and activities, and result in material damage, reputational harm and other negative consequences that could have material adverse impact on our financial condition and the results of operations. The company has expert IT staff and contracts specialist consultants that specialize in protecting and securing information, constantly reviewing security threats and looking for opportunities to enhance information security.

Project development and execution

Project identification, development and execution phases might be exposed to material risk. Ineffective development or execution of a key project can compromise the capital expenditure budget and schedule, and consequently affect the company's profitability, growth prospects, reputation, and overall financial health.
To minimize these risks, development and investment decisions in respect to the current and new projects are executed and monitored using a "Stage Gate" project system to ensure that the current or new projects properly account for the costs, risks and expected returns of the investment. During execution, project managers including third party expert companies are used to manage progress to ensure project completion on budget, quality and schedule. This includes providing monthly completion reports and capital expenditure reports to the executive management to monitor progress, identify slippage and propose remedial action.

Marketing

In case of market decline, the company faces the risk of insufficient clients (decrease in demand) for all its real estate products (residential or commercial). Also delay in leasing and / or selling real estate products may have a negative impact on the company's profitability and cash flows.
To minimize these risks, the Company seeks to diversify its product portfolio to meet the market conditions as much as possible and to reach the possible tenant and / or the buyers using effective marketing tools such as direct or indirect and electronic marketing.

Cost of funding

The cost of financing has reached acceptable levels in the recent years. There is no absolute assurance that this situation will continue. Any significant increase in financing costs could have a negative impact on profitability and cash flows.
The Company seeks to ensure that its debt facilities are of an appropriate size and structure for the business and regularly monitors changes in the costs of funding.

Health, safety and security

The Company's real estate products or projects may have inherent health, safety and security risk that could result in serious personal injury or other operational and financial losses.
The company seeks to mitigate these risks through implementing the health and safety procedures in all sites in accordance with local recognized health and safety standards. The company has a system of reporting and all incidents are reviewed with the goal of drawing lessons and preventing recurrence.

Credit Risk

Credit risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations. The general sales policy of the company is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payments to selected customers which have been accommodated. In such cases the company has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the company holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the company's exposure to losses is limited. With respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit of the company is limited to their carrying values, in case there is a failure of the other party to meet its obligation. As of the reporting date, the company does not have significant credit risk concentration with any single party or a group.

Commission Rate Risk

Commission rate risk is associated with a change in the commission rate available when renegotiating financial instruments that are influenced by the current global financial market conditions.

• The company is exposed to commission rate risk with respect to its floating commission covenants agreed for its long term Islamic Murabaha (revolving credit) facilities obtained from local banks. The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the company.

• The company has a specific shariah' compliant commission rate swap contract to manage its commission rate risk. The company's international borrowing commission rates are primarily based on LIBOR and its local borrowings are based on SAIBOR. Hence, the commission exposure of the company is variable according to the changes in the LIBOR and SAIBOR. The commission rate sensitivity analysis is performed based on the commission rate exposure of the company for floating rate liabilities outstanding at the reporting date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the reporting date.

• The net profit of the company for the reported year would have been affected as a result of changes in floating commission rates. If there is any capitalization of borrowing costs directly attributed to projects in progress, there would be timing differences on such an impact to the company's current profit and loss account and the current impact would be nil as there is no capitalization for the current year or historically, the management capitalizes approximately 10% of borrowing costs to projects in progress as explained in note 2.9 in the audited financial statements.

Liquidity Risk

Liquidity risk can result from a difficulty to meet the financial commitments and obligations of the company as per the agreed terms and covenants.
To mitigate the liquidity risk and associated losses of business and brand value opportunities; the company, where possible, keeps sufficient liquid assets in all business conditions. The company refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The company also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

Foreign Currency Risk

Foreign Currency risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the company is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyal per US Dollar. Since transactions, other than US Dollars, are negligible; the company does not assume any significant foreign currency risk.

governance and regulation

CORPORATE GOVERNANCE

According to corporate governance regulation issued by the Capital Market Authority, the Board of Directors has approved Dar Al-Arkan's corporate governance regulations taking into consideration the rights of shareholders, customers, employees, all stakeholders, as well as enhancing relations with them, and preserving their interests. Under the corporate governance regulations, the company is committed to the principles of transparency and disclosure, the activation of the Board and the executive management roles, while identifying their responsibilities and training on an on-going basis. The company also seeks to ensure the mechanisms that enhance the effectiveness of internal control and risk management, in addition to complying with corporate governance regulations issued by the Capital Market Authority, and adopting best practices in governance to boost the corporate culture, and implement sound management rules in the company. Such actions ultimately reflect company's desire to work hard to meet the highest levels of governance, setting an example as a national company. The Board of Directors strives to achieve the objectives through the Board's active committees; the Executive, the Audit, and the Nominations and Remuneration Committees.

It is worth mentioning that the company has applied the required articles of the corporate governance regulations issued by the Capital Market Authority. Dar Al-Arkan's corporate governance regulations have therefore been prepared in the light of the globally acknowledged principles of sound corporate governance, and should be viewed as the basis for corporate governance within the Company.

They should, also, be considered within the context of the broader legislative framework in force in Saudi Arabia, and in particular, the stipulations of the following:

• The requirements of the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H and its regulations issued by the Board of the Capital Market Authority Pursuant to Resolution Number (8-16-2017) Dated 16/5/1438H Corresponding to 13/2/2017G amended by Resolution of the Board of the Capital Market Authority Number 1-7-2021 Dated 1/6/1442H Corresponding to 14/1/2021G

• The Companies' Law of Saudi Arabia No. M/3 dated 28/01/1437H and associated ministerial directives of the Ministry of Commerce & Investment

• The amended Dar Al-Arkan's Articles of Association.

THE PROVISIONS OF THE CORPORATE GOVERNANCE REGULATIONS

The Company applies all the mandatory provisions of the Corporate Governance Regulations issued by the CMA, with no exception for any mandatory provision.

REMUNERATION AND COMPENSATION

The remuneration of the members of the Board of Directors and the members of the committees shall be determined according to the policy of the company, taking into account the statutory conditions and the need to attract the best expertise for membership of the Board of Directors to ensure the efficiency and effectiveness of the company's performance. The remuneration policy is in line with the companies law and other related regulations in the Kingdom. Also for the senior executives, including the CEO and the Chief Financial Officer, financial rewards are paid according to the company's policy. The policy includes the following items:

POLICY GOALS

The remuneration and compensation regulation for Board of Directors, Committees, and executive management aims to define clear criteria for remuneration and compensations that are approved and disbursed according to performance, and ensure disclosure and verification of policy implementation. It also aims to attract competencies and maintain their motivation.

The General Assembly has the right to amend this policy at any time. This policy may be modified after its issuance, provided that, the General Assembly approves any amendment at its first meeting following the change.

REMUNERATION OF THE BOARD OF DIRECTORS MEMBERS

a The board of directors must take into account in determining and disbursing remuneration obtained by each of its members, the relevant provisions mentioned in the Companies Law and the Corporate Governance regulations, in addition to the following criteria:

1. The remuneration must be fair and commensurate with the member's powers, actions and responsibilities undertaken and assumed by the members of the Board of Directors, in addition to the objectives set by the Board of Directors to be achieved during the fiscal year.
2. The remuneration should be based on a recommendation from the Remuneration and Nomination committee.
3. The remuneration should ne commensurate with the company's activity and the skill needed to mange it
4. Taking into consideration the sector in which the company operates, its scale and the experience of the members of the Board of Directors.
5. The remuneration is reasonably sufficient to attract, motivate and retain Board members with appropriate competence and experience.

b The members of the board of directors may not vote on the item of remuneration of the members of the Board of Directors at the General Assembly meeting.

c A member of the board of directors may obtain a remuneration for his membership in the Audit Committee formed by the General Assembly, or for any additional business, executive, technical, administrative or advisory positions – under a professional license – assigned to him by the company. This is in addition to the remuneration that can be obtained as a member of the Board of Directors and in the committees formed by the Board of Directors, in accordance with the Companies Law and the Company's Article of Association.

d The remuneration of the members of the board of directors may be of varying amount to reflect the member's experience, terms of reference, tasks assigned to him, his independence, the number of sessions he attends and other considerations.

e The remunerations of independent members of the board of directors should not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.

f If the General Assembly decides to terminate the membership of a member of the board of directors due to his absence from attending three consecutive meetings of the board without a legitimate excuse, this member is not entitled to any remuneration for the period following the last meeting he attended, and he return all the remunerations that were disbursed to him for that period.

g If the Audit Committee or CMA found that the remuneration paid to any of the members of the board of directors is based on incorrect or misleading information that was presented to the General Assembly or included in the annual report of the board of directors, he must return it to the company and the company has the right to ask for its refund.

REMUNERATION OF THE COMMITTEES

1 The board of directors determines and approves the membership remuneration of its committees except for the Audit Committee, attendance allowances and other entitlements upon the recommendation of the remuneration and nomination committee.

2 The annual membership remuneration for the committees is a lump sum and meeting attendance allowance.

3 The membership remuneration for the Audit committee is approved by the shareholders' General Assembly upon the recommendation from the Board of Directors.

4 When forming the committees, the number of membership that a member of the board of directors can occupy shall be taken into account, so that the total remuneration received by the member for this membership in the board and committees, does not exceed the upper limit stipulated in the corporate system.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

a The remuneration should be fair and commensurate with the powers, actions, and responsibilities of the members of the executive management, in addition to the objective set by the board of the directors to be achieved during the fiscal year.

b The Remuneration and Nomination Committee should evaluate the salary scale for executive management positions in accordance with the job description and the general market and comparison criteria for other similar companies.

c On the recommendation of the Remuneration and Nomination Committee, the Board of Directors determine the types of remuneration granted to the senior executives of the company. For example: fixed remuneration, performance related remuneration and incentives, in a manner that does not conflict with controls and regulatory procedures issued to joint-stock companies.

d The remuneration of senior executives should be consistent with company's strategic objectives and commensurate with the company's activity and the skills needed to manage it, taking into consideration the sector in which the company operates and its scale.

e The Remuneration and Nomination Committee reviews the incentive schemes for senior executives consistently and submits the recommendation to the Board of Directors for approval.

f The Remuneration aims to provide the competitive situation required to attract and retain qualified employees and maintain the high level of skills that the company needs.

The following table shows the remuneration and compensation paid to Board members and the top five senior executives who received the highest bonuses and compensation from the Company during 2020.

Description (in '000 Saudi Riyal)	Executive Board members	Non-executive/ independent Board members	Senior executive including CEO and CFO
Salaries and compensation	-	-	7,267
Allowances	-	-	2,822
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Any other compensations or incentives paid monthly or annually	-	-	-
End of service contribution			617

PENALTIES AND FINES

Fine	Fine	Amount (Saudi Riyal)	Signed by	Ways to treat it and avoid its occurrence in the future
The cleanliness of the mall	Poor hygiene level at Al Qasr Mall	500	Ejada	Continuous monitoring of hygiene in Al Qasr Mall
The cleanliness of the mall	Poor hygiene level, absence of containers, and the lack of precautionary spacing instruction in Al Qasr Mall	1,200	Ejada	Continuous monitoring of hygiene in the mall, and implement precautionary spacing instructions
Use of gas light on the front of the building	Use of gas light on the front of Al Qasr Mall building	100	Ejada	Ensure safety measures are applies in Al Qasr Mall
Safety measures	Poor safety measures at Al Qasr Mall	25,000	Civil Defense	Ensure safety measures are applies in Al Qasr Mall
Electricity meter in Al Qasr Project	Breach on the electricity meter in one of the buildings in Al Qasr project	1,000	Electricity Regulatory Authority	Ensure that electricity meters are safe and not messed with.

INTERNAL AUDIT

The Internal Audit is one of the important departments in Dar Al-Arkan. In recognition of its critical role, and to guarantee its independence and objectivity, the Internal Audit reports functionally to the Audit Committee. The department applies the international standards for the professional practice of internal auditing issued by the Institute of Internal Auditors in Florida, USA. The internal audit staff is certified by the Institute of Internal Auditors.

