2021
ANNUAL REPORT

DAR AL ARKAN
living.

King Salman
BIN ABDULAZIZ AL SAUD

The Custodian of
the two Holy Mosques

Crown Prince Mohammad Bin Salman
BIN ABDULAZIZ AL SAUD

Deputy Premier
and Minister of Defense

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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

At a Glance

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
2021	Relaunch of Dubai tower under Urban Oasis by Missoni Launch of new international projects: Dar Al Arkan Pagani Tower in Dubai and Aida in Oman Handover of 1st plots in Shams Ar Riyadh Marking a regional first with the introduction of the first 3D Construction Printing (3DCP) technology in the Kingdom

Capital

10.8
SAR BILLION

Assets

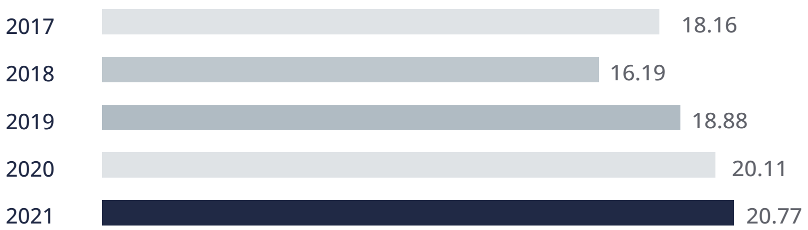
32
SAR BILLION

Book value per share

17.74
SAR BILLION

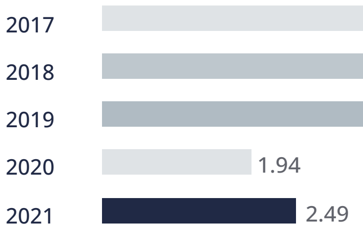
Investment in land and properties

(SAR Billion)



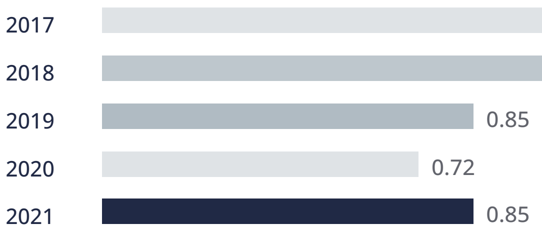
Revenue

(SAR Billion)



EBITDA

(SAR Billion)



message of the *chairman*

"2021 was the year of return to growth and we see a bright future ahead as we continue to transform the business through new project expansion and innovation"

Yousef Abdullah Al Shelash
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 2021.

After the challenging environment imposed by the pandemic in 2020, we were expecting a return to normalcy in 2021. However, through a number of mutations, and wave after wave of accelerating infection rates, the Covid-19 virus remains a defining feature of our lives today.

Despite that, and with the unparalleled efforts of the Saudi Government and the leadership of the Custodian of the Two Holly Mosques, his royal highness, King Salman bin Abdul Aziz Al Saud, and the Crown Prince, Mohammed Bin Salman, the Kingdom of Saudi Arabia responded to the challenges posed by the prolonged pandemic admirably. Be it through the efficient deployment of vaccinations, the launch of technology driven tools like the Tawakalna and Sehhaty applications or the measured approach to opening up the public spaces, lifting of the travel restrictions and returning the economy to a semblance of normalcy beyond hard lockdowns and social distancing restrictions, the Saudi government delivered a return to growth of GDP at 3.2% for full year 2021. As the recovery gathers momentum the expectations are for the economy to expand by over 7% in 2022.

The oil price rebounded strongly in the year, as the rest of the world opened up and pent-up demand returned to the market, which led to Brent averaging US$71 for the year compared to US$42 for 2020. This allowed the Saudi budget to narrow the fiscal deficit to -2.7% from the -11.2% for 2020, and deliver its 1st surplus in the 3rd quarter, as well as set an expectation for 2022 delivering SAR 90 billion in surplus.

The real estate sector, a bell weather and leading indicator of the health of the Saudi economy, returned to growth. The sector recorded SAR 193 billion in total transaction values compared to SAR 159 billion in 2020, a 21% growth. 2021 started with a bang with SAR 56 billion recorded in the 1st quarter and ended the year equally strongly with SAR 52 billion in the 4th quarter. In addition, pricing trends remained robust with the year over year real estate price index in positive territory and finishing strongly in the 4th quarter with 0.9%.

With positive market momentum, Dar Al Arkan's management set out to position the business for growth. By the end of the 4th quarter 2021, we delivered our 5th consecutive quarter of sequential growth in revenues ending the full year at SAR 2.5 billion a 28% growth versus the previous year. Gross Margin realisations continued the strong trends that started in 2020 and averaged a solid 36%.

We carried forward our strong liquidity position, having started the year with SAR 4.9 billion and while still deploying SAR 2.25 billion in replenishing our land bank, we ended 2021 with SAR 4.1 billion in cash, which puts us in a great position to meet all our debt obligations and investment needs in 2022.

Operationally, progress in our projects continued to gather pace both in terms of sales and construction. Furthermore, we have launched a number of new initiatives; a premium villa community in Shams Ar Riyadh with interiors designed by Elie Saab, the fashion icon. Our 2nd tower in Dubai, named Dar Al Arkan Pagani Tower in collaboration with Pagani of the super performance cars fame. As well as signed an MOU in Oman for a development program as part of the hilltop site of Yetti & Yenkit, a testament to our continued ambition for further international expansion.

We have also acquired a controlling stake in Compass Project Consulting, adding engineering consultancy and project delivery skills to our tool kit, as we leverage the coming growth in the Saudi and regional construction market.

Furthermore, we've acquired the exclusive representation of COBOD, a global leader in modular 3D construction printers, Dar Al Arkan will be the first in the Kingdom and the region to introduce the 3D Concrete Printing (3DCP) into the real estate market.

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 have embarked on a journey to define the sustainability strategy for Dar Al Arkan and are in the process of articulating our ESG KPIs.

Looking forward, and regardless of the lingering uncertainty around the pandemic, we are optimistic about the market and believe that 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 years to come.

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

2021 was the year of return to growth and we see a bright future ahead as we continue to transform the business through new project expansion and innovation.

strategic *review*

Message of the CEO

"As we look back on 2021 we can truly say, that we did not only survive the pandemic but we effectively laid the foundations for many years of growth to come"

Anand Raheja
CHIEF EXECUTIVE OFFICER

In 2021, although the world continued to be dominated by the Covid-19 pandemic, our strategic positioning shifted from survival mode to a return to growth. Without losing sight of our responsibility to protect our employees, support our customers and safely engage with all our stakeholders, we proactively pursued our growth objectives.

The Saudi real estate market weathered the worst of the uncertainty surrounding the pandemic and the associated fiscal treatment of real estate transactions by the end of 2020. 2021 started on solid footing with growth in transaction values across the market supported by healthy pricing trends in most geographies. This allowed our top line to return to growth as we delivered sequential improvements in revenues throughout 2021, delivered SAR 2.5 billion in total revenues, a 28% growth versus 2020.

Furthermore, as our operations were no longer disrupted by lockdowns and restrictions, we were able to accelerate our construction programs across our portfolio. The highlights of which were: In Shams Ar Riyadh, our flagship project in the capital, all zones are progressing to plan and have crossed the 50% completion mark, while a couple are virtually completed.

Similarly, Shams Al Arous in Jeddah launched sales in the 2nd quarter and construction is moving at pace.

We also relaunched our Dubai tower under Urban Oasis in collaboration with Missoni, bringing their unique designs of relaxed luxury from Miami to Dubai. Construction is progressing well and we are proud to report that concrete works have reached the 28th floor of a total of 34 through December 2021.

In the Eastern Province, we presented the concept design for our Juman project to the Development Authority. For phase 1, over an area of approximately 3 million sqm, Dar Al Arkan proposed a unique living environment for Saudi, immersed in its "on water" environment and leveraging the touristic value of the indigenous mangroves, with houses raised on stilts, Maldives style. We are looking forward to receiving the requisite permits to bring this exciting new concept to life.

Our new approach to business development, initiated in 2020, where by we created a robust process for identifying potential opportunities to build our future projects pipeline, as well as pursuing innovative initiatives, started delivering results.
We launched our 2nd project in Dubai, Dar Al Arkan Pagani Tower in collaboration with the Super Car designer Pagani bringing his avant-garde design concepts to the heart of Downtown Dubai.

We also signed an MOU with Omran in the Sultanate of Oman for a multi-phased development part of the hilltop site of Yetti & Yenkit.

Moreover, we acquired the exclusive regional rights to COBOD, a global leader in modular 3D construction printers. We will be building the first mockup units in Shams Ar Riyadh.

We also acquired Compass Project Consulting, a leading regional project and cost management consulting firm, enhancing our project management capabilities.

As we look back on 2021 we can truly say, that we did not only survive the pandemic but we effectively laid the foundations for many years of growth to come.

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.

STRATEGIC REVIEW

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.

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.

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.

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 trainingopportunities to our employees.

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.

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.

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.

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.

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.

Growth Avenues

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

Opportunity Identification

- Develop a detailed business development pipeline.
- Identify "white lands" for joint development potential.
- Highlight stalled projects in need of project restructuring.
- Data-mine the Etimad platform identifying key government initiatives and opportunities .
- Develop live master tracker of development land targets.
  Consider turnkey development, programs, project and commercial management.

Strategic Project Targeting

- Conduct specific project due diligence, research and opportunity weighing.
- Undertake high level investor and organizational engagement and relationship development.
- Perform indicative feasibility studies to confirm procurement and development options of;
  * JDA, BOT, BLT, DBOT, DFOT.
- Develop strategic and project business plans; leveraging extensive real estate knowledge.
- Identify modern methods of construction for selected project opportunities.
- Target residential led or mixed use developments, incorporating hospitality, leisure and F&B.
- Seek potential partnership opportunities.

Project Closure Process

- Articulate "win-win" strategies for both parties.
- Develop risk vs reward negotiation strategy "playbook".
- Implement standardized commercial and legal development framework.
- Select the right partners for each opportunity.
- Establish negotiation boundaries.
- Ensure right people "in the room" at the right time.
- Close the deal.

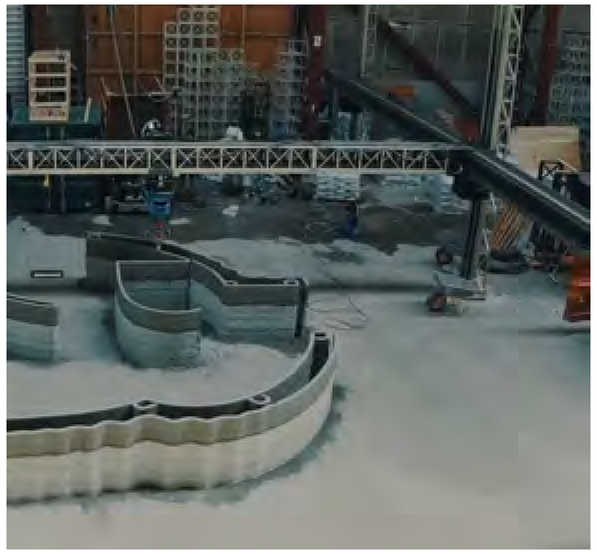
New Initiatives

Partnership with Compass Project Consulting

For the first time, a Saudi developer acquires a regional project management consultancy, to enhance its go to market and project delivery skill set. Since its inception in 2014, Compass' has drawn on their extensive delivery experience, industry-wide knowledge and sophisticated project management tools to plan the most proficient path towards project success, overcoming constraints and obstacles to deliver projects effectively and efficiently for their clients.

Modern Methods of Construction (3D Printing and Sustainable Design Delivery)

In collaboration with COBOD, a global leader in modular 3D construction printers, Dar Al Arkan will be the first in the Kingdom and the region to introduce the 3D Concrete Printer (3DCP) into the real estate market. 3DCP is a future forward printer that is capable of printing large scale residential units and it will be operated solely by a team of 100% Saudi Arabian professionals. Through 3DCP, not only will the real estate market be transformed through increased efficiency, quality and growth, but also, it will empower national talent. The first two mock up villas will be built in Dar Al Arkan Shams Ar Riyadh Project.



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.

National Projects

SHAMS AR RIYADH

Riyadh, Saudi Arabia

Shams Ar Riyadh targets the growing and underserved middle to upper-middle segments of the market, while forging partnerships with major fashion brands like Roberto Cavalli, Versace, and Elie Saab to bring iconic luxury living to the Kingdom. 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.

Strategically located in the growing northwest of Riyadh and overlooking the picturesque Wadi Hanifah. 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.

OUR ASSETS - national projects

Shams Ar Riyadh (continued)

The remaining zones are being sold directly off-plan to end buyers, under the WAFI program and infrastructure works are ongoing. Below details of the zones progress by the end of 2021:

Infrastructure execution progress

Infra execution at over 50% across the master plan

Elie Saab Gated Community

Dar Al Arkan has unveiled a branded gated community project, with villas' interiors designed by Elie Saab.

Concept Design was completed for the luxury villas, overlooking Wadi Hanifah on a prime 90,000 sqm land in Shams Ar Riyadh. Elie Saab will provide creative guidance and curate the refined Interior design elements for the project.

Mock-Up Villas

Seven Mock-up VIP villas are already constructed and fit out works ongoing, Versace and Roberto Cavalli branded interiors are two of these brands.

3D Printed Mock-Up Villas

Marking a regional first, Dar Al Arkan has introduced the first use of 3D Construction Printing (3DCP) technology that will accelerate the speed of construction while enhancing safety and reducing wastage and errors. The first two mock-up villas are currently being prepared to be built in Shams Ar Riyadh zone 4B, with a built-up area of 330 sqm each.

OUR ASSETS - national projects

Shams Al Arous

Jeddah, Saudi Arabia

Shams Al Arous is a master-planned community project strategically located east of downtown Jeddah, a major commercial artery strategically located in the eastern growth area of the city. The site is accessible from Palestine Road to the north, approximately 5 km from the intersection of Palestine and Al-Harmain Road and linked by King Abdullah Road from the south.

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.

On the 14th of March 2021 the project was launched, approvals on the storm study, sewage, potable water, roads were obtained, and the demarcation of zones C and D has been completed. Circa 50% of the on-site construction works was completed through year end 2021.

The master plan of Shams AlArous includes a Strip Mall development, which aims to offer a distinctive Retail and F&B experience located along the eastern Road, which will ultimately deliver services to the residents of the community.

Qasr Khozam

Jeddah, Saudi Arabia

Khozam Real Estate Development Company "Khozam" is a Joint Venture limited liability company, between Jeddah Development and Urban Regeneration Company (33.5% equity owner) and Dar Al-Arkan Projects Company (66.5% equity owner a fully owned subsidiary of Dar Al Arkan) and headquartered in Jeddah.

The project is to be built on a total land area of 4,129,492 square meters over 5 phases, and consists of mixed use buildings, commercial zones, touristic sites and supporting facilities.

The project introduces a living concept incorporating comfortable, affordable dwellings of G+7 buildings, along with all the facilities and commercial areas required to serve the population of the area.

In 2021 the infrastructure design was completed for phase 1, the contractor was appointed. In addition, the concept design for the G+7 prototype building has been completed and approved, and the full engineering drawings have been issued and ready for construction.

We are awaiting final approvals to commence phase 1 construction.

OUR ASSETS - national projects

Dar Al Mashaer

Makkah, Saudi Arabia

Originally known as Al Azizia Towers, the seven tower complex was leased previously to King Abdullah Medical City for over a decade. After taking possession from the tenants in 2021 the complex is being refurbished to a high standard to be sold in the market under its new branding Dar Al Mashaer. The Project is located in the Southern Azizia District on Prince Sultan bin Abdulaziz (Al-Hada Rd.) and spread across 6,300 sqm land area in proximity to King Khaled Road and Alwy Tonsi Hospital, as well as a mere 8 minutes' drive from Al Haram.

The 7 redesigned towers offer 314 apartments and 6 penthouses with state of the art amenities; 24 hrs security, a children play area, gyms, in addition to an array of retail shopping experiences from supermarkets to exclusive stores and cafes.

In 2021 all the approvals for the renovations have been obtained, full design package for the ground and typical floors has been done, construction on site has been started and expected to finish in the 3rd quarter of 2022. The Show Apartment is complete and open to the public.

Juman Island

Eastern Province, Saudi Arabia

Juman project is strategically located in the Eastern Province overlooking the shores of the Arabian Gulf, between the cities of Dammam and Ras Tanura and extends over a reclaimed area of approximately 8.2 million square meters.

For phase 1, over an area of approximately 3 million sqm, Dar Al Arkan established a new vision to develop a livable residential community that integrates several housing components (built on stilts/ Maldives type with wooden bridges connections, electric cars etc) highlighting the existing Mangroves plantation and adding islands to form a touristic destination. The community will be served by commercial, hospitality public services, and amenities (Marina, Mosques, Parks, Opera house diving center and other community facilities).

The accessibility from and to the island is envisioned to run through boats and ferries in addition to a connection through a bridge creating a unique destination attractive for high-quality living environment.

In the 3rd quarter of 2021, the Concept design was presented to the Eastern Province Development Authority and awaiting approval to proceed with the needed documentation for permits.

International Projects

Sidra Project

Sarajevo, 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. The project is targeting Saudi and GCC nationals seeking summer holiday properties in Europe.

By mid of 2021, marketing campaign and off-plan sales has started and plot bookings and sales agreements has been executed for residential plots.

OUR ASSETS - international projects

Urban Oasis by Missoni

Dubai, UAE

Urban Oasis (UO), the company's first international real estate development project, launched in December 2017. With a Gross Development Value of SAR 948 million and comprising of 457 units. The branded UO tower features bespoke apartment layouts, interiors designed by the eponymous fashion brand Missoni, water canal views, access to the Dubai Canal promenade and easy proximity to the major attractions of Dubai downtown.

By end of 2021, Construction is ongoing with concrete works completed up to level 28 followed by wet trades to level 24, MEP to level 12 and Façade closure in phase 1. The Show flat is completed and open to the public.

OUR ASSETS - international projects

Dar Al Arkan Pagani Tower

Dubai, UAE

Dar Al Arkan Pagani Tower is a unique Residential development with the world's first Interiors by PAGANI (the Italian luxury supercar manufacturer). This building is strategically located along the Canal part of Business bay district in Downtown Dubai.