The internal audit department provides independent, objective advisory services for the purpose of adding value and improving the company's operations, where it helps the company achieve its goals by adopting a systematic and disciplined methodology that aims at reviewing and improving the effectiveness of risk management process, internal controls and corporate governance. The Internal Audit provides the Audit Committee and senior management with relevant, objective and timely information, and it evaluates not only the company's current situation but also provides the officials and Board of Directors with the necessary data they need to discharge their responsibilities and take the appropriate financial and executive decisions. The objectives that Internal Audit department is pursuing include helping company employees carry out their jobs efficiently, providing them with assessment, recommendations, and all information relevant to audit activity while boosting effective control and leverage the cost-effective execution of all the company's operations.

During 2020, the Internal Audit department implemented the approved Internal Audit Plan and worked very closely with other departments by providing them with appropriate recommendations related to the procedure enhancement of the company's operations and policies. Therefore, Internal Audit department managed to improve the effectiveness and efficiency of the internal control system and to enhance the performance and monitoring of internal controls as well as providing support and assistance to other departments to help them attain their objectives.

FEATURES OF THE INTERNAL CONTROL SYSTEM

The internal control system at Dar Al-Arkan represents an integrated process implemented by the Company's management and staff. The system is designed to mitigate risk, improve efficiency and effectiveness of all the Company's operations, ensuring accuracy and reliability of the Company's financial statements and compliance with laws and regulations to safeguard the company assets from loss, damage or misuse.

1 Internal control procedures

The internal control procedures include administrative and accounting controls along with internal rules of the Company. These procedures are reflected in a series of policies and procedures approved by the Company in accordance with applicable laws and regulations.

2 The control environment in the company

The organizational structure is the framework for control of the Company where lines of responsibility and authority are allocated to clearly define the relations within the organization and therefore strategy and investment structure.

RESULTS OF THE EFFECTIVENESS OF THE COMPANY'S INTERNAL CONTROLS IN THE ANNUAL AUDIT

The Company applies all the mandatory provisions of the Corporate Governance Regulations issued by the CMA, with no exception for any mandatory provision;

1. The functions of the internal audit department include assessing the adequacy and effectiveness of the design of the Company's internal control, risk management and governance system. Also, focusing on the risks that could affect the company's business using the risk-based audit methodology. Management applied the International Standards of Internal Auditing.

2. The Internal Audit Department is objective and independent. The Internal Audit Department is functionally and administratively reporting to the Audit Committee. The Internal Audit Department has the appropriate authority to obtain information, documents and interviews with staff.

3. During the year 2020, the Internal Audit Department performed periodic reviews according to the approved annual plan. The Internal Audit Department carried out the planned audits for 2020, in addition to the management's involvement in the implementation of some special assignments.

4. The scope of internal audit work in 2020 included an examination of the adequacy and effectiveness of the Company's internal control system to verify whether the Company's internal systems provide reasonable assurance to achieve the Company's objectives. The scope of work included the following:
   - Audit and periodic inspection of the departments that work in the company during appropriate periods.
   - Inform and submit the audit results to departments under audit in order to verify the necessary procedures.
   - Evaluate the plans and procedures provided by departments to address the audit observations and recommendations covered in the audit report. In case of insufficient corrective actions, the internal audit department may re-discuss the plans and recommendations with concerned departments to ensure the efficiency and adequacy of the measures taken.

AUDIT COMMITTEE OPINION

Based on the internal audit results and the external auditor's reports during 2020, the executive management of the company has maintained an effective system of financial, operational and administrative controls and there is no material weakness as a result of replying on the integrity of the financial and accounting systems and its financial reporting. Also the executive management implemented corrective actions, where those actions can reduce the misuse of the company's assets and its activities, relating to all the observations and recommendations raised by the Internal Audit Department to the Audit Committee. Therefore, the Audit Committee provided a reasonable basis for the efficiency and effectiveness of the company's internal control systems, however, it is not possible to provide absolute assurance about the review and assessment of the internal control procedures.

consolidated financial statements and independent auditor's report

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY SAUDI JOINT STOCK COMPANY

Consolidated financial statements and independent auditor's report for the year ended 31 december 2020

TABLE OF CONTENTS

mazars

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Independent Auditor's Report On The Audit Of The Consolidated Financial Statements To The Shareholders Of Dar Al Arkan Real Estate Development Company (A Saudi Joint Stock Company)

OPINION

We have audited the accompanying consolidated statements of **Dar Al Arkan Real Estate Development Company** (A Saudi joint stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the statement of consolidated financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matters	How the matter was addressed in our audit
Evaluation of development properties	
The Group maintains development properties consisting primarily of under construction and development projects for the purpose of development and sale in its ordinary course of business. The carrying amount of real estate properties is SAR 18.588 billion (31 December 2019: SR 17.231 billion). All development properties (held for development or sale) are initially recognized at acquisition cost and subsequently re-measured at the lower of cost and net realizable value, whereas their fair value is estimated for the purpose of disclosure only in the notes to the consolidated financial statements. Management has determined the net realizable value of the development properties based on internal valuation, taking into account market data adjusted in comparison to the characteristics of the concerned properties, including the inputs used by the management during its assessment of the expected cash flows and the market current rental value in which both are exposed to the changes in the prevailing market forces and the characteristics of each property in the portfolio. During the period, the Group's management conducted an internal review and evaluation of the development properties resulting in an increase in the fair value by 20% (31 December 2019: 20%) through the development property portfolio as described in note 6. Management believes that the increase in carrying amount is a conservative indication of the fair value of the Group's development properties. The valuation of the cost of properties and net realizable value is a complex process where the change in the Group's estimate of the selling price and the cost of construction would materially affect the carrying amount of the properties held for development and sale in the Group's consolidated financial statements.	• We assessed the appropriateness of evaluation methods and assumptions, critical judgment areas and estimates used by management in the internal evaluation process; • We have engaged in discussions with management and have evaluated the relevant assumptions used, based on market data where possible: • We have tested the appropriateness of the key inputs used in the valuation of properties held for development and sale; • For commercial and residential properties held for sale, we have compared the main assumptions used by management with external data in the area of business and comparable real estate transactions, particularly selling prices; • We have assessed the reason for changes in key inputs, estimates and assumptions for the prior period; • We assessed the effectiveness and efficiency of management staff experience in the evaluation process; • Based on the results of our valuation, we have estimated the adequacy of the disclosures in the Group's consolidated financial statements.

Key Audit Matters	How the matter was addressed in our audit
Evaluation of investment properties	
Investment properties are stated in the Group's consolidated financial position at cost less depreciation and impairment (if any), and their fair value is disclosed in the notes attached to the consolidated financial statements. The Group's management has estimated the fair value of its investment properties on December 31, 2020, by an independent valuation expert with a recognized professional qualification and experience in the real estate site. The fair value of investment properties has been estimated using the income capitalization method. Annual cash flows are estimated by extrapolating and reconciling the current rental income based on their optimal occupancy and then capitalizing it at an annual rental rate of 6-8% between the leased residential and commercial properties in order to reach the estimated fair value shown in the note 5. The valuation of investment properties is critical to our audit because of its importance, complexity and significant reliance on a range of assumptions including expected lease values, expected returns, occupancy rate and discount rate.	• We assessed the critical assumptions used in the evaluation process that include expected rental values, expected returns, occupancy rate and discount rate. • We reviewed lease agreements and compared these assumptions with published indicators and available comparative market data; • We evaluated key inputs and assumptions in the evaluation model and analyzed their sensitivity to key elements; • We also assessed the reason for changes in key inputs, assessments and assumptions for the prior period; • We assessed the efficiency, independence and integrity of the external evaluation firm; and • Based on the results of our valuation, we have estimated the adequacy of the disclosures in the Group's consolidated financial statements.

OTHER INFORMATION

Other information consists of other information from the information included in the Company's annual report for the year ended 31 December 2020, other than the consolidated financial statements and the auditors' report thereon. We expect to obtain the Annual Report for the year ended 2020 after the date of this auditor's report. The Group's management is responsible for the other information mentioned in its annual report.

Our opinion on the consolidated financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon.

In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the consolidated financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Company's by-laws and companies regulation and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's consolidated financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The article No.135 of the companies' regulations requires that the auditor should include in his audit report any violation of the Companies' Regulations or the Company's articles of association. During our audit, we did not note any violation of the Companies' Regulations or the Company's articles of association.

For Al-Kharashi Co.

Suliman Al-Kharashi
Certified Public Accountant
License No. (91)

March 18, 2021

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated Statement Of Financial Position As At 31 December 2020

	Notes	2020	2019
		SR 000	SR 000
ASSETS			
NON-CURRENT ASSETS			
Investment properties, net	5	1,519,116	1,651,357
Long-term development properties	6	18,246,583	16,895,604
Property and equipment, net	7&22a	72,180	79,765
Investments in associates and joint ventures	8	1,173,547	1,154,506
Other assets, net	9	492	1,501
Total non-current assets		**21,011,918**	**19,782,733**
CURRENT ASSETS			
Short-term development properties	6	341,860	334,950
Trade receivables and others	10	4,649,178	3,981,526
Cash and cash equivalents	11	4,931,660	3,950,020
Total current assets		9,922,698	8,266,496
Total Assets		**30,934,616**	**28,049,229**
LIABILITIES AND SHAREHOLDERS' EQUITY			
NON-CURRENT LIABILITIES			
Borrowing-long-term maturity portion	12	9,781,391	7,326,740
End of service indemnities	13	21,323	21,614
Total non-current liabilities		**9,802,714**	**7,348,354**
CURRENT LIABILITIES			
Borrowings-short-term maturity portion	12	436,062	405,943
Trade payables and others	14	1,232,466	798,779
Zakat provision	15c	437,194	486,665
Total non-current liabilities		2,105,722	1,691,387
TOTAL LIABILITIES		**11,908,436**	**9,039,741**
SHAREHOLDERS' EQUITY			
Share capital	16	10,800,000	10,800,000
Statutory reserve		1,141,895	1,140,016
Retained earnings		7,084,285	7,069,472
Total shareholders' equity		**19,026,180**	**19,009,488**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,934,616	28,049,229

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated Statement Of Profit Or Loss And Other Comprehensive Income For The Year Ended 31 December 2020

	Notes	2020	2019
		SR 000	SR 000
Revenue	17	1,944,854	3,491,856
Cost of revenue	18	(1,270,204)	(2,667,416)
GROSS PROFIT		**674,650**	**824,440**
Operating expenses			
General and administrative expenses	19	(171,332)	(174,787)
OPERATING PROFIT		**503,318**	**649,653**
Finance costs	20	(645,883)	(478,418)
Other income, net		143,361	133,269
Share of net profits from associates and joint ventures	8a	18,583	7,885
PROFIT BEFORE ZAKAT		**19,379**	**312,389**
Zakat provisions	15b	(585)	(7,799)
NET PROFIT FOR THE YEAR		**18,794**	**304,590**
Other comprehensive income			
Re-measurement (loss)/ gain on end of service indemnities	13	(2,102)	(435)
Total Comprehensive Income For The Year		**16,692**	**304,155**
Total comprehensive income attributable to			
Dar Al Arkan shareholders		**16,692**	**304,155**
Earnings per share (in Saudi Riyal)			
Basic and diluted	21	**0.02**	**0.28**

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated Statement Of Changes In Shareholders' Equity For The Year Ended 31 December 2020