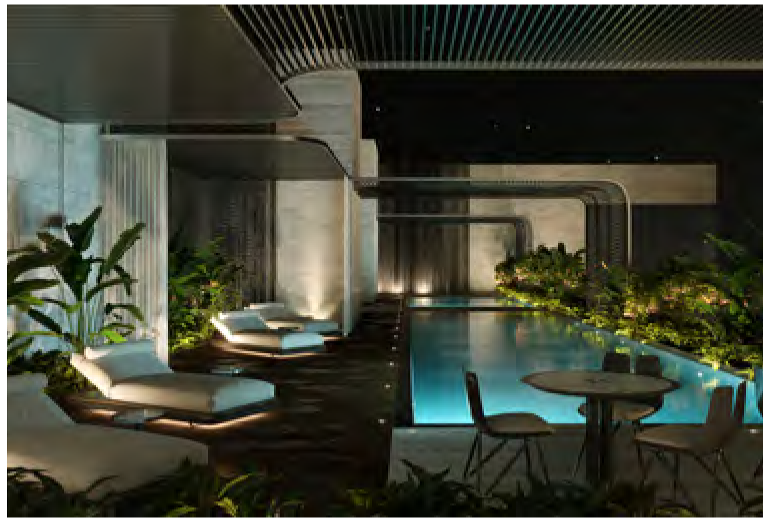
The twin tower structure is connected through 6 signature townhouses (villas) with an impressive open plaza that forms an ultimate spot for catching up with friends.

With floor to ceiling window framing and stunning views, Dar Al Arkan Pagani Tower is a work of art designed specially to bring in optimal light into the living space.

The highly stylized ultra-modern design with Pagani interiors combine international style designed from the local traditions of diving and pearl hunting creating an environment of understated elegance.

The tower was recently completed. Dar Al Arkan will re-fit out the project to reflect the ultra-luxury interiors by Pagani.

The project was launched by Dar Al Arkan on Dec 15, 2021 in a luxurious event in Dubai in the presence of the famous designer Horacio Pagani.



Aida

Muscat, Oman

In Dec 2021, Dar Al Arkan signed an MOU with Omran to develop a 3.5 Mil sqm site part of the hilltop site of Yitti & Yenkit – Muscat. The project will comprise 750,000 sqm of mixed use GFA. Residential assets form the bulk of the program at 92% with high end hospitality at 6% and a supporting segment of retail. The project will be phased over 10 years with a plan to launch 1 phase / year. Design is due to begin in Jan 2022.

Property Management And Leasing

Parisiana

Riyadh, Saudi Arabia

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 2021, 90% of units available for leasing were leased.

OUR ASSETS - property management and leasing

Qasr Mall

Riyadh, Saudi Arabia

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 2021, the occupancy rate reached 95% compared to 91% in 2020. New tenants in 2021 included: Albaik, SIB Bank, Costa Café, and Al-Arabia (Advertising). 2021 saw a surge in footfall especially towards the end of the year with the lifting of social distancing measures. Total footfall for 2021 reached 6 million visitors, a 21% growth versus 2020.

Major Brands in Qasr Mall

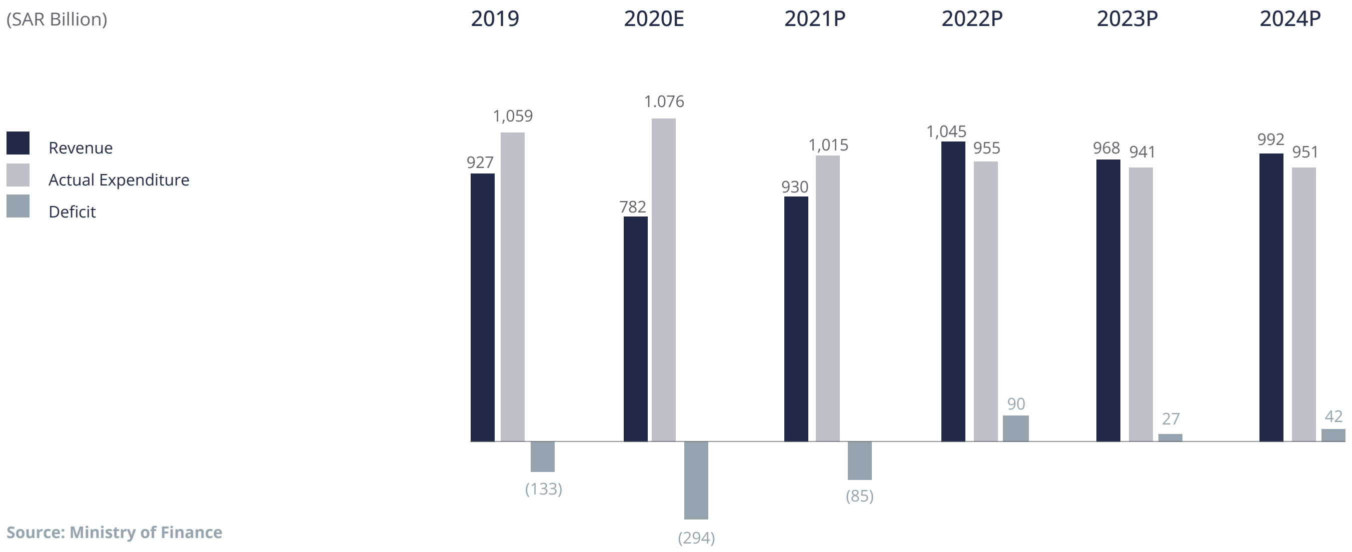
Saudi real estate
a bright future

Although 2021 was not the end of the pandemic and in fact witnessed a number of false dawns dashed by the emergence of new variants, the underlying economic conditions did tangibly improve.

2020 was dominated by lockdowns, a collapse in the oil prices and fiscal tightening. In contrast, 2021 saw a gradual opening of the economy, that persisted regardless of new virus variants, a growing momentum in crude markets and growth in the non-oil sectors, all supporting a return to economic growth and a reduction of the budget deficit. A SAR 294 billion deficit in 2020 was cut to SAR 85 billion in 2021 and the expectation is for a SAR 90 billion surplus in 2022.

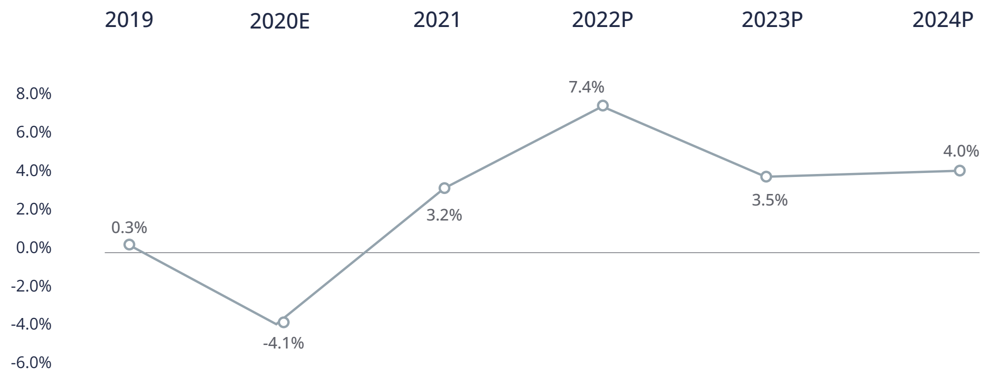
Fiscal Performance

(SAR Billion)



Source: Ministry of Finance

GDP Growth



Source: Ministry of Finance

The Saudi real estate market shrugged-off most of the negative impact of the pandemic especially post the fiscal redress on the VAT treatment which replaced the 15% VAT with 5% Real Estate Transaction Tax and took place in October 2020.

The strong fundamentals of the sector represent a secular growth opportunity for residential development in particular

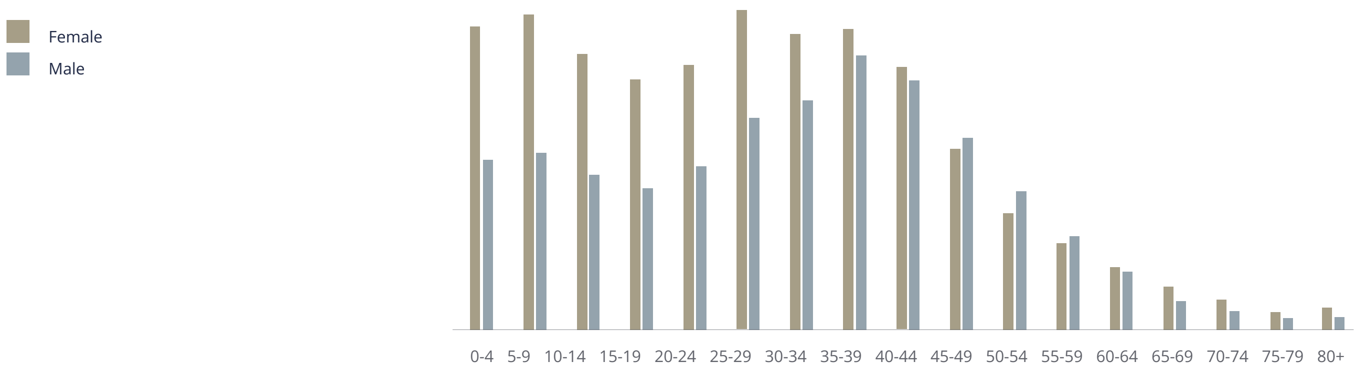
The drivers of growth are anchored in four pillars:

1. Positive Demographic Trends
2. Structural Supply Deficit
3. Relatively Low Home Ownership Penetration
4. Government Focus and Support

Positive Demographic Trends

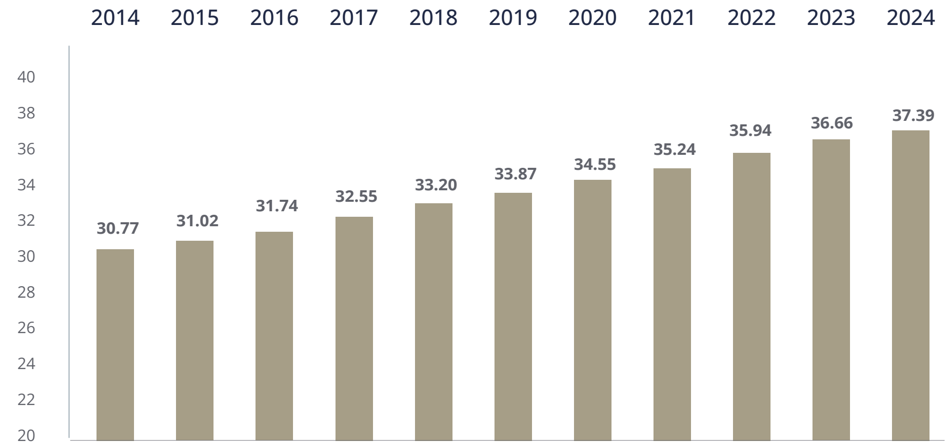
A young and growing population with circa 60% of below the age of 30 and a total population expected to reach 37.4 million by 2024. The evolving labor mobility and societal norms are increasing demand for housing stock for young professionals and newly formed families.

Total Population (Age/Gender)



Source: General Authority of statistics

Population (mn)



Source: IMF Forecast

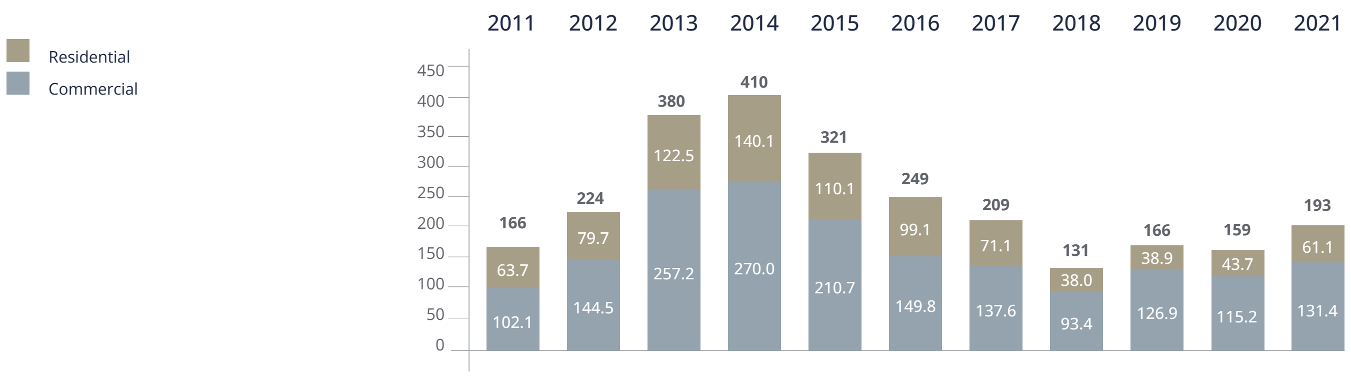
Structural Supply Deficit

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. With Saudi adding circa 90,000 new household formations a year, this gap is struggling to close.

2020 interrupted the return to growth in the Saudi real estate market following the 5 years' downturn from 2014 and the short lived return to growth in 2019 with SAR 166 billion in transaction values. 2021 brought us back on trend with solid growth delivering SAR 193 billion or 21% growth versus 2020.

Value of Real Estate Transactions in KSA

(SAR Billion)

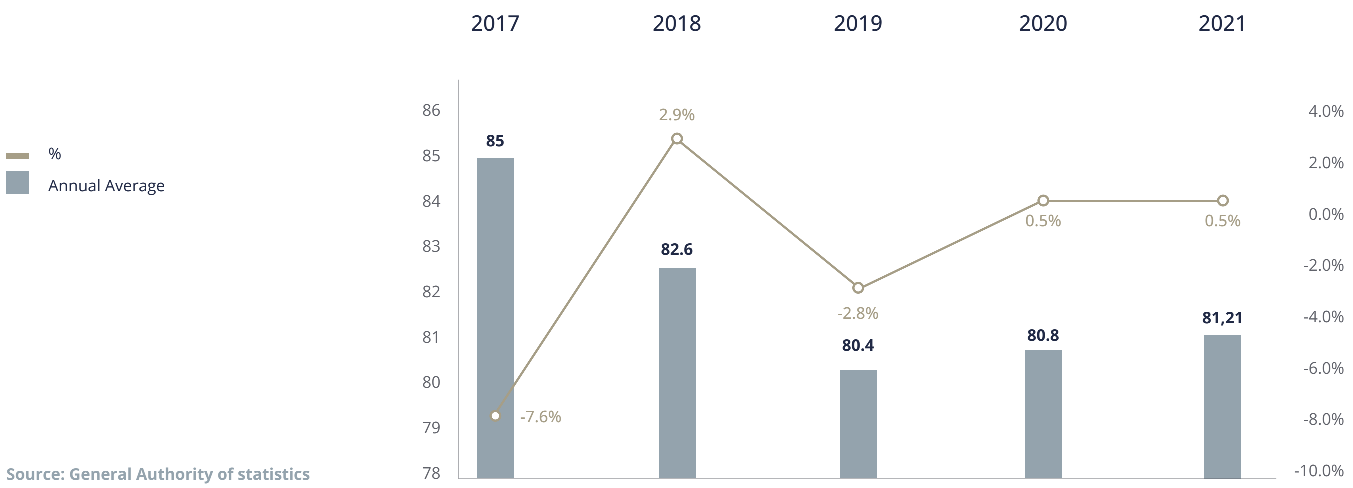


Source: Ministry of Justice

Structural Supply Deficit (continued)

The strong fundamentals driving pent-up demand combined with the return of overall economic activity and the clearing of the fiscal uncertainty, drove pricing across the sector with year over year trends consolidating their upward momentum where we saw the Real Estate Price Index growing by over 0.5%.

KSA Real Estate Price Index



Source: General Authority of statistics

Relatively Low Home Ownership Penetration

By the end of 2021, home ownership penetration among Saudis was reported at 60% in 2020 and is expected to reach 62% by 2025. Saudi Vision2030, has set a target of 70% to be achieved by the end of the decade.

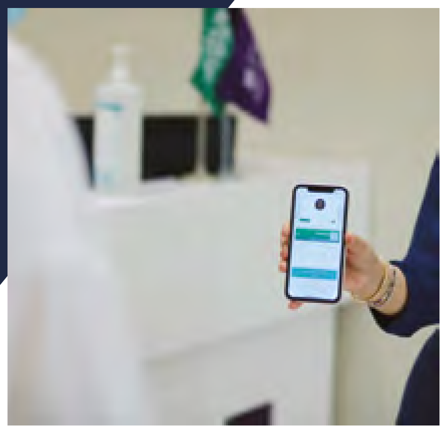
Government Focus and Support

The Saudi Government through its Ministry of housing and the Vision2030 program, which has Housing as one of the 7 key 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.

Equally, the Government is actively encouraging the provision of liquidity and financing to the market through the REDF, SRC and the Banks provision of mortgage products.

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

With the spectre of the Covid-19 pandemic persisting throughout 2021, Dar Al Arkan persisted in its application of best corporate practices and government guidelines in combatting the spread of the virus.

- Promoting continued vigilance was the cornerstone of the adopted preventative strategy.
  * Maintained visible guidelines reminder posters and roll-ups throughout the Headquarters and satellite offices.
  * Requiring the booster dose as a condition to enter the company's premises as of Feb, 2022
- Operational measures introduced in 2020 remained in effect to reduce risk of potential for spread of infection. For example:
  * 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 and provided PPE to all employees.
  * Conducted regular deep clean sanitization of work premises.

Business Continuity

Dar Al Arkan continued the momentum of investment in information technology solutions initiated in 2020 to promote automation, security and connectivity to enhance business operations.

- Continued to support and expand remote interactivity solutions to allow our sales team to maintain an uninterrupted marketing and lead management process with direct access to their clients. Those included, Chatbots, video chats, WhatsApp Chat, and email and SMS campaigns.
- Supported the ever increasing use of video conferencing in every day operations.
- With the increased 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 carried the brunt of the impact of the pandemic in its 2020 results. As restrictions lifted gradually during 2021, the level of activity both in our operating assets and in the overall real estate transactions market, improved. Our Al Qasr mall operations including the VOX Cinema multiplex were back operating at full capacity with no social distancing restrictions from Oct 2021.

More generally, the economic recovery in 2021 helped lift our total revenues for the year to SAR 2.5 billion, a 28% growth versus 2020.

Sustainability at *Dar Al Arkan*

At Dar Al Arkan's Environmental, Social and Governance (ESG) practices are integral to building a resilient business and creating long-term value for our shareholders and other stakeholders. We believe that acting responsibly towards our stakeholders is fundamental for a profitable, productive and sustainable business.