	Share capital	Statutory reserve	Retained earnings	Total equity
	SR 000	SR 000	SR 000	SR 000
2020				
Balance as at 1 January 2020	**10,800,000**	**1,140,016**	**7,069,472**	**19,009,488**
Net profit for the year	-	-	18,794	18,794
Other comprehensive (loss)/income	-	-	(2,102)	(2,102)
Total comprehensive income for the year	**-**	**-**	**16,692**	**16,692**
Transfer to statutory reserve		1,879	(1,879)	-
Balance as at 31 December 2020	**10,800,000**	**1,141,895**	**7,084,285**	**19,026,180**
2019				
Balance as at 1 January 2019	**10,800,000**	**1,109,601**	**6,795,732**	**18,705,333**
Net profit for the year	-	-	304,590	304,590
Other comprehensive (loss)/income	-	-	(435)	(435)
Total comprehensive income for the year	**-**	**-**	**304,155**	**304,155**
Transfer to statutory reserve		30,415	(30,415)	-
Balance as at 31 December 2019	**10,800,000**	**1,140,016**	**7,069,472**	**19,009,488**

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated Statement Of Cash Flows For The Year Ended 31 December 2020

	Notes	2020	2019
		SR 000	SR 000
OPERATING ACTIVITIES			
Profit before Zakat		**19,379**	**312,389**
Adjustment for:			
Depreciation	5,7 &22a	55,228	54,643
Amortisation	9	1,009	1,010
Provision for expected credit losses	10b	2,516	2,000
Provisions for end of service indemnities	13	3,884	4,313
Finance costs	20	645,883	478,418
Share of net profit from associates and joint ventures	8a	(18,583)	(7,885)
Operating cash flows before movements in working capital		**709,316**	**844,888**
Development properties, net		(1,269,370)	(2,732,963)
Trade receivables and others		(670,168)	757,351
Trade payables and others		433,687	(86,576)
Cash used in operations		**(796,535)**	**(1,217,300)**
Finance costs paid		(608,809)	(445,309)
Zakat paid	15c	(50,056)	(77,962)
End-of-service indemnities paid	13	(6,277)	(2,145)
NET CASH USED IN OPERATING ACTIVITIES		**(1,461,677)**	**(1,742,716)**
INVESTING ACTIVITIES			
Investment in associates		(458)	(320,000)
Purchase of property and equipment	7	(2,639)	(6,293)
Investment Properties	5	(1,282)	(3,246)
NET CASH USED IN INVESTING ACTIVITIES		**(4,379)**	**(329,539)**
FINANCING ACTIVITIES			
Long term borrowings		2,447,696	1,118,784
NET CASH FROM FINANCING ACTIVITIES		**2,447,696**	**1,118,784**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		981,640	(953,471)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		3,950,020	4,903,491
CASH AND CASH EQUIVALENTS, END OF THE YEAR	11	4,931,660	3,950,020
Non-cash transaction related to transfer of investment property (Note 5)			
Transfer of investment properties to development properties		**88,519**	-

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements

1. GENERAL INFORMATION

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (the "Company"), is a Saudi Joint Stock Company established under the Company Laws & Regulations of The Kingdom of Saudi Arabia. The Company is registered in Riyadh under Commercial Registration No. 1010160195 dated 16/04/1421H, corresponding to 18/07/2000 `G. The Company is domiciled in The Kingdom of Saudi Arabia (K.S.A.) and its registered office address is P.O. Box No: 105633, Riyadh-11656, K.S.A.

The equity shares of the Company are listed with the security market of The Kingdom of Saudi Arabia.

The Company and its Subsidiaries are collectively called "the Group" and is predominantly engaged in the business of development, sale and leasing of real estate projects and associated activities. The Company manages its activities through subsidiaries established for each line of business. These Subsidiaries operate under their own commercial registration and are summarised below:

DAR AL ARKAN PROPERTIES (REAL ESTATE) COMPANY – is a closely held joint stock company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010254063, dated 25/7/1429 H (corresponding to 28/7/2008 G). It operates in development and acquisition of commercial and residential real estate. It provides management, operation and maintenance of residential and commercial buildings and public facilities.

DAR AL ARKAN COMMERCIAL INVESTMENT COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010247585, dated 28/3/1429 H (corresponding to 5/4/2008 G). It operates in purchase and acquisition, lease of real estate investments.

DAR AL ARKAN SUKUK COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010256421, dated 16/9/1429 H (corresponding to 16/9/2008 G). It operates in Real Estate investments and development.

SUKUK AL ARKAN COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010274407, dated 11/10/1430 H (corresponding to 01/10/2009 G). It operates in development, maintenance and management of real estates, purchase of land and general contracting.

DAR SUKUK INTERNATIONAL COMPANY – is a limited liability company, formerly known as Siyada investment Company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010275448, dated 30/10/1430 H (corresponding to 19/10/2009 G). It operates in Real Estate investments and development.

DAR AL ARKAN CONTRACTING COMPANY – is a limited liability company (previously known as Dar Al Arkan Real Estate Investment Company), a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010521509, 22/6/1438 H (corresponding to 21/3/2017 G). It operates in Real Estate investments and developments, leasing and property management.

MAAQEL REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600708, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in Real Estate, leasing and property management.

BAWADI FOR REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600710, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in general construction, and purchase and sale, acquisition, leasing of real estate and property management.

AL ENTESHAR REAL ESTATE COMPANY – is a limited liability company, a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600709, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in sale, and purchase, acquisition, leasing of real estate and property management.

IKTIFA REAL ESTATE COMPANY – is a limited liability company, (previously known as Sawaed Real Estate Company), a wholly owned subsidiary, registered in Riyadh under the Commercial Registration No. 1010600711, 24/2/1441 H (corresponding to 23/10/2019 G). It operates in sale, and purchase, acquisition, leasing of real estate and property management.

Dar Al Arkan Real Estate Development Company wholly owns directly and indirectly the above mentioned subsidiaries.

The accompanying consolidated financial statements include the assets, liabilities and the results of operations of the subsidiaries mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by SOCPA and adopted in KSA, consistent with the Group's accounting policies.

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

2.2 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current year, the Group has adopted all new Interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") that are mandatory for adoption in the annual periods beginning on or after 1 January 2020.

IFRS 3	Amendment	- Clarify the minimum requirements for a business pertaining to the assessment of whether market participants are capable of replacing any missing elements have been removed and guidance to help entities assess whether an acquired process is substantive has been added. The definitions of a business and of outputs has also been narrow. It also introduced an optional fair value concentration test.
IFRS 7, 9 and IAS 39	Amendment	- Phase 1 amendments regarding pre-replacement issues in the context of the IBOR reform.
IAS 1& 8	Amendment	- Definition of Material (new definition of material and the accompanying explanatory paragraphs is included in IAS1)
IFRS 16	Amendment	- The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

Generally; the adoption of these interpretations has not led to any changes in the Group's accounting policies and disclosures provided in the consolidated financial statements.

Standards, amendments and interpretations in issue but not yet adopted

The following standards, amendments and interpretations were in issue at the date of authorisation of these financial statements, but not yet effective, and therefore were not applied in these consolidated financial statements.

The impact of the adoption of these standards is currently being assessed; however, the directors anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a significant impact on the consolidated financial statements of the Group.

IFRS 4, 7, 9, 16 and IAS 39	Amendment	- Applicable annual periods beginning on or after 1 January 2021. Phase 2 amendments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).
IFRS 9	Amendment	- Applicable annual periods beginning on or after 1 January 2022. Fees in the '10 percent' test for derecognition of financial liabilities.
IAS 16	Amendment	- Applicable annual periods beginning on or after 1 January 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
IAS 37	Amendment	- Applicable annual periods beginning on or after 1 January 2022. The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. - Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
IFRS 3	Amendment	- Applicable annual periods beginning on or after 1 January 2022. The IASB issued 'Reference to the Conceptual Framework' that update an outdated reference without significantly changing its requirements.
IAS 1	Amendment	- Applicable annual periods beginning on or after 1 January 2023. The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They: - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and - Make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
IFRS 17	New standard	- Insurance Contract applicable annual periods beginning on or after 1 January 2023.

2.3 ACCOUNTING CONVENTION

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments at fair value and investment in associates at equity method. The obligation of post-employment benefits is accounted for the present value of future obligation. The principal accounting policies are set out below.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

2.4 BASIS OF CONSOLIDATION

The Group consolidates the financial statements of the Company and entities where the group has power over the investees, it is exposed, or has rights, to variable return from its involvements and has the ability to use its power to control and affect its return from the investees or subsidiaries. The consolidated financial statements of the Group consist of operations of the Company and entities controlled the Company or its Subsidiaries made up to 31 December 2020.

Subsidiaries

Subsidiaries are entities that are controlled by the Group. The Group controls an entity when, it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are fully consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The equity method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any non-controlling interests. The interests of non-controlling shareholders are stated at the non-controlling proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interests in excess of the non-controlling interests are allocated against the interests of the parent.

The excess of cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the consolidated statement of profit or loss and comprehensive income.

All intra-group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in Associates and Joint Venture

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

A joint venture is a joint arrangement where the parties to the joint venture have rights to the net assets of the joint arrangement and have contractually agreed sharing of joint control over the relevant activities through which the parties to the arrangement can participate to the decision making of the relevant activities require unanimous consents and joint control.

Equity Method

Under equity method of accounting, the investments in associates or a joint venture is initially recognised in the consolidated financial position at cost and adjusted by the post-acquisition changes in the Group's share of the profit or loss and other comprehensive income and the net assets of the associate or a joint venture, less any impairment in the value of individual investments. The results, assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting except when classified as held for sale. Losses of the associates or a joint venture in excess of the Group's interests in those associates or joint venture are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in associates or a joint venture is accounted under equity method of accounting from the date of acquisition. Any excess of cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate or a joint venture at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of identifiable net assets of the associate or a joint venture at the date of acquisition (i.e. discount on acquisition) is recognised in the consolidated statement of profit or loss and comprehensive income.

When the investment in associates or a joint venture is classified as held for sale or ceases to be an associates or a joint venture, from that date, the group discontinue the use of equity accounting. When a partial sale of an associate or a joint venture which results in losing significant influence over that associate or a joint venture, the remaining investment is measured at fair value on the date of sale and recognised as a financial asset. The differences between the attributable shares of carrying amount for the retaining interest in that associate or a joint venture and its fair value is included in the determination of gain or loss of the disposal of the associates or a joint venture. In addition, the Group reclassifies the gains or losses from equity, previously recognised in the other comprehensive income to the statement of profit or loss and comprehensive income.

Where a Group company transacts with an associate or a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interests in the relevant associate or a joint venture. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Investment in Joint Operation

A joint operation is an arrangement where Group entities have joint control of an arrangement and have legally binding rights to the assets and obligations for the liabilities of the arrangement. A Joint control is a legally agreed sharing of control of an arrangement and all the relevant activities of the arrangement require unanimous consent of the parties sharing control.

When the Group entity carry out its activities under joint operations, the Group recognises its interest under the joint operation as follows:

- The asset belongs to the Group, including its share of any assets acquired and held jointly;
- The Liabilities associated with the Group, including its share of any liabilities incurred jointly;
- Group's share of revenue arising from the joint operation;
- Group's expenses, including the share of expenses incurred jointly in the joint operations.

The Group accounts for the assets, liabilities, revenues and expenses associated with its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses. When the Group entity is a joint operator and the Group is involved with a sale or asset contribution to the joint operation, the profit and losses resulting from such transitions are recognised in the Groups consolidated financial statement only to the extent of other parties' share in the joint operation. When the Group entity is a joint operator and the Group is involved with a purchase transaction with the joint operation, the Group does not recognise the share of its gain or loss until such assets are resold to a third party.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

2.5 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes all directly attributable expenses incurred in bringing the property and equipment to their present location, condition until the property and equipment is available for use. The management periodically review and reassess the estimated future useful life and residual value and accordingly may change or modify the depreciation rates.

Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land, over their estimated useful lives, using the straight-line method, on the following rates:

Buildings	3%
Leasehold improvements	5% - 20%
Vehicles	25%
Machinery and tools	20%
Office equipment	20% - 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated profit or loss.

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in consolidated profit or loss immediately.