Dar al Arkan is working to integrate sustainability at the core of its operations, striving to operate responsibly and transparently by embodying our mission to create living communities and commercial environments that deliver on the evolving aspirations of Saudi society while maximising shareholder returns.

Dar Al Arkan is embarking on a progressive roadmap to monitor, benchmark and continuously enhance our environmental, social, governance and economic performance.

Strategy

Dar Al Arkan is in the process of developing an ambitious sustainability strategy that will enhance our commitment to creating value for our stakeholders and ensure our commitment is delivered in a structured manner.

The sustainability strategy is built on five priority pillars, aligned with our sustainability framework. These pillars are: Operated Responsibly, Enriched in Value, Powered by Technology, Fuelled by Talent and Committed to the Environment. The strategy enforces our commitment to the Saudi Vision 2030 along with the United Nation's Sustainable Development Goals (SDGs) by mapping our sustainability strategy against their ambitious goals.

Alignment with SDGs and National Vision

Dar Al Arkan Pillars					Alignment with Saudi Vision 2030	Alignment with UN SDGs
Operated Responsibly	Enriched in Value	Powered by Technology	Fuelled by Talent	Committed to the Environment		
●	●	●	●	●	**Vibrant Society** • Providing access to transparent information for employees and stakeholders at all levels • Promoting employee training and development • Conducting regular Risk Assessments • Conducting COVID-19 awareness and promoting a healthy work environment by monitoring COVID cases • Responding to COVID-19 by prioritising safety and wellbeing • Increasing the ratio of Saudi nationals in the workforce to 60% • Setting targets for reducing emissions, energy, and water intensity • Promoting biodiversity by integrating local flora in landscape design	3, 4, 5, 8, 11
●	●	●	●	●	**Thriving Economy** • Adopting best practices in corporate governance to enhance the trust and support of the local and global investment community • 92.3% of suppliers engaged with are local suppliers • Attracting and retaining top talent • Hiring fresh Saudi national graduates from esteemed universities • Offering training programs for new hires and real estate brokers • Increasing the rate of female employment to 37% • Encouraging female employees to rise into senior management roles in the company, currently 6 women occupy such roles • 40% of workforce are expatriate employees	8, 9, 10, 11
●	●	●	●	●	**Ambitious Nation** • Increasing the number of recycled and reused waste • Setting targets to increase material effectiveness • Implementing environmental solutions in building design • Applying new environmental technology in its masterplan communities • Implementing water conservation strategies and targeting the optimisation of water usage	9, 11, 12, 13

Sustainability Highlights

60% of employees are Saudi nationals

Increased employee and contractor workhours by 30% and 80% respectively since 2020

Increased the participation rate of females in the workforce to 37% in 2021 from 30% in 2020

Adopted a paperless system to reduce paper waste

Partnered with 3D printing pioneer, COBOD, to develop pilot villas in Shams Ar Riyadh

60% increase in hours of HSE training provided to employees

92.3% of spending on local suppliers

Reused and recycled 14,000 m3 – 7,000 m3 of waste

Zero incidents of corruption reported

Zero data security breaches

35% of senior management staff are female

Sponsored the 1st ladies football team in Jeddah

Conducted 6 emergency response drills

Stakeholder Engagement

Our business practices and corporate priorities are informed by identifying and understanding the views and concerns of Dar al Arkan's diverse stakeholders, represented below. We regularly engage with our stakeholder groups through various communication channels to receive feedback, exchange views and maintain dialogue.

Materiality Assessment

At Dar Al Arkan, we continuously seek to identify and respond to existing and emerging global and regional matters that potentially present risks as well as opportunities for our business and key stakeholders.

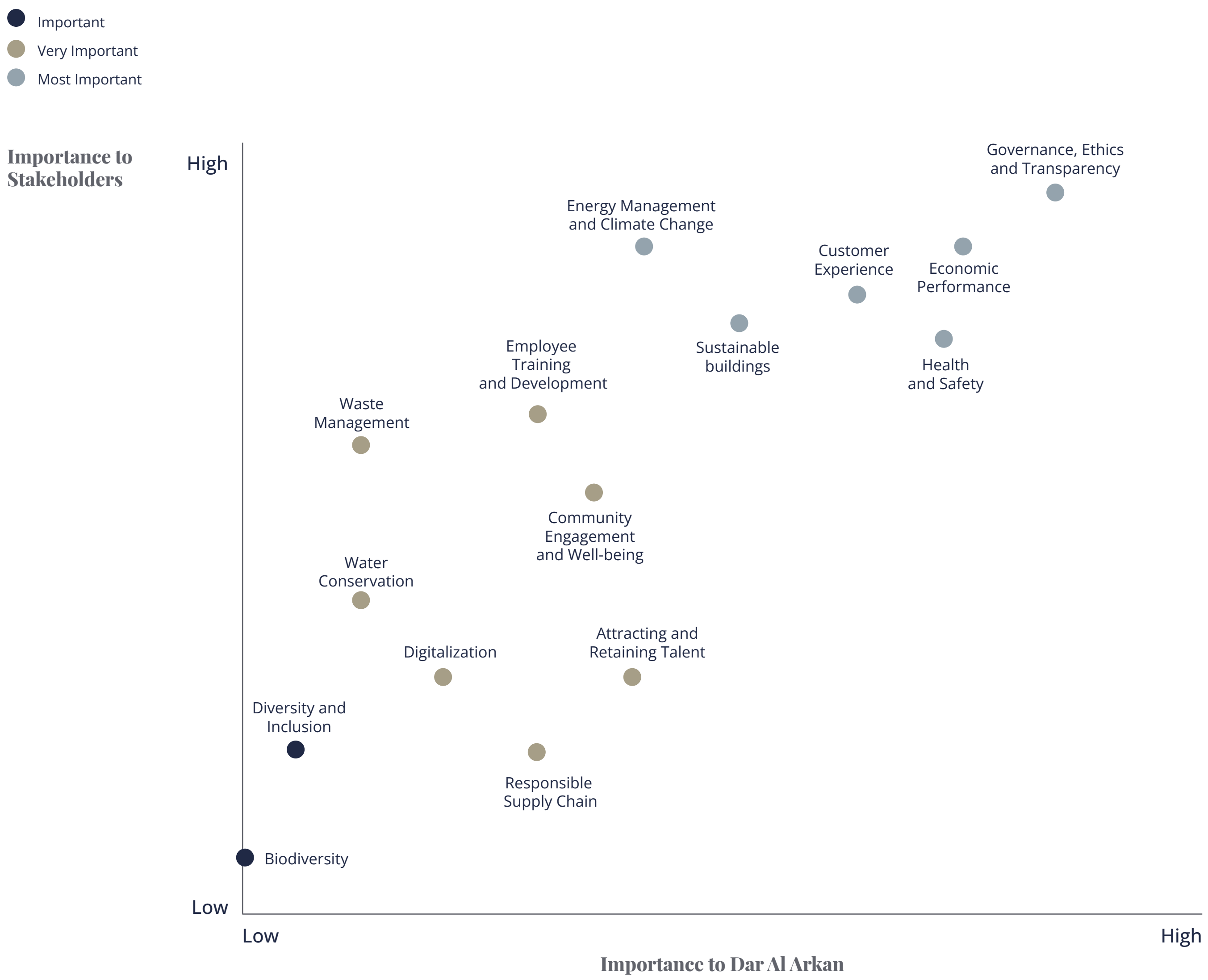
In 2021, we conducted a materiality assessment to identify priority areas for the organisation and its stakeholders. To achieve this, we carried out industry research, benchmarking assessments, integrated the opinions of our stakeholders and reviewed the results internally within Dar Al Arkan management to develop a list of 15 major topics with potentially meaningful impacts and that deserve to be monitored and managed.

These material topics were taken into consideration to develop the sustainability framework and strategy, ensuring that our actions and performance in sustainability consider the ESG criteria important to our company and our stakeholders.

Materiality Matrix

The findings of our materiality assessment are presented in our materiality matrix.

Dar Al Arkan Materiality Matrix



Sustainability Framework

The Dar Al Arkan sustainability framework was developed to conceptualise sustainability within our organisation and to define and manage our environment, social, governance and economic impacts. The framework consists of five pillars: Operated Responsibly, Enriched in Value, Powered by Technology, Fuelled by Talent and Committed to the Environment. These pillars encompass the 15 material topics identified. We believe that an effective framework, accompanied and supported by progressive improvement programmes will allow us to achieve our strategic objectives.

Operated Responsibly

Governance, Ethics and Transparency
Economic Performance
Responsible Supply Chain

At Dar Al Arkan, we are committed to operating with the highest level of responsibility and ensure compliance. We have a full set of policies covering all facets of the business such as Anti Money Laundering and Whistleblowing among others. Policies are reviewed and updated regularly and we currently are undergoing a review to enhance the Procurement and Contracting Policies as well as the Code of Ethics, signed by every employee. These policies help us manage and monitor different aspects of our operations, maintain high quality of our products and services and create value for our stakeholders.

Enriched in Value

Community Engagement and Well being
Customer experience

Dar Al Arkan seeks to create value for its stakeholders, its customers, its investors, its employees, the community, its supply chain and the environment. Dar Al Arkan is determined to deliver prime properties and attentive service that exceed the expectations of our customers. We engage with our communities to understand their needs, protect their rights, safeguard their health and safety and deploy innovative technologies for continuous improvements.

Powered by Technology

Digitalization
Sustainable Buildings

Technology is an integral aspect of Dar Al Arkan as a company, enabling it to deliver utmost quality in its various projects while innovating its digital access to the market. We strive to design and build buildings that enhance the sustainability performance of our portfolio. In particular, we aim to continually leverage and integrate innovative technology to improve our energy efficiency, material use and waste management to reduce our environmental impact while creating value for all our stakeholders.

Fuelled by Talent

Attracting & Retaining Talent
Employee Training and Development
Diversity and Inclusion (Saudisation)

Dar Al Arkan collaborates with the best-in-class in the world to create outstanding living experiences, while simultaneously developing our people to reach their full potential. We aim to create a people-centered working environment by embracing diversity and prioritizing career growth, wellness and safety. We are committed to attracting and investing in our people and providing fair opportunities for growth and achievement.

Committed to the Environment

Climate Change and Energy Management
Water Conservation

Dar Al Arkan is committed towards continually improving its environmental performance, including properties and operations. Through the optimization of resource efficiency, acting on climate change and leveraging innovative solutions, beyond compliance, we aim to contribute to building sustainable cities and communities.

financial *review*

Message of the CFO

Philip Antony
CHIEF FINANCIAL OFFICER

"Dar Al Arkan's top line revenues which had troughed in the 3rd quarter of 2020, recorded 5 consecutive quarters of growth. Total revenues came in at SAR 2.5 billion, a 28% increase versus 2020"

2021 was the year the real estate market in Saudi Arabia returned to growth post the Covid-19 pandemic. As the economy moved beyond lockdowns and restrictions, supported by an exceptionally effective vaccination drive, we all learned to manage around periodic surges in infections driven by new variants.

Dar Al Arkan's top line revenues which had troughed in the 3rd quarter of 2020, recorded 5 consecutive quarters of growth. Total revenues came in at SAR 2.5 billion, a 28% increase versus 2020. With strong market fundamentals supporting the pricing dynamics, gross margins remained solid delivering 36% in the year.

Operational highlights included additions to our pipeline with new international projects in Dubai and Oman, while execution accelerated in our existing projects. Shams Ar Riyadh's infrastructure works are now in advanced stages with Zones 4 A&B completed and the rest of the project zones over 50% completion. Also, Juman in the eastern province submitted its master plan for phase 1, a 3 million sqm development.

In addition, Dar Al Arkan took back possession of Dar Al Mashaer (prev. Azizia Towers) in Mekkah, and started a full refurbishment program with a view to bring back the asset for sale. As such, recurring income from the lease of the towers dropped out of the revenue line from the 2nd quarter, while underlying like for like rental income in our remaining leased assets actually grew by 10.5%.

In 2021, we continued to selectively invest in replenishing our investments in land portfolio and added SAR 2.25 billion to our land bank. We closed the year with SAR 21 billion in total real estate assets. Dar al Arkan's cash position remains very healthy with a yearend balance of SAR 4.1 billion, which puts us in excellent position to meet all our immediate financial obligations.

During the year, Dar Al Arkan paid back SAR 836 million in debt from its bilateral Murabaha facilities, thus bringing down the gross debt position from SAR 10.3 billion at the end of 2020 to SAR 9.5 billion by the end of 2021. As we look to 2022, we expect further deleveraging in the first half of the year as we pay down our maturing 2022 sukuk from cash reserves.

With the overall market conditions improving and both our new project launches and existing projects execution accelerating, we have the resources to meet our growth ambitions and deliver exceptional returns to our shareholders.

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 Construction Technology Company (Previously 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	66.5%	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
Wasalt Real Estate Services Company (Previously 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

Description of company's activities and contribution to revenues

Most of the Company's operations are carried out within the Kingdom of Saudi Arabia. Urban Oasis by Missoni (Previously called I Love Florence Tower) is the Company's flagship project outside KSA located in Dubai along with few other ongoing projects in Dubai and Bosnia. During the year, the Company did not recognize revenue in its income statement from any of its overseas project as of 31 December 2021 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 2021 this division accounted for SAR 2,379 million, representing 95.44% of the Company's total revenues, as compared to SAR 1,812 million, or 93.19% in 2020.

Off-plan sales of the properties in KSA and Dubai are in progress. For the year 2021, 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 2021, revenues generated in Asset Management amounted to SAR 114 million and represented 4.56% of Group revenues as compared to SAR 132 million and 6.81 % of total revenues in 2020.

Company activies and contribution to revenue (continued)

Investments

These represent strategic investments in companies that the management believes are complementary to the Group's real estate development operations. During 2021, the Company earned SAR 20 million as share of net profits from associates and joint ventures.

During 2021, no other material elements influenced the Company's net income. However, the Company earned SAR 94 million mainly representing profit from short term Islamic Deposits.

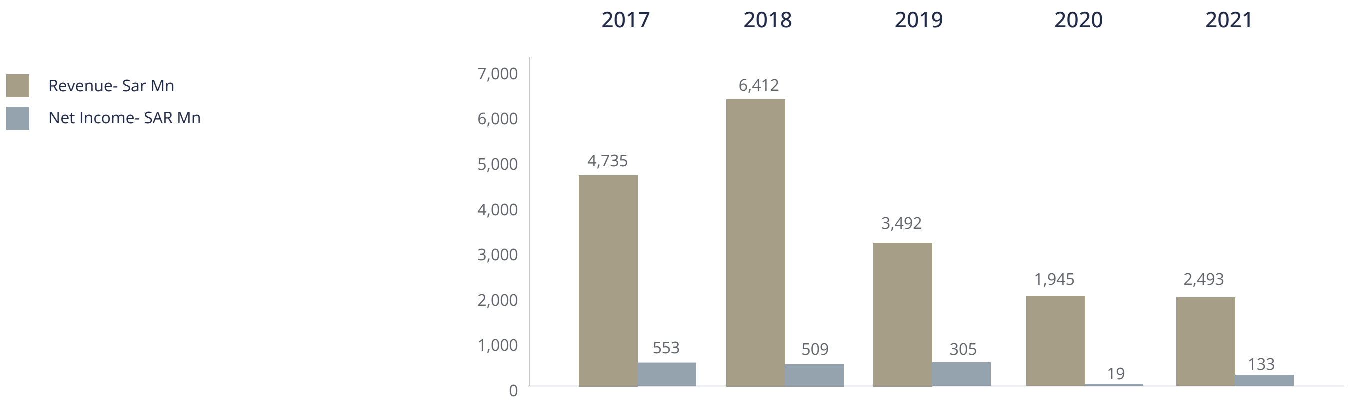
Financial Highlights

Income statement for the fiscal years 2017 to 2021

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)	2017	2018	2019	2020	2021
Revenues	4,734,682	6,412,265	3,491,856	1,944,854	2,493,078
Cost of revenue	(3,620,672)	(5,355,114)	(2,667,416)	(1,270,204)	(1,596,350)
Gross profit	1,114,010	1,057,151	824,440	674,650	896,728
Principal activities expenses	(162,002)	(168,942)	(174,787)	(171,332)	(211,945)
Net income from principal activities	952,008	888,209	649,653	503,318	684,783
Financing expense	(441,523)	(511,652)	(478,418)	(645,883)	(662,977)
Net other Income	57,326	145,298	141,154	161,944	113,636
Net income before Zakat provisions	567,811	521,855	312,389	19,379	135,442
Zakat provisions	(14,443)	(13,046)	(7,799)	(585)	(2,922)
Net income	553,368	508,810	304,590	18,794	132,520
Earnings per share	0.51	0.47	0.28	0.02	0.12

Total revenue and net income changes from 2017 to 2021



The balance sheet for the fiscal years 2017 to 2021

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.