2.6 INVESTMENT PROPERTIES

Investment properties principally comprise completed projects (including properties and developed land held for long term capital appreciation) and projects under development (including property projects under construction, land projects under development and land waiting for development). Investment properties are held to earn rentals and/or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative function. Projects under development include those properties in progress of development or waiting for development to commence. These properties are not used for generating sales revenues through normal business operations. The investment properties are initially recognised at cost and the cost of an acquisition is measured at fair value of the assets acquired / transferred. All developments costs (design, development and staff cost) that are directly attributable to the acquisition/ development of the properties are capitalized to derive the total cost.

An investment property is derecognised on sale or disposal when permanently withdrawn or transferred to development properties. Any gain or loss arising from de-recognition of the property is recognised in the consolidated profit or loss immediately.

Investment properties are held to earn rentals and/or for capital appreciation, are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost less estimated residual value of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	3%

Gains or losses arising from the retirement or disposal of investment properties being the difference between the net disposal proceeds and carrying value are included in the consolidated profit or loss for the year of the retirement/disposal except those that relate to sale and leaseback arrangements.

2.7 DEVELOPMENT PROPERTIES

All development properties are initially measured at acquisition cost and subsequently measured and accounted for lower of cost and net realisable value. This principally consists of projects under progress and land parcels under development for sales in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost comprises all directly attributable cost including direct material cost, direct labour costs, borrowing costs and those overheads that have been incurred in bringing the development properties to their present location and condition. Cost is calculated using the average method. Impairment is tested comparing with net realisable value, which represents the estimated selling price less all estimated costs to completion and selling costs to be incurred.

The operating cycle of development properties is such that the majority of development properties are held for longer period and will not be realised within 12 months. If there is a change in management intention and identify any development property for immediate sale, then the same is split between long-term and short-term development properties representing non-current and current portion of development properties respectively.

At each reporting date management categorises development properties projects as long term or short term depending on its estimated completion date. If the completion date of a project is expected to be within a year from the date of the consolidated statement of financial position, the project is classified as short term development properties.

2.8 IMPAIRMENT OF TANGIBLE ASSETS

At each reporting date, the Group reviews the carrying amounts of its tangible assets for any indication that those assets have suffered impairment losses. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. When such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the consolidated profit or loss.

2.9 ISLAMIC BORROWING COSTS

Islamic borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

During the year the company has not capitalised any portion of its borrowing cost. All other borrowing costs are recognised as finance costs in the consolidated profit or loss in the period in which they are incurred.

2.10 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group has become a party to the contractual provisions of the instrument.

The Group initially measure financial assets and financial liabilities at their fair value. All directly attributable transaction costs for the origination, acquisition or issuance of a financial assets and financial liabilities (except for financial assets and financial liabilities accounted at fair value through profit or loss) are added or deducted, as appropriate, from the respective fair value of the financial assets or financial liabilities on initial recognition. Transaction costs that are incurred for financial assets or financial liabilities accounted at fair value through profit or loss are recognised immediately in the consolidated profit or loss.

Classification and measurement – financial assets

Classification and measurement of financial assets are based on the underlying business model and estimated cash flows on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Any derivatives embedded in the contracts are not separated and is considered as a whole for classification. The financial assets are principally categorised as under;

- Measured at amortised cost
- Fair value through other comprehensive income(FVTOCI)
- Fair value through profit or loss (FVTPL)

Financial assets that are initially recognised at fair value are subsequently measured at amortised cost based on expected credit loss (ECL) described below:

- 12-month expected credit losses- expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date.
- Lifetime expected credit losses- expected credit losses that result from all possible default events over the life of the financial instrument.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost or at FVTOCI;
- Lease receivables;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition, as well as to contract assets or trade receivables that do not constitute a financing transaction in accordance with IFRS 15.

Trade receivables
Trade receivables are classified as financial assets and are initially recognised at the amount of consideration/ transaction price unless they contain significant financing components, when they are recognised at fair value. The Group do not charge interest on trade receivable and holds the principal outstanding of the trade receivables with the objective to collect the contractual cash flows therefore measures them subsequently at amortised cost using the effective interest method less any provision for impairment for expected credit loss. The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics that consider past default experience of the customer and analyse the general economic conditions of the industry in which the customers operate and current financial position specific to the customers and an assessment of both the current as well as the forecast direction of past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms at the reporting date. A provision for credit loss is made where there is an objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement and the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced with the provision for expected credit loss and any impairment loss is recognised in the consolidated profit or loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Group with original maturities of three months or less.

Held for trading investments
Held for trading investments are recognised initially at fair value; transaction costs are taken directly to the consolidated statement of income and thereafter stated at fair value by reference to exchange quoted market bid prices at the close of business on the consolidated balance sheet date. The unrealized and realized gains and losses from sale of held for trading investments are recorded in the consolidated statement of income.

Financial liabilities
Financial liabilities include Islamic Sukuk and Islamic Murabaha and are classified according to the substance of the respective contractual arrangement and are initially measured at their fair value, net of transaction costs. Financial liabilities are subsequently carried at their amortised cost, with commission cost being recognised on an effective yield basis in the consolidated statement of profit or loss over the term of the instrument.

Trade payables
Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

2.11 REVENUE RECOGNITION
The management Revenue represents the sale of completed real estate properties, revenue from construction/ development of real estate properties and leasing of residential properties.

Sale of completed Properties – recognised at the point of sale:
Real estate properties which are sold as a completed product are immediately recognised as revenue at the point of sale. The revenue for these categories of assets are only recognised when the control with significant risks and rewards of ownership have been transferred to the buyer and the Company had enforceable right to payment for the performance completed. The transfer of ownership and the controls are assessed at the time of legal completion of the sale or transfer of assets. Revenue is measured at the fair value of consideration entitled in a contract.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

Properties constructed/developed under contract with customer– recognised over the time
The group develop and sale properties under long term construction/development contract or agreement. Usually such contracts are entered before the start of the construction and the terms of the contracts restrict the transfer of asset to another customer and has no other alternative use and the Company had enforceable right to payment for the performance completed to date where the objective and the outcome of such contracts can be estimated reliably, the revenue and cost of such developments are recognised in proportion to the performed/measured stages of completion against the total contractual obligations/miles stones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

Where the outcome of the contract cannot be estimated reliably, the contract revenue is recognised to the extent of cost incurred and probability recoverable against such contract. All the cost incurred is recognised as expenses in the period in which it is incurred.

The Company will recognise all the incremental costs of obtaining or performing a contract as assets if it expects to recover those costs from the transaction price. The incremental costs are those costs that the Company would not have incurred if the contract had not been obtained. All costs to fulfil its obligations under an existing contract, or an anticipated contract, are capitalised in accordance with IFRS 15 if the costs:
- directly relates to such specific contract;
- are expected to be recovered.
- Create, enhance or generate the resources of the company which will be used in performing the current or future performance obligations

All asset recognised in relation to contract costs is systematically amortised on a basis consistent with the pattern or proportion of transfer of the obligation under the contract to which the asset relates.

If the overall amortisation period of such expenses is one year or less the Company may expense such cost when incurred. All advance payments and the milestone payment which received in excess of the revenue recognised to date will be recognised as contract liability. Considering the short period between the milestone payment and revenue recognition under the cost-to-cost method there is not considered to be a significant financing component in the construction contracts with customers.

The Company will follow an impairment test to assess the carrying value of such assets and when it is probable that the total contract cost will exceed total contract revenue, the estimated loss is recognised as expenses immediately

Leases
With respect to lease rental income, the Group recognises revenue on a straight line basis over the lease term.

2.12 ZAKAT
Zakat is calculated pursuant to Zakat Regulation in the Kingdom of Saudi Arabia and recognised in the respective subsidiaries or in the consolidated statement of profit or loss in each year. The provision is based on an estimate of Zakat that is adjusted in the financial period in which the final assessment of Zakat is issued by the General Authority of Zakat and Tax ("GAZT"). Any change in the estimate resulting from the final assessment is recognised in that period.

2.13 FOREIGN CURRENCIES

Transactions in currencies other than Saudi Riyals, the presentational and functional currency of each subsidiary within the Group, are recorded at the rates of exchange prevailing on the dates of the transactions. At the reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value, that are denominated in foreign currencies, are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting exchange gains or losses are recognised in the consolidated statement of profit or loss and comprehensive income.

2.14 STATUTORY RESERVE

According to the article (129) of the Companies' Regulation (Amendment 2016), the Group is required to retain 10% of net income in the statutory reserve. The Group may stop the transfers when this reserve reaches 30% of the share capital. This reserve is not available for dividend distribution.

2.15 END OF SERVICE INDEMNITIES

The Group provides end of service benefits to its employees in accordance with the labour law provisions of Saudi Arabia. The entitlement to these indemnities is based upon the employee's final salary, length of service and the completion of a minimum service period. The costs of these indemnities are accrued over the period of employment, based on the estimated ultimate payment.

Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

2.16 RETIREMENT BENEFIT COSTS

The Group makes contributions in line with the General Organisation for Social Insurance Regulations and are calculated as a percentage of employees' wages. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan. Payments made to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.17 PROVISIONS

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

2.18 LEASING

Group as a lessor

Rentals receivable under leases are recognised to the consolidated profit or loss on a straight-line basis over the term of the relevant lease.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

Group as a lessee

At the inception of non-cancellable leases an asset identified as "right-of-use assets" measured at cost with appropriate discounting applied on relevant components of lease term and payment obligations including initial direct cost, lease escalations and lease incentives mentioned in the underlying lease agreement. Subsequent to the initial measurement and recognition, the "right-of-use assets" are periodically measured by using cost model which comprises initially measured cost and any re-measurement adjustments less accumulated depreciation.

Corresponding to this commencement date a "lease liability" is measured at the net present value of all the unpaid lease payments as on that date discounted by using the rate implicit in the lease, if this rate cannot be readily determined, the Group uses its incremental borrowing rate. Subsequent to the initial measurements "lease liability" are periodically measured by increasing the carrying cost to reflect the interest charge on unpaid future lease liability and any re-measurement adjustment less lease payments made up to that date.

The depreciation cost for "right- of-use assets" and the interest cost for "lease liability" is charged to the consolidated profit or loss as depreciation and finance charges.

In case of existing, short term, small value leases the entity continues to charge the periodic lease payments to the consolidated profit or loss as an expense on straight-line basis over the term of the relevant lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting judgments will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial periods are discussed below:

REVENUE RECOGNITION

The Group recognises revenue (refer note 2.11) when the control with significant risks and rewards of ownership is transferred to the buyer. The Group measures the revenue based on the consideration entitled in a contract with a customer excluding amounts, if any, collected for and on behalf of third parties.

With respect to land properties/projects, the Group receives an initial non-refundable deposit upon signing the sale contract with the balance being paid on a deferred basis, which typically does not exceed three months. The Group recognises the full amount of the consideration as revenue at the point in time when the control of the property is transferred to the buyer through a legally enforceable sale contract is signed between the buyer and the Group.

With respect to residential and commercial projects, the Group typically receives an initial deposit on the signature of the sales contract and the balance is collected over a period as per the terms of the contract. Revenue from the sale of these properties is only recognized at the point in time when the control of the property is transferred to the buyer through a legally enforceable sale contract is signed between the buyer and the Group and the completed property is delivered to the purchaser.

With respect to residential and commercial projects sold under a construction contract, usually such contracts are entered before the start of the construction and the terms of the contracts restrict the transfer of asset to another customer and has no other alternative use and the Company had enforceable right to payment for the performance completed to date where the objective and the outcome of such contract or agreement can be estimated reliably, the revenue and cost of such developments are recognised when the control is passed with significant risks and rewards of ownership to the buyer. The revenue against these customer contract is recognised over the time as per under IFRS 15 in proportion to the performed/measured stages of completion against the total contractual obligations/milestones including variation, claims and incentives at the end of each reporting period, except where the performed work are not a representative of the stage of completion.

A performance obligation is considered satisfied over the time when at least one of the following criteria is met:
- The customer receives and consumes the benefits of the Companies' performance as it performs.
- The performance creates and enhances the value of the customer-controlled asset.
- The Company has no alternative use to the asset being created and has the legally enforceable right to payment for all obligations performed or completed to date.