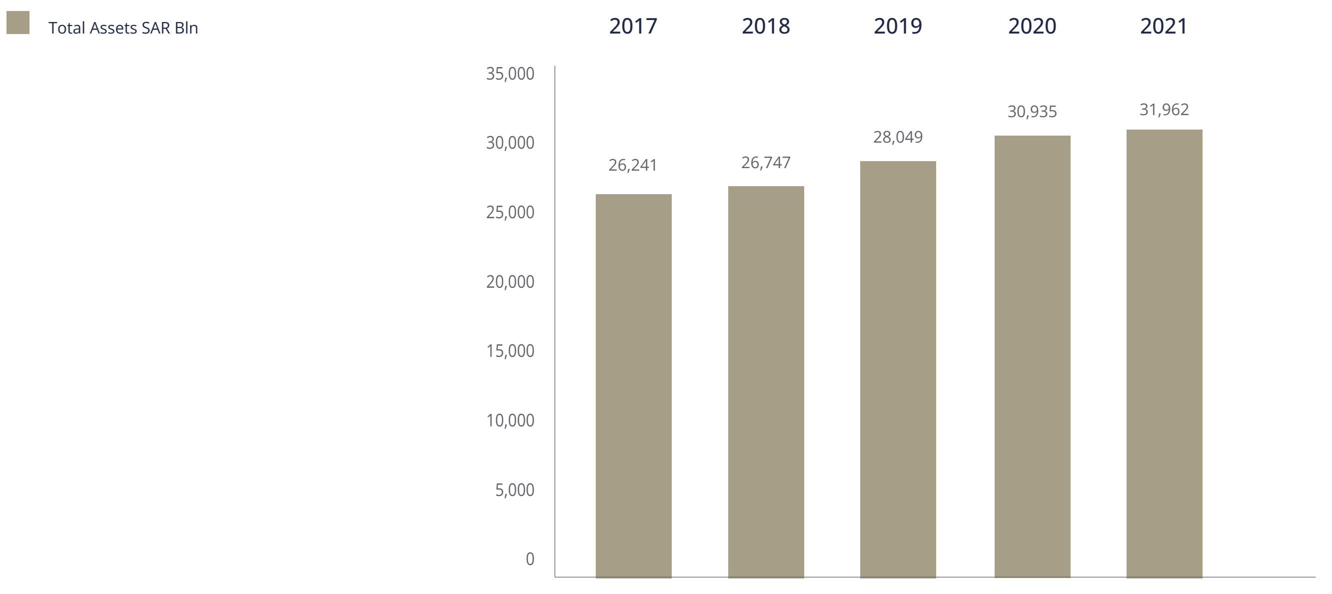
Item (in SAR '000s)	2017	2018	2019	2020	2021
Current Asset	7,315,666	9,993,697	8,266,496	9,922,698	10,293,182
Non-current Asset	18,854,714	16,670,535	19,702,968	20,939,738	21,590,845
Fixed Asset	70,925	83,085	79,765	72,180	77,653
Total Asset	26,241,305	26,747,317	28,049,229	30,934,616	31,961,680
Current Liabilities	2,765,460	3,291,806	1,691,387	2,105,722	5,740,259
Non-Current Liabilities	4,742,295	4,750,178	7,348,354	9,802,714	7,061,791
Total Liabilities	7,507,755	8,041,984	9,039,741	11,908,436	12,802,050
Capital	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,058,720	1,109,601	1,140,016	1,141,895	1,155,147
Retained earnings	6,874,830	6,795,732	7,069,472	7,084,285	7,204,483
Total shareholders' Equity*	18,733,550	18,705,333	19,009,488	19,026,180	19,159,630
Total Liabilities and Shareholders' Equity	26,241,305	26,747,317	28,049,229	30,934,616	31,961,680
Book value per share*	17.35	17.32	17.60	17.62	17.74

*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.

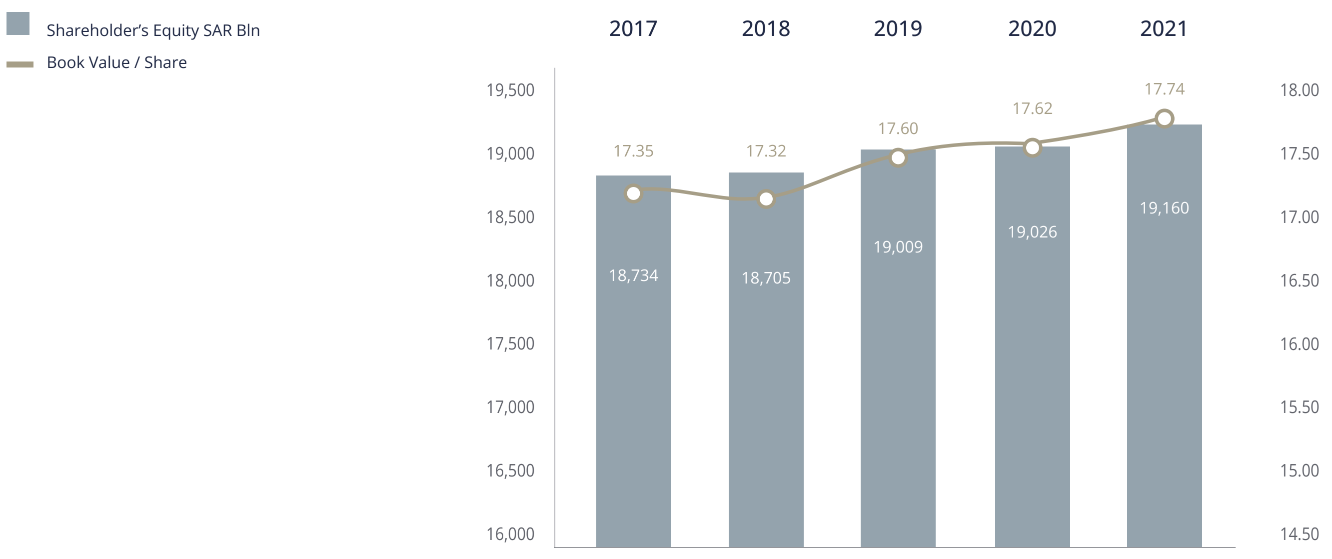
Note: The Company discloses that for commercial and practical reasons, it registers some of its real estate assets under the name of representatives or agents, in return for official documents against them evidencing the Company's ownership of these assets. This procedure is adopted by some local Saudi 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.

Financial Highlights (continued)

Total assets from 2017 to 2021



Shareholders' equity and share book value changes from 2017 to 2021



Geographical analysis of Company Revenue for the year 2021

Item (in SAR '000s)	Development properties	Lease	Residential developments	Total
Western region	-	4,585	17,718	**22,303**
Central Region	-	109,037	100,603	**209,640**
Eastern	-	-	-	**-**
Investment	2,261,135	-	-	**2,261,135**
Total	**2,261,135**	**113,622**	**118,321**	**2,493,078**

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 2021 and 2020:

Item (in SAR '000s)	2021	2020	change	change %
Revenues	2,493,078	1,944,854	548,224	28.19%
Cost of revenue	(1,596,350)	(1,270,204)	326,147	25.68%
Gross Profit	896,728	674,650	222,078	32.92%
Principal activities expenses	(211,945)	(171,332)	40,613	23.70%
Net income from principal activities	684,783	503,318	181,465	36.05%
Financing expense	(662,977)	(645,883)	17,094	2.65%
Net other Income	113,636	161,944	(48,308)	-29.83%
Net Income before Zakat provisions	135,442	19,379	116,063	598.91%
Zakat provision	(2,922)	(585)	2,338	399.67%
Net income	132,520	18,794	113,726	605.11%
Earnings Per Share	0.12	0.02	0.10	500.00%

Financial Highlights (continued)

Revenues

Total revenues were SAR 2,493 million in 2021, compared to SAR 1,945 million in 2020, representing an increase of 28.19%. The increase is mainly attributable to increase in land sales worth 2,261 million against 1,626 million in 2020. Though, there was decrease in sale of residential properties of SAR 118 million in 2021 against SAR 186 million in 2020.

Rental revenues decreased by 14.23% to reach 114 million during 2021 compared to SAR 132 million in 2020 mainly due to repossession Dar Al Mashaer Towers (prev. Azizia Towers) in Makkah for a full refurbishment with a view to bring the asset for sale upon completion of leasing contract with King Abdullah Medical City in Q1 2021. Rental revenues excluding the impact of aforementioned activity effectively increased by 10.48% compared to prior year.

Cost of Revenue

Cost of revenue accounted for SAR 1,596 million in 2021 representing 64.03% of total revenues compared to SAR 1,270 million in 2020 representing 65.31% of total revenues. This increase is in accordance with increased revenue in 2021 compared to 2020.

Selling and general administrative expenses

Selling and general administrative expenses were SAR 212 million in 2021 compared to SAR 171 million in 2020, representing a significant increase of 23.98%. This increase is primarily attributable to increase in marketing expenses, professional fees and maintenance costs. The majority of this increase was non-recurring and due to few one-off events.

Financing charges

Net financing charges were SAR 663 million in 2021 as compared to SAR 646 million in 2020, representing marginal increase of 2.64%. This increase is mainly due to full year finance charge in 2021 on outstanding loan facilities, whereas during 2020 multiple financing facilities were added between the year, resulting into effectively less than full year charge on outstanding loans.

Net other income

Net other income was SAR 114 million in 2021 compared to SAR 162 million in 2020. The decrease is due to decrease in profit from short term Islamic Deposits during 2021 due to comparatively lower spare cash availability.

Net income

Net income in 2021 was SAR 133 million compared to SAR 19 million in 2020. Earnings per share were SAR 0.12 in 2021 as compared to SAR 0.02 in 2020. In conclusion, the increase in net income was driven by higher sales volume of development properties partially offset by increase in selling and general administrative expenses.

Liquidity and capital resources

As of 31 December 2021, the Company had cash and cash equivalents of SAR 4,153 million as compared to SAR 4,932 million as at 31 December 2020.

Cash Flow

The following table sets out the Company's cash flows for the financial periods 2019 to 2021:

Item (in SAR millions)	2019	2020	2021
Funds (used in)/ from Operating Activities	(1,743)	(1,462)	67
Funds (used in)/ from Investing Activities	(330)	(4)	(9)
Funds from/ (used in) Financing Activities	1,119	2,448	(836)

Net cash from operations was SAR 67 million in 2021 compared to net cash used of SAR 1,462 million in 2020. The decrease in operating cash out flow is primarily related to lower cash used in replenishment of development properties as compared to last year and also due to improvement in profitability resulting from increase in revenue.

Additional investment in associates and purchase of property & equipment have primarily led to an overall outflow of cash in investing activities of SAR 9 million in 2021 as compared to SAR 4 million in 2020.