With respect to lease rental income, the Group recognises revenue on a straight line basis over the lease term in accordance with IFRS 16.

RECOGNITION OF COST OF SALES

The Group has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the year the management estimates and average the costs of the entire developments, including infrastructure costs and overall construction and other directly attributable costs to arrive the total estimated cost of the project. These estimated costs are allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

MEASUREMENT OF CONTRACT ASSETS AND TRADE RECEIVABLES

The group management makes significant assumptions on the estimation of expected credit loss (ECL) in connection with contract assets and/or trade receivables which is assessed based on the terms of contracts. The Group assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. This assessment of impairment requires judgment. In making this judgment, the Group evaluates credit risk characteristics giving considerations for past default experience of the customer, analyse the general economic conditions of the industry in which the customers operate, current financial position specific to the customers and an assessment of both the current as well as the forecast direction of past-due status and other loss event factors being indicative of the ability to pay all amounts due as per contractual terms at the reporting date. A provision for credit loss is made where there is an objective evidence, including customers with financial difficulties or in default on payments, that amounts will not be recovered in accordance with original terms of the agreement and the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate.

Based on such periodic assessment the Company recognise for full lifetime expected losses for all contract assets and/or all trade receivables with or without significant financing transaction and for lease receivables. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses in accordance with IFRS 9.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

CLASSIFICATION OF PROPERTIES

The Group's properties are classified as either investment properties or development properties. Management has made various judgments to determine whether a property qualifies as an investment property which is held to earn rentals and/or for capital appreciation or both. These are not used for generating sales revenues through normal business operations. A development property comprises completed properties, developed land, property projects under construction, land projects under development and land awaiting development predominantly identified for sale in the ordinary course of business. In making its judgment, management considers its intended use of property. When management assess that certain investment properties will be disposed as part of normal business operation, their carrying cost will be transferred to development properties for final completion of development and transfer.

SUBSEQUENT TRANSFER OF INVESTMENT PROPERTIES

Investment properties are the interests in land and/or buildings that are held for their investment potential and not for sale in the ordinary course of business. Management assesses the intended use of its real estate properties on continuous basis and summarises the portfolio at every reporting period. When the periodic management assessment identifies any change in the use of a property previously classified as investment properties, their carrying cost is transferred to development properties for further development and final transfer under ordinary course of business. While re-assessing the intended use, management considers the holding period, possibility of further appreciations, related economic activities around such properties and need for further development to make the property ready for sale.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with the intent to sale.

CARRYING VALUE OF DEVELOPMENT PROPERTIES

The Group's principal activity is currently the development and sale of land, residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the consolidated statement of financial position at 31 December 2020 reflects current assets that are not covered by forward sales contracts.

The Group assesses the net realisable value of its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and estimated future costs to complete with the expected selling price per unit based on historical activities and available comparable in the surrounding location. As a result of this process, there have been no instances where the estimated net realisable value of the site/unit was less than its current carrying value within the consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.

FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using another valuation technique.

While estimating the fair value of an asset or a liability the group take into consideration of the assumptions that market participants would use when pricing the asset or liability for their best economic interest.
Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the best use or by selling it to another market participant for the best use.

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

For the financial reporting purpose, The Group uses the following hierarchy for determining and disclosing the fair value of assets and liabilities;

- **Level 1:** Quoted prices in active markets for the same instrument (i.e., without modification or additions);
- **Level 2:** Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data and;
- **Level 3:** Valuation techniques for which any significant input is not based on observable market data.

For the determination of the fair value of the properties, valuations are arrived internally by using group management's subjective expertise and location knowledge together with comparable transactions recorded in the surrounding area for non-related arms lengths transactions. The group also engage third party independent real estate valuation experts using recognised valuation methods to value the properties wherever it is possible and practical. The fair value arrived using these methodologies disclosed as a percentage (%) of net-margin over the carrying cost.

The group also estimates the fair value of its investment properties and development properties by using the Internal Rate of Return and Income Capitalisation Method.

Under IRR method the group estimates future cash flows from assets considering future revenue streams, development costs and all directly attributable cost including financing cost, market risk and targeted profit. These assumptions and estimates are reviewed periodically based on the market conditions existing at the end of every reporting period, to arrive a targeted IRR.

Under capitalisation method the income receivable under existing lease agreements are extrapolated to arrive at projected future rental revenues, which is capitalised at appropriate rates reflecting the investment market conditions at the valuation dates.

The groups future rental stream estimations are based on certain assumptions and are subject to market volatility, uncertainty and can materially differ from the actual results. The absence of well-developed and active market condition brings greater degree of uncertainty and volatility to estimated fair valuation of investment properties than which exists in a more active market.

Below are the key assumptions the group used to estimate fair value of its investments assets:

	2020 Range	2019 Range
Profit margin on carrying cost –development properties	20% - 25%	20% - 25%
Targeted IRR –development properties	4-6%	4-6%
Estimated Capitalisation of yields- investment properties	6-8%	6-8%

4. REPORTING SEGMENTS

Management has organised the Group majorly into two segments for the purpose of reporting to the chief operating decision maker. Management develops its strategic planning, resource allocation and business model around these segments and therefore Group's reportable segment under IFRS 8 is as follows:

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

- **Development Properties** – The Group Categorise all its real estate properties under development and sale into development properties, it includes the residential and commercial properties completed or constructed under a customer contract and the sale of units on such projects ("Residential and Commercial Projects"), land and investment in land properties which are undeveloped, developed with or without infrastructure development and the sale of such properties ("Land Projects").

- **Asset Management** – leasing and management of properties that the Group has retained as rental properties including commercial and residential units on its Master-Planned Communities for generating recurring revenues.

The Group does not allocate share of profits of associates, general administration, selling and marketing costs including directors' salaries, finance costs, other income and Zakat expense to its segments. Substantially all of segment operating activity (including revenue and costs) for the year ended 31 December 2020 and 31 December 2019 was generated from the development properties segment. The Group provided breakdown of revenue, profit, assets and liabilities by operation segment. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

The Group mainly in Saudi Arabia and all its revenues are derived from its portfolio of properties which the Group manages.

The segment wise revenue, gross margin, operating expenses, profit, assets and liabilities from sales of development properties (land, residential and commercial projects) and leasing of properties are presented below:

	Notes	For the year ended 31 December 2020		
		Sale of Developed Properties	Leasing of Properties	Group Total
		SR 000	SR 000	SR 000
SEGMENT WISE PROFIT & LOSS				
Revenue		1,812,379	132,475	1,944,854
Cost of revenue		(1,225,200)	(45,004)	(1,270,204)
GROSS PROFIT		587,179	87,471	674,650
Operating expenses:				
General and administrative expenses	19			(171,332)
OPERATING PROFIT				503,318
Finance costs	20			(645,883)
Other income, net				143,361
Share of net profit from associates and joint ventures	8a			18,583
SEGMENT PROFIT FOR THE YEAR				19,379
SEGMENT WISE ASSETS & LIABILITIES				
TOTAL ASSETS		29,170,091	1,764,525	30,934,616
TOTAL LIABILITIES		11,144,481	763,955	11,908,436

	Notes	For the year ended 31 December 2019		
		Sale of Developed Properties	Leasing of Properties	Group Total
		SR 000	SR 000	SR 000
SEGMENT WISE PROFIT & LOSS				
Revenue		**3,350,214**	**141,642**	**3,491,856**
Cost of revenue		(2,622,386)	(45,030)	(2,667,416)
GROSS PROFIT		**727,828**	**96,612**	**824,440**
Operating expenses:				
General and administrative expenses	19			(174,787)
OPERATING PROFIT				**649,653**
Finance costs	20			(478,418)
Other income, net				133,269
Share of net profit from associates and joint ventures	8a			7,885
SEGMENT PROFIT FOR THE YEAR				**312,389**
SEGMENT WISE ASSETS & LIABILITIES				
TOTAL ASSETS		**27,060,431**	**988,798**	**28,049,229**
TOTAL LIABILITIES		**8,211,424**	**828,317**	**9,039,741**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

5. INVESTMENT PROPERTIES, NET

The movement in investment properties is as follows:

	2020	2019
	SR 000	SR 000
COST		
At beginning of the year	1,968,537	1,965,291
Transfer to development properties	(88,568)	-
Additions	1,282	3,246
At end of the year	**1,881,251**	**1,968,537**
ACCUMULATED DEPRECIATION		
At beginning of the year	317,180	272,150
Transfer to development properties	(49)	-
Charged during the year	45,004	45,030
At end of the year	362,135	317,180
CARRYING AMOUNT AT THE END OF THE YEAR	**1,519,116**	**1,651,357**

Included within investment properties is land with an original cost of SR 470 million (31 December 2019: SR 470 million).

FAIR VALUE ESTIMATION:

Fair value of the investment properties is estimated by a recoganised valuation agency not related to the Group (ValuStrat Saudi Arabia a license member of Saudi Authority of Accredited Valuers) by using income capitalisation method in December 2020, the range of capitalisation rates are determined based on the nature and the highest and the best designated use of the assets and various external references for similar type of assets. There has been no change in the valuation technique during the year. The annualised lease cash flows are estimated by extrapolating and adjusting current lease revenues for optimal occupancy and capitalising it at an annual rent yield of 6-8% between residential and commercial leased properties to arrive the fair value estimated as below:

	2020	2019
	SR 000	SR 000
COST	1,519,116	1,651,357
ESTIMATED FAIR VALUE		
Estimated on rent yield of 6-8 % on Investment properties	1,927,484	1,927,484

The fair valuation of investment properties is categorised under Level 2 in the fair value hierarchy

6. DEVELOPMENT PROPERTIES

The movement in development properties, the principle operation of the Company, are summarised as follows:

	Year ended 31 December 2020				
	Short-term Developed Projects	Short-term Developed land	Developed land/ Projects	Projects under Developments	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST					
At beginning of the year	13,907	321,043	1,408,562	15,487,042	17,230,554
Additions during the year	723	13,937	21,115	2,458,795	2,494,570
Transfer, net	370	-	(259,213)	347,362	88,519
Charged to cost of sales during the year	(8,120)	-	(150,455)	(1,066,625)	(1,225,200)
CARRYING AMOUNT AT THE END OF THE YEAR	**6,880**	**334,980**	**1,020,009**	**17,226,574**	**18,588,443**
Short- term development properties					341,860
Long-term development properties					18,246,583

	Year ended 31 December 2019				
	Short-term Developed Projects	Short-term Developed land	Developed land/Projects	Projects under Developments	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST					
At beginning of the year	36,473	312,856	1,954,202	12,194,060	14,497,591
Additions during the year	-	8,187	17,186	5,329,976	5,355,349
Transfer, net	-	-	(458,676)	458,676	-
Charged to cost of sales during the year	(22,566)	-	(104,150)	(2,495,670)	(2,622,386)
CARRYING AMOUNT AT THE END OF THE YEAR	**13,907**	**321,043**	**1,408,562**	**15,487,042**	**17,230,554**
Short- term development properties					334,950
Long-term development properties					16,895,604

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

Projects under development includes investment in land and joint development worth SR 13.87 billion (31 December 2019: SR 12.08 billion), which represents the Group's share of co-ownership with others and advances made for joint development with third parties according to the contracts of land development.

During the year ended 31 December 2020 the Group has capitalised Islamic borrowing costs amounting to SR nil (31 December 2019: nil) on qualifying assets. Islamic borrowing costs were capitalised at an annual weighted average capitalisation effective rate of nil% (31 December 2019: nil%).

FAIR VALUE ESTIMATION:

During the year the Group's management and directors conducted an internal review and valuation of the real estate portfolio of development properties which resulted in a fair value indicating an average uplift of 20% (31 December 2019: 20%) across the development property portfolio. The management believes that the resultant uplift on the book value is a conservative indication of the fair value of the properties of the Group.

In view of the continuing volatility and uncertainty in the real estate market the transaction volumes are showing considerable stabilisation on lowering price trend. Hence to normalise the fair value assumptions along with known comparable transaction at arms-length around properties, the management included additional valuation methodologies and measures of average IRR in the range of 4-6% for development properties to arrive at the fair value estimate.

	Year ended 31 December 2020				
	Short-term Developed Projects	Short-term Developed land	Developed land/Projects	Projects under Developments	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST	6,880	334,980	1,020,009	17,226,574	18,588,443
ESTIMATED FAIR VALUE					
Estimated @ 20% margins on cost – Land	7,000	400,000	1,220,000	20,670,000	22,297,000
Estimated @ 4-6 % IRR – Land	7,000	365,000	1,100,000	19,217,000	20,689,000
Average fair value on land	7,000	382,000	1,160,000	19,943,000	21,492,000
Estimated fair value	7,000	380,000	1,150,000	19,400,000	20,937,000

	Year ended 31 December 2019				
	Short-term Developed Projects	Short-term Developed land	Developed land/ Projects	Projects under Developments	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST	13,907	321,043	1,408,562	15,487,042	17,230,554
ESTIMATED FAIR VALUE					
Estimated @ 20% margins on cost – Land	14,000	384,000	1,680,000	16,500,000	18,578,000
Estimated @ 4-6 % IRR – Land	15,000	330,000	1,980,000	16,937,000	19,262,000
Average fair value on land	14,000	357,000	1,830,000	16,720,000	18,921,000
Estimated fair value	14,000	350,000	1,800,000	16,700,000	18,864,000

SENSITIVITY IN FAIR VALUE ESTIMATION:

The estimated fair value of Group's investment properties and development properties can be impacted by the occurrence of interrelated unobservable inputs determined by existing market conditions. The impact of two unobservable inputs may not be off-setting each other; for example, an increase in capitalisation rate may off- set an increase in annual rent but an increase in annual rent with a decrease in capitalisation rate would boost the fair value.

	Increase	Decrease
	SR 000	SR 000
Change in fair value on land		
10% change in comparable margins	1,859,000	(1,859,000)
1% change in IRR	641,000	(603,000)
Average change in fair value on land	**1,250,000**	**(1,231,000)**
Change in fair value on Properties		
50 basis points change in capitalisation rate	105,000	(75,000)
Sensitivity impact on estimated fair value	**1,355,000**	**(1,306,000)**

The fair valuation of investment properties is categorised under Level 3 in the fair value hierarchy

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

7. PROPERTY AND EQUIPMENT, NET

31 DECEMBER 2020	Land and buildings	Leasehold improvement	Vehicles	Machinery and tools	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
Balance at 1 January 2020	114,997	9,683	8,018	17,945	60,811	211,454
Additions for the year	76	412	-	-	2,151	2,639
Transfer	-	-	-	-	(1)	(1)
Balance at 31 December 2020	**115,073**	**10,095**	**8,018**	**17,945**	**62,961**	**214,092**
ACCUMULATED DEPRECIATION						
Balance at 1 January 2020	54,482	7,024	7,960	15,056	48,197	132,719
Depreciation for the year	3,195	669	23	888	4,524	9,299
Transfer	-	-	-	-	-	-
Balance at 31 December 2020	**57,677**	**7,693**	**7,983**	**15,944**	**52,721**	**142,018**
CARRYING AMOUNT AT 31 DECEMBER 2020	57,396	2,402	35	2,001	10,240	72,074

31 DECEMBER 2019	Land and buildings	Leasehold improvement	Vehicles	Machinery and tools	Office equipment	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
COST						
Balance at 1 January 2019	114,538	9,575	8,018	17,644	55,386	205,161
Additions for the year	459	166	-	301	5,367	6,293
Transfer	-	(58)	-	-	58	-
Balance at 31 December 2019	**114,997**	**9,683**	**8,018**	**17,945**	**60,811**	**211,454**
ACCUMULATED DEPRECIATION						
Balance at 1 January 2019	51,290	6,639	7,937	14,192	44,212	124,270
Depreciation for the year	3,192	595	23	864	3,775	8,449
Transfer	-	(210)	-	-	210	-
Balance at 31 December 2019	**54,482**	**7,024**	**7,960**	**15,056**	**48,197**	**132,719**
CARRYING AMOUNT AT 31 DECEMBER 2019	60,515	2,659	58	2,889	12,614	78,735

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

Investments in associates and joint venture represent investments in shares of companies, where the Group exercises significant influence. The shares of these companies are not publicly traded. The Group's ownership in these Saudi Arabia based privately owned companies ranges from 15% to 51%. For entities where the investment is less than 20%, management believes that it is able to exert significant influence due to its involvement at board level. Movement in investments in associates and joint ventures is as follows:

a. Investments in associates and joint ventures:

	2020	2019
	SR 000	SR 000
Investments, beginning of year	1,154,506	826,621
Additions	34	320,000
Share of profit during the year	19,007	7,885
Investments, end of the year	**1,173,547**	**1,154,506**

b. Summarised details of holding in respect of the Group's associates and joint venture is set out below:

Name of the entity	Amount invested	% of Holding
	SR 000	
Saudi Home Loans (SHL) (i)	150,000	15%
Alkhair Capital Saudi Arabia (ACS) (ii)	422,000	42.2%
Khozam Real Estate Development Company (KDC) (iii)	525,547	51%
Juman company (iv)	1,500	18%
First Brokerage Properties Company (FBPC) (v)	34	67%
Accumulated share of profits	**74,466**	
Balance, end of the year	**1,173,547**	

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

c. Summarised financial information in respect of the Group's associates and joint venture is set out below:

31 DECEMBER 2020	Juman	KDC	ACS	SHL	FBPC	TOTAL
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Total assets	8,200	542,344	1,026,338	4,554,813	245	6,131,940
Total liabilities	-	(36,555)	(17,791)	(2,965,121)	(195)	(3,019,662)
Net assets	8,200	505,789	1,008,547	1,589,692	50	3,112,278
KDC net assets includes SAR 250 mn of exclusivity right- refer below note c(iii)	-	250,000	-	-	-	250,000
Group's share of net assets	**1,500**	**507,952**	**425,607**	**238,454**	**34**	**1,173,547**
Total revenue for the year	-	-	77,652	304,900	18	382,570
Other comprehensive income for the year	-	-	-	-	-	-
Total profit for the year	-	321	13,146	88,700	(634)	101,533
Total cumulative earning at end of the year	-	(34,956)	6,066	588,792	-	559,902
Total cumulative earning at end of last year	-	(35,277)	(7,057)	500,089	-	457,755
Change for the year	-	321	13,123	88,703	-	102,147
Group's share of cumulative profit for the year	**-**	**164**	**5,538**	**13,305**	**-**	**19,007**

31 DECEMBER 2019	Juman	KDC	ACS	SHL	TOTAL
	SR 000	SR 000	SR 000	SR 000	SR 000
Total assets	8,200	541,966	1,007,418	4,411,993	5,969,577
Total liabilities	-	(36,532)	(11,631)	(2,911,904)	(2,960,067)
Net assets	8,200	505,434	995,787	1,500,089	3,009,510
KDC net assets includes SAR 250 mn of exclusivity right- refer below note c(iii)	-	250,000	-	-	250,000
Group's share of net assets	**1,500**	**507,771**	**420,222**	**225,013**	**1,154,506**
Total revenue for the year	-	-	62,782	311,369	374,151
Total profit for the year	-	493	6,433	54,661	61,587
Other comphrehensive income for the year	-	-	-	-	-
Total cumulative earning at end of the year	-	(35,277)	(7,057)	500,089	457,755
Total cumulative earning at end of last year	-	(35,769)	(14,405)	469,870	419,696
Change for the year	-	492	7,348	30,219	38,059
Group's share of cumulative profit for the year	**-**	**251**	**3,101**	**4,533**	**7,885**

The relevant financial statements of associates and joint ventures listed above are prepared in the order of liquidity, hence the total of assets and liabilities are considered for reporting. Details of transactions with associates and joint ventures are disclosed under note 23 "Related Party Transactions" of these consolidated financial statements. The nature of relationship and operations of each reported entities are detailed below;

(i) Saudi Home Loans (SHL): The Group had originally invested SAR 120 million representing 15% of the paid up share capital of SHL and during 2017 the SHL increased the paid up share capital by issuing 20 million shares of SR 10 each to its existing shareholders in the same proportion of their shareholding by transferring an equal amount from its retained earnings (by capitalising profit). This increase in share capital was approved in the EGM meeting held on 24 May 2017 and accordingly, the original investment of SAR 120 million has been revised to SAR 150 million to reflect the capital increase.

(ii) Alkhair Capital Saudi Arabia (ACS): The Group had originally invested SAR 102 million representing 34% of the paid up share capital of ACS and during 2019 the ACS increased the paid up share capital by additional SAR 700 million. The Group has acquired additional capital by investing SAR 320 million and accordingly, the original investment of SAR 102 million has been revised to SAR 422 million to reflect the change in capital investment of the Group with ACS.

(iii) Khozam Real Estate Development Company (KDC): The Group had invested 51% in KDC, with Jeddah Development and Urban Regeneration Company (JDURC). As per the arrangements the power to govern the financial and operating activities which affect the returns of KDC is jointly bestowed with the shareholders. Accordingly, the Group does not have any right to variable returns or absolute power to control with the ability to affect the returns of the investee company consequently, the Group's investment in KDC is accounted for as investment in joint venture under equity method of accounting.

The KDC investment include SR 250 million as an exclusive right to participate in the Khozam project development and SR 276 million as capital contributions fully paid in cash. The other shareholder (JDURC) contributed SR 265 million worth of land as capital contribution. The management believes that the value of the total investment has not diminished.

(iv) Eastern Juman Company (Juman): During 2016 the group had invested in Eastern Juman Company a Limited Liability Company established mainly for the development of Juman project located between Dammam and Ras Tanura. The Company is registered in Riyadh under the Commercial Registration No. 1010462791 dated 15/10/1437H, (corresponding to 20/07/2016) with a share capital of SAR 8.2 million. The group has paid SAR 1.5 million towards the 18.29% of its share capital and management believe that the value of the total investment has not diminished or impaired.

(v) First Brokerage Properties Company (FBPC): During 2020 the group had invested 67% in First Brokerage Properties Company a Limited Liability Company established mainly for the management and rental of real estate owned or leased (residential and non-residential), brokers activities and real estate management activities for a commission. The Groups share of operating loss of SAR 634 thousand recorded for the period ending 31 December 2020 has been absorbed and recognised in the consolidated profit or loss.

9. OTHER ASSETS (DEFERRED CHARGES), NET

The movement during the year is as below:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	1,501	2,511
Additions during the year	-	-
Amortisation charge for the year	(1,009)	(1,010)
Balance, end of the year	**492**	**1,501**

10. TRADE RECEIVABLES AND OTHERS

	2020	2019
	SR 000	SR 000
Trade receivables – net of allowances for doubtful debts of SR 23.54 million (31 December 2019: SR 21.02 million)	3,626,042	3,226,676
Advance payments to purchase land	709,670	559,670
Accrued revenue	1,461	9,991
Prepayments and others	312,005	184,326
Short term investment- trading (note 10c)	-	863
Total	**4,649,178**	**3,981,526**

The fair value of financial assets included above approximates the carrying amount. No penalties or interests are charged for delayed payments.

Trade receivable disclosed above include amounts (see below for ageing analysis) that are past due from the date of invoice, at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality.

A) AGEING OF TRADE RECEIVABLES THAT ARE DUE BUT NOT IMPAIRED

	2020	2019
	SR 000	SR 000
0-60 days	324,722	501,303
61-120 days	251,119	649,173
121-180 days	261,608	717,683
Above 180 days	2,788,593	1,358,517
Total	**3,626,042**	**3,226,676**

Ageing are from the date of invoice and the trade receivables include about 98% (31 December 2019: 97%) receivables against land and project sales which are fully secured against such land and project parcels.

B) EXPECTED CREDIT LOSS EVALUATION OF ACCOUNT RECEIVABLES

The Group consistently measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the customer/tenant and shall also make a specific analysis of respective customer/ tenant to assess the current financial position and any other related factors along with general economic conditions of the industry in which the customer/tenants operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised full credit allowance against all receivables where the analysis has indicated that these receivables are generally not recoverable. The Group has not made any provisions against the receivables against the sale of land and projects and dues and lease receivables from government departments.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

Movement in the expected credit loss

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	21,019	19,019
Allowance for the year	2,516	2,000
Balance, end of the year	**23,535**	**21,019**

C) SHORT TERM INVESTMENT – FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The group has an investment, classified as held for trading, through portfolio management account with a leading Saudi Asset Management broking institution ("fund manager') and as per the portfolio management agreement the fund manager is allowed to trade in Islamic debt and equity securities on behalf of the Group. The transaction during the year is detailed below:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	863	863
Purchased / sold during the year	-	-
	863	**863**
Realised gains	-	-
Total	**863**	**863**
Transfers/withdrawals	(863)	-
Balance, end of the year	**-**	**863**

Investment includes SR nil as at 31 December 2020 (31 December 2019 SR 863 thousand) representing cash deposit held with the fund manager.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

11. CASH AND CASH EQUIVALENTS

	2020	2019
	SR 000	SR 000
Cash in hand	666	937
Cash with bank	4,930,994	3,949,083
Total	**4,931,660**	**3,950,020**

12. LONG-TERM BORROWINGS

	2020	2019
	SR 000	SR 000
Islamic Sukuk	7,500,000	6,000,000
Islamic Murabaha	2,804,050	1,832,450
	10,304,050	**7,832,450**
Less: Un-amortised transaction costs (note 12 b)	(86,597)	(99,767)
Borrowings end of the year	**10,217,453**	**7,732,683**
Less: Borrowing -short-term maturity portion	(436,062)	(405,943)
Borrowing -long-term maturity portion	**9,781,391**	**7,326,740**

A. REPAYABLE AS FOLLOWS:

	2020	2019
	SR 000	SR 000
Within one year	436,062	411,400
In the second year	2,348,412	98,300
In the third to fifth years inclusive	7,519,576	7,322,750
	10,304,050	**7,832,450**

B. ISLAMIC BORROWINGS TRANSACTION COSTS:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	99,767	82,685
Additions during the year	23,905	50,191
Amortisation charge for the year	(37,075)	(33,109)
Balance, end of the year	**86,597**	**99,767**

C. ANALYSIS OF BORROWINGS:

This represents SR 7.50 billion of Islamic Sukuk comprising:

1) SR 1.88 billion (USD 500 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2022.

2) SR 1.88 billion (USD 500 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2023.

3) SR 2.25 billion (USD 600 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.75% and maturing in 2025.

4) SR 1.50 billion (USD 400 million) of Islamic Sukuk carried in the books of the Group, issued by Dar Al-Arkan Sukuk Company Ltd. at 6.88% and maturing in 2027.

Islamic Sukuks listed above are denoted in US dollars. Since the Saudi Arabian Riyal is limited to fluctuations in the US Dollar there is no exposure to foreign exchange risk. The investment profit is payable to the Saudi SPV, through which the Sukuk was issued, by the sale of properties owned by the Group. The beneficiary rights of these properties are with Dar Al Arkan Real Estate Development Company and its subsidiaries with the rights to buy back the ownership of these properties upon the full repayment of the Sukuk. The Group has issued a corporate guarantee to the Sukuk holders.

The Sukuk agreements include financial covenants, which the Group was in compliance with as at 31 December 2020.

Islamic Murabaha

This represents the bilateral Murabaha facilities from local and international commercial banks, secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long- term and short- term tenures ranging from 6 months to 9 years with various repayment schedules like annual roll revolvers, bullet payments and instalment repayments ranging from quarterly and half yearly as detailed below.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

Summary of the Murabahas:

Maturity date	Outstanding Balance	Short-term	Long-term
	SR 000	SR 000	SR 000
2023	478,550	18,300	460,250
2024	1,350,000	304,762	1,045,238
2027	257,000	51,000	206,000
2029	718,500	62,000	656,500
TOTAL	**2,804,050**	**436,062**	**2,367,988**

The total weighted average effective annual commission rate for the year ended 31 December 2020 is 6.71% (31 December 2019: 6.85%)

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2020.

13. END OF SERVICE INDEMNITIES

The Group provides a defined end of service benefit plan to its employees in line with the labour law provisions and requirement in the Kingdom of Saudi Arabia for respective entities under the Group. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of cessation of their employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans where the respective entities meet the benefit payment obligations as it falls due.

The movement of the obligation accrued is as follows:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	21,614	19,011
Charged to expenses during the year	3,884	4,313
Re-measurement loss/ (gain) during the year	2,102	435
Paid during the year	(6,277)	(2,145)
Balance, end of the year	**21,323**	**21,614**

During the year the Group conducted an actuarial valuation and the relevant disclosures are as follows;

A- Significant actuarial assumptions:

	2020	2019
	%	%
Discount rate	3.0%	3.0%
Long term salary increase rate	3.0%	3.0%
Employee attritions	**Moderate**	**Moderate**

B- Movement in present value of employee benefit obligation

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	20,705	18,674
Net period benefit cost	3,755	3,600
Re-measurement loss/ (gain)	2,102	435
Paid during the year	(6,065)	(2,004)
Balance, end of the year	**20,497**	**20,705**

C- Analysis of present value of obligation

	2020	2019
	SR 000	SR 000
Benefit obligation earned and accumulated to the date of financial position	19,833	15,905
Benefits attributed to future salary increase	664	4,800
Total	**20,497**	**20,705**

D- Sensitivity Analysis of obligation

The sensitivity of employee benefit obligation is calculated based on a change in an assumption while all other significant actuarial assumptions, used in the valuations employee benefit obligation, remained unchanged. The vale impact in the obligation with a change in an assumption as follows:

	2020	2019
	SR 000	SR 000
Discount rate + 0.5%	19,614	19,831
Discount rate - 0.5%	21,446	21,643
Long term salary increase + 0.5%	21,485	21,690
Long term salary increase - 0.5%	19,570	19,780

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

E- Effect of defined benefit plan on entity's future cash flows

The weighted average duration of the employee benefit obligation is 8.92 years for the year ended December 31, 2020 (31 December 2019: 8.73 years). The expected maturity analysis of undiscounted defined benefit obligation is as follows:

	2020	2019
	SR 000	SR 000
Within one year	983	1,010
In the second year	3,158	3,098
Between third and fifth years	4,754	3,564
Above five years	11,602	13,033
Total	**20,497**	**20,705**

14. TRADE PAYABLES AND OTHERS

	2020	2019
	SR 000	SR 000
Trade payables	260,221	270,045
Due to related parties (note 23a)	189,741	189,397
Accruals	209,444	147,782
Unpaid dividend	35,381	35,423
Lease liability (note 22b)	243	872
Contract liabilities (note 14a)	518,539	108,590
Unearned revenue	18,897	46,670
Total	**1,232,466**	**798,779**

Trade payables and others principally comprise amounts outstanding for trade purchases and on- going costs. The average credit period taken for trade purchases is 30 days (31 December 2019: 30 days).

The fair value of financial liabilities included above approximates the carrying amount.

a) Contract liabilities

Contract Liabilities represents the advance received towards a duly enforceable customer contracts for sale of properties against which the agreed performance obligations are not fully completed.

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	108,590	69,361
Collected during the year	409,949	39,229
Cancellations during the year	-	-
Transfers to cost of revenue during the year	-	-
Balance, end of the year	**518,539**	**108,590**

15. ZAKAT PROVISIONS

a) The principal elements of the Zakat base are as follows:

	2020	2019
	SR 000	SR 000
Zakat base:		
Equity	19,009,488	18,705,333
Provisions and other adjustments	6,350,010	4,757,371
Total Zakat base	**25,359,498**	**23,462,704**
Deductions:		
Total deduction after adjustment	(25,359,498)	(23,462,704)
Zakat base	**-**	**-**

b) Adjusted net income for the year:

	2020	2019
	SR 000	SR 000
Adjusted net income:		
Adjusted net income,net	4,680	306,953
Adjusted net income	**4,680**	**306,953**
Estimated Zakat and Tax provision for the year	**585**	**7,799**

c) The movement in provision for Zakat:

Zakat is recognized and provided for in the financial statements and the movement of Zakat is as follows:

	2020	2019
	SR 000	SR 000
Balance beginning of the year	486,665	556,828
Estimated Zakat for the year	585	7,799
Paid during the year	(50,056)	(77,962)
Estimated Zakat provision, end of the year	**437,194**	**486,665**

d) The Company has received the assessments from GAZT for the years 2003 to 2014. The company had filed the consolidated zakat return for years 2015 to 2019 and the zakat return for the year ended 31 December 2020 is under process.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

16. SHARE CAPITAL

	2020	2019
	SR 000	SR 000
Authorised: 1,080,000,000 ordinary shares of SR 10 each	10,800,000	10,800,000
Issued and fully paid shares of SR 10 each At the start of the year	10,800,000	10,800,000
At the end of the year	**10,800,000**	**10,800,000**

The Group has one class of ordinary shares which carry no right to fixed income.

17. REVENUE

The Group derives its revenue from development properties through contracts with customers for the transfer of goods at a point in time. The below revenue details are consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 (see note 4).

		For the year ended 31 December	
Disaggregation of revenue	Basis of Recognition	2020	2019
		SR 000	SR 000
Sale of development properties	- At a point in time	1,625,976	3,208,652
Sale of residential properties	- At a point in time	186,403	141,562
Leasing of properties	- IFRS 16	132,475	141,642
Total		**1,944,854**	**3,491,856**

18. COST OF REVENUE

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
Development properties cost	1,066,625	2,495,670
Residential properties-cost	158,575	126,716
Direct cost on leasing – depreciation (refer note 5)	45,004	45,030
Total	**1,270,204**	**2,667,416**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
General and administrative expenses	161,109	165,174
Depreciation (refer note 7 & 22a)	10,223	9,613
Total	**171,332**	**174,787**

20. FINANCE COSTS

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
Charges on Sukuk	497,042	330,042
Charges on Islamic Murabaha	111,744	115,217
Charges on Lease liability (note 22b)	22	50
Amortisation of transaction costs (note 12b)	37,075	33,109
Total	**645,883**	**478,418**

21. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
Earnings		
For the purpose of basic earnings per share (Net profit for the year)	18,794	304,590
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares For the purposes of basic earnings per share	**1,080,000,000**	1,080,000,000

There is no dilution of ordinary shares and as such the basic and diluted earnings per share calculation are consistent.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

22. LEASE ARRANGEMENTS

A: GROUP AS LESSEE

a) Right of use assets

Below is the "right of use assets" for the lease arrangements entered and unexpired as at the reporting date, qualifying for accounting under IFRS 16. The details and movements for this assets is summarised as follows, and the depreciation charged to this asset is included in depreciation expenses.

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
COST		
At beginning of the year	3,962	3,962
Additions for the year	-	-
Transfer/ retirements	-	-
At end of the year	**3,962**	**3,962**
ACCUMULATED DEPRECIATION		
At beginning of the year	2,932	1,768
Charged during the year	924	1,164
Transfer/ retirements	-	-
At end of the year	3,856	2,932
NET BOOK VALUE AT THE END OF THE YEAR	**106**	**1,030**

The balance in right of use assets are included with the property plant and equipment (refer note 7)

b) Lease liability

The "lease liability" to account for its unexpired lease qualified for accounting under IFRS 16 requirements and the details of the movements are as below. The interest cost accrued is included in the financing charges.

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
LIABILITY		
At beginning of the year	4,769	4,719
Additions for the year	-	-
Transfer/ retirements	-	-
Finance cost for the year	22	50
At end of the year	**4,791**	**4,769**

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
PAYMENTS		
At beginning of the year	3,897	2,672
Paid during the year	651	1,225
At end of the year	4,548	3,897
BALANCE AT THE END OF THE YEAR	**243**	**872**

The balance in lease liability is included with trade payables and others (refer note 14)

c) Minimum lease payments

The minimum lease payments under non-cancellable lease rentals are as follows:

	For the year ended 31 December	
	2020	2019
	SR 000	SR 000
Amounts due:		
Within one year	596	729
Between one and five years	-	1,874
After five years	-	-
Total	**596**	**2,603**

B: GROUP AS LESSOR

The Group has investment properties (refer note 5) consists of residential and commercial real estate properties that are retained in its master planned community with an intention to generate consistent recurring income. These properties are leased, both on short term and long term operating lease arrangements to various customers, including corporates, government and individuals for their residential and commercial requirements. For the relevant reporting period, the details of income generated and the direct cost of leasing is detailed segmental reporting (refer note 4).

The minimum lease receivables under non-cancellable lease rentals are as follows:

	2020	2019
	SR 000	SR 000
Amounts Receivable:		
Within one year	84,393	87,208
Between one and five years	137,088	174,207
After five years	61,696	75,057
Total	**283,177**	**336,472**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

23. RELATED PARTY TRANSACTIONS

a) Due to related parties

The Khozam Real Estate Development Company (KDC) is a Jointly controlled entity (for further details please refer note 8). The KDC management requested the group to invest excess cash balance of KDC with the group at a nominal profit charged on the average balance, repayable on demand to fund its operational requirements. The details of the transactions, included in trade payable and other (refer note # 14), are as follows:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	189,397	188,862
Repayment of advances for the year	(616)	(425)
Profit charged for the year	960	960
Balance, end of the year	**189,741**	**189,397**

b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year are as follows:

	2020	2019
	SR 000	SR 000
Short-term benefits	10,089	8,247
End-of-service benefits	617	476
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
Total	**10,706**	**8,723**

c) Other related party transactions

(i) Saudi Home Loans (SHL):

SHL is an associate of the Group (for shareholding and operational details kindly refer note 8). During the year, the Group sold residential homes to individuals who sought financing from Saudi Home Loans, which is an associate to the Group. In these instances, Saudi Home Loans pays the consideration in respect of the residential property sale to the Group on behalf of the individual. There is no recourse to the Group if such lending by Saudi Home Loans results in nonperforming receivables. The details of the transactions, included in trade receivable (refer note # 10), are as follows:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	-	-
Sales/ debits during the year	15,471	23,632
Collections /adjustments	(15,471)	(23,632)
Balance, end of the year	**-**	**-**

(ii) Alkhair Capital Dubai Ltd

The Group engaged Alkhair Capital Dubai, an associate entity, to provide general financial advisory, and secondment services to international subsidiaries. The details of the transactions, included in trade payable under trade payable and others (refer note # 14), are as follows:

	2020	2019
	SR 000	SR 000
Balance, beginning of the year	-	-
Fees and expenses on indirect engagement with group AlKhair Capital Dubai during the year	1,500	2,250
Amount paid during the year	(1,500)	(2,250)
Balance, end of the year	**-**	**-**

For the year ended 31 December 2020 and 2019, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

In addition, the Group entered into certain other transactions with related parties that did not have a significant impact on the financial position or comprehensive income of the Group.

See also note 8.

24. RETIREMENT BENEFIT PLANS

The Group makes payments to defined contribution retirement benefit plans in the form of the General Organisation of Social Insurance that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to this state-managed scheme.

The total cost charged to the consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2020 was SR 3.88 million (31 December 2019: SR 4.31 million), and the outstanding contribution as at 31 December 2020 is SR 245 thousand (31 December 2019: SR 321 thousand).

25. CAPITAL MANAGEMENT

The executive committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to its parent company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from 2007, when the Group diversified its sources of funding and issued two medium term Sukuks ranging from 3-5 years. Considering the track record of timely repayment of the first two Sukuk and the group expertise developed over the past five years to access international markets for shariah' compliant funding, the management continue to maintain its relationship with the capital markets and monitor the markets for future issuance. The Group adhere to international best practices in corporate governance and consider the capital market transactions to create additional shareholders value.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

The capital structure of the Group consists of net debt (borrowings adjusted with cash and cash equivalents) and equity (comprising share capital, statutory reserve, and retained earnings). The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Group consistently monitors its gearing ratio, to ensure compliance with external covenant requirements. The gearing ratio at end of the reporting period was as follows:

	2020	2019
	SR 000	SR 000
Islamic borrowings	10,217,453	7,732,683
Cash and cash equivalents and short term deposits	(4,931,660)	(3,950,020)
Net debt	5,285,793	3,782,663
Shareholders' equity	**19,026,180**	19,009,488
Net debt to equity ratio	**28%**	**20%**

26. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are mainly comprised of Islamic Murabaha (term and annual revolving) facilities taken from banks, issue of Islamic Sukuk, trade payable and other payables to contractors and suppliers. The paramount objectives of these financial instruments are to raise the funding base for various projects as well as for the working capital requirement of the Group.

The Group also has financial assets in the form of bank deposits, cash in hand, due from related parties and trade and other receivables, which are integral and directly derived out of its regular business. On the reporting date the Group has not entered into any non-Islamic financial variable instrument contracts by way of currency hedging, commission rate swap agreements or similar instruments.

The Group's financial operations are subject to the following risks:
1. Credit Risk
2. Commission Rate Risk
3. Liquidity Risk
4. Foreign Currency Risk

Credit Risk

The Credit Risk can be defined as a loss of value of an asset as a result of a failure by a customer or a counter party to such commercially valid and legally enforceable contract to comply with its obligations.

The general sales policy of the Group is "No Credit" terms, but in some cases there are enhanced payment schedules or staggered payment request by selected customers which have been accommodated. In such cases the Group has an exposure of credit risk with respect to the amount due from those customers. However, in such cases the Group holds back the final delivery or possession of the property to mitigate the risk until the full amount due is paid to the satisfaction of the contract. The monitoring and follow up of balances is completed regularly and as a result the Group's exposure to losses is limited.

With respect to the credit risk exposure of other financial assets, namely, due from related parties, bank deposits and trade and other receivables, the maximum credit risk of the Group is limited to their carrying values, in case there is a failure of the other party to meet its obligation.

The summary of financial assets subject to credit risk is detailed below;

	2020	2019
	SR 000	SR 000
Cash and cash equivalents and short term deposits	4,931,660	3,950,020
Trade receivable, net	3,626,042	3,226,676
Other assets	1,023,136	754,850
Total	**9,580,838**	**7,931,546**

As of the reporting date, the Group does not have significant credit risk concentration with any single party or a group.

Commission Rate Risk

Commission Rate Risk is associated with a change in the commission rate available when renegotiating financial instruments that are influenced by the current global financial market conditions. The Group is exposed to commission rate risk with respect to its floating commission covenants agreed for its Islamic Murabaha (revolving credit) facilities obtained from local banks.

The short term revolving borrowings' rates are renegotiated at every renewal proposal to achieve the best possible commission rate to reflect the given financial credentials and related risk perception of the Group.

The Group has no specific shariah' complaint commission rate swap contract to manage its commission rate risk. The Group's international borrowing commission rates are primarily based on LIBOR and its local borrowings are based on SAIBOR. Hence the commission rate exposure of the Group is variable according to the changes in the LIBOR & SAIBOR.

The commission rate sensitivity analysis is performed based on the commission rate exposure of the Group for floating rate liabilities outstanding at the reporting date. The calculations are done on floating commission rates assuming the liabilities outstanding for a whole year as at the reporting date.

During the period under review the average rate of 3 months LIBOR varied between 0.20% and 0.25% (2.09% and 2.34% for 2019) and SAIBOR varied between 0.82% and 0.87% (2.36% and 2.71% for 2019).

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

The sensitivity of commission rate variance on the Group's external borrowings which affects the consolidated financial statements of the Group is shown below:

	2020	2019
	SR 000	SR 000
+ 25 basis points	7,010	4,581
- 25 basis points	(7,010)	(4,581)

The net profit of the Group for the reported period would have been affected by the above amount as a result of such changes in floating commission rates. If there is any capitalisation of borrowing costs directly attributed to projects in progress, there would be timing differences on such an impact to the Group's current profit and loss account and the current impact would be nil as there is no capitalisation for the current period and historically, the management capitalised approximately 10% of borrowing costs to projects in progress as explained in note 2.9.

Liquidity Risk

Liquidity Risk can result from a difficulty to meet the financial commitments and obligations of the Group as per the agreed terms and covenants.

To mitigate the liquidity risk and associated losses of business and brand value opportunities; the Group, where possible, keeps sufficient liquid assets in all business conditions. The Group refrains from funding its long term capital requirements through short term borrowings and related party current account transactions. Currently the long term projects are funded from long term or revolving borrowings only. The Group also has a dynamic cash flow assessment policy and system by which it can estimate and plan the maturities as well as required resources to meet such obligations.

The total weighted average effective annual commission rate for the period ended 31 December 2020 is 6.71% (31 December 2019: 6.85%)

See notes 12 and 14 for further details.

The maturity profile of financial liabilities of the group with undiscounted gross cash flows for the remaining contractual maturities for both principal and interest, wherever applicable, as at 31 December 2020 and 31 December 2019 are as follows:

31 December 2020	Within 3 Months	3 months to 1 year	1 year to 2 years	3 years to 5 years	Above 5 years	No fixed maturity	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Financial Liabilities							
Islamic borrowings	288,874	802,291	2,903,674	6,483,971	2,112,533	-	12,591,343
End of service indemnities	-	-	-	-	-	21,323	21,323
Trade payables and others	159,762	727,163	-	-	-	345,541	1,232,466
Total	**448,636**	**1,529,454**	**2,903,674**	**6,483,971**	**2,112,533**	**366,864**	**13,845,132**

31 December 2019	Within 3 Months	3 months to 1 year	1 year to 2 years	3 years to 5 years	Above 5 years	No fixed maturity	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Financial Liabilities							
Islamic borrowings	389,872	496,074	600,615	5,451,595	2,935,556	-	9,873,712
End of service indemnities	-	-	-	-	-	21,614	21,614
Trade payables and others	84,325	94,134	-	-	-	620,320	798,779
Total	**474,197**	**590,208**	**600,615**	**5,451,595**	**2,935,556**	**641,934**	**10,694,105**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes To The Consolidated Financial Statements For The Year Ended 31 December 2020 (Continued)

Foreign Currency Risk

Foreign Currency Risk is associated with the change in the value of the carrying value in the functional currency due to the variation of the underlying foreign currency obligation or right by way of transaction or translation reasons. The functional currency of the Group is the Saudi Riyal that is pegged against the US Dollar with a fixed exchange rate of 3.75 Saudi Riyals per US Dollar. Since transactions, other than US Dollars, are negligible; the Group does not assume any significant foreign currency risk.

27. COMMITMENTS AND CONTINGENCIES

To complete the long term construction and development of investment and development properties, the Group have committed to a number of contractual arrangements and agreements. Such contracts are cancellable at the Group's discretion with no penalties. The estimated uncompleted contracts outstanding as at 31 December 2020 amounts to SR 284 million (31 December 2019: SR 285 million) and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2019: SR 74 million).

These commitments are expected to be settled within the duration of the projects in progress and shall be funded through prospective property sales and external borrowings, if necessary.

During the normal course of business there are general litigations and legal claims. Management takes legal advice as to the likelihood of success of claims and no provision is made when the action is unlikely to succeed.

At 31 December 2020, there were no significant claims notified (31 December 2019: None).

28. EFFECTS OF CORONA VIRUS (COVID 19)

With regard to the effects of the spread of the Corona virus (Covid 19) that appeared during the reporting year as a global pandemic and the precautionary procedures that the Government of the Kingdom of Saudi Arabia has taken to face this epidemic, the company believes that this event did not have a material impact on the results of the company's operations up to the date of the consolidated financial statements. The company is currently unable to predict the financial impact of this crisis and the company is following the developments and taking all possible financial, administrative and technical procedures in order to mitigate the potential negative impacts of this crisis, changes in future conditions may require some disclosures or adjustments to the financial statements in the subsequent years.

29. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on 18 March 2021.

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