Cash used in financing activities of SAR 836 million was primarily due to repayment of Murabaha facilities 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 2021, the Company spent SAR 2,254 million primarily on replenishing the investment in land and developing projects for retail sales.

FINANCIAL REVIEW

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 2021, 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 2021 was SAR 1.97 billion.

The ratio of International Islamic Sukuks to total financing amount at the end of 2021 was approximately 79%, whereas the Murabahas with local and regional banks were 21%. 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 2021.

Indebtedness details and decrease in financing at the end of 2021

During 2021, the Company did not raise any new financing but repaid some of the local bilateral Murabaha facilities amounting to SAR 836 million.

SAR millions

Bilateral Islamic Facilities	Settlement	Original Amount	Starting Date	Opening Balance	Addition During 2021	Paid During 2021	Closing Balance	Maturity
Murabaha: Local Bank Alinma	Yearly settlement	300	Q2 2015	257	0	51	206	Q2 2027
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q2 2020	600	0	171	429	Q2 2024
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q3 2020	600	0	133	467	Q2 2025
Murabaha: Local Bank Saudi Arab Investment Bank	Half Yearly settlement	150	Q1 2020	150	0	0	150	Q3 2024
Murabaha: Local Bank Saudi Arab Investment Bank	Half yearly settlement	800	Q2 2019	719	0	62	657	Q2 2029
Murabaha: Local Bank Muscat	Bullet	400	Q4 2016	400	0	400	0	Q4 2021
Murabaha: Local Bank Muscat	Quarterly settlement	175	Q1 2015	79	0	18	60	Q3 2022
Gross Total		**3,025**		**2,804**	**0**	**836**	**1,968**	

The ratio of gross debt to capitalization stood at 33.1% at the end of 2021.The closing cash balance decreased to SAR 4.153 billion at the end of 2021 compared to SAR 4.932 billion at the end of 2020. The decrease was mainly due to repayment of borrowings.

Summary of the Murabaha and Sukuk due maturities

	SAR millions		
Maturity	Outstanding balance	Murabaha	Sukuk
2022	2,376	501	1,875
2023	2,320	445	1,875
2024	422	422	0
2025	2,429	179	2,250
2025 onwards	1,921	421	1,500
Total	**9,468**	**1,968**	**7,500**

Statement of payments due

	2019	2020	2021
Item	(Thousands)	(Thousands)	(Thousands)
Payables	270,045	260,221	532,654
Accrued expenses	147,782	209,444	292,224
Indemnity	21,614	21,323	22,550
Dividend payable	35,423	35,381	35,376
Others	156,132	537,679	1,982,755
Total	**630,996**	**1,064,048**	**2,865,559**

Related party transactions

During 2021, 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 members 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 2021, there were sales of SAR 20.4 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 28, 2021.

Khozam Real Estate Development Company (KDC)

Khozam Real Estate Development Company (KDC) is a related party as the company has 66.5% equity holding equivalent to 35,929,104 shares out of total equity of 54,028,728 shares and also has a common member in Board of Managers who are in the Board of Directors of Dar Al-Arkan. The common management committee member is Mr. Yousef Bin Abdullah Al Shelash. The management of KDC requested that it invests its excess cash balance (opening balance as at beginning of 2021 amounted to SAR 189.74 million) with Dar Al-Arkan at a nominal interest repayable on demand to facilitate its working capital needs. During 2021 the company repaid SAR 4.27 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 2021 was SAR 186.43 million. This transaction was approved during the AGM on June 28, 2021 and the company can repay the amount and close the balance anytime.

lkhair Capital

Alkhair Capital is a related party as the company owns 42.2% equity stake equivalent to 42,200,000 shares out of total issued shares of 1 billion, 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. There was no transaction made during 2021.

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 not exceeding 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 2021, Dar Al Arkan had SAR 10,800 million in authorized capital and issued 1,080 million shares.

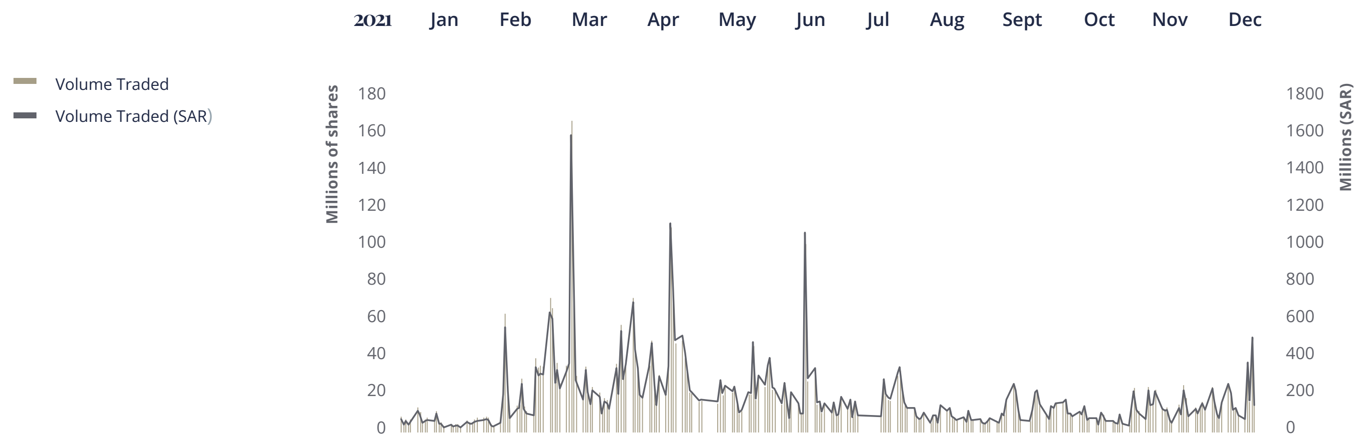
Share data performance (SAR)

End of the Year (31 Dec 2021)	10.06
1 Year Ago	8.66
3 Year Ago	9.02
52 Weeks High (3 May 2021)	10.84
52 Weeks Low (4 Feb 2021)	8.05

Absolute annual performance	16.17 %
Annual Relative performance vs Sector	11.17%
Annual Relative performance vs TASI	-13.63 %

Dar Al Arkan Share Price (SAR)

Dar Al Arkan Volume and 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.

Investor Relations Activities

Throughout 2021 investor communication remained predominantly virtual due to the ongoing pandemic. Dar Al Arkan participated in 11 online investor conferences, met with 218 different institutions and had a total of 848 investor touch points both retail and institutional, a growth of 41% versus 2020.

Furthermore, we conducted an analyst day and site visits of our assets in Riyadh, where we hosted 12 Riyadh based institutional investors.

Category	Number
Conferences attended	11
Institutions met	218

Category	Number
Retail Investors contacts	325
Institutional inversors met	523
Total	**848**

In addition, the IR Department organized our second online General Assembly meeting, in compliance with the regulatory instructions given the global pandemic, which was held on Jun 28, 2021.

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.

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 31st Dec 2021:

Type of investors

Category	Share	%	Count
Institutions	180,746,530	16.74%	373
Retail	899,253,470	83.26%	109,183
Total	**1,080,000,000**	**100%**	**109,556**

Nationality of investors

Nationality	No of Investor	Qty Share	% of Total
Saudis	107,207	894,878,279	82.86%
GCC	132	73,926,182	6.85%
Forigen	2,217	111,195,539	10.30%
Total	**109,556**	**1,080,000,000**	**100%**

Sharholder Register Requests

Number of requests for shareholder register from Tadawul

Number	Date of requests received	Request's reason
1	10-Mar-21	Company procedures
2	22-Mar-21	Company procedures
3	29-Apr-21	Company procedures
4	24-May-21	Company procedures
5	20-Jun-21	Company procedures
6	23-Jun-21	Company procedures
7	24-Jun-21	Company procedures
8	27-Jun-21	Company procedures
9	28-Jun-21	The General Assembly Meeting
10	28-Jul-21	Company procedures
11	18-Oct-21	Company procedures
12	05-Dec-21	Company procedures
13	21-Dec-21	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 Abdullah Al Shelash
Chairman

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

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.

Hethloul Bin Saleh Al Hethloul
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" (November 2007 - April 2018). His expertise is in real estate investment, finance and valuation, and strategic planning. Mr. Al Hethloul holds a Diploma of Business Science. In addition, holds specialized courses in committee management, risk, strategic management, corporate governance, boards of directors and practical tools for strategic guidance and management control.

Board of Directors (continued)

Tariq Bin Mohamed Al Jarallah
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, and areas of preparing feasibility studies, modern management methods, developing the necessary plans and preparing time studies in the field of marketing, real estate sales, market study and consumer need as well as supervision of architectural projects .He holds a Diploma of Accounting and Business Sciences. In addition, he holds training courses in the fields of strategic planning, corporate governance, boards of directors and served on the Board of Directors of the Saudi Housing Finance Company (SHL) from 2007 to 2018. He is a founding partner of Al Khair Holding Group Ltd. at Dubai World Centre in the United Arab Emirates.

Ahmed Bin Mohammed Al Dahash
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 over 50 years of experience in the fields of development, investment, real estate evaluation, contracting, property management, land site selection expert and has long experience in other fields such as oil and gas industries and analysis and measurement of global, regional and local market trends..

Dr. Abdulaziz Bin Ibrahim Al Mana
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 expertiseis 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. He has many Literatures and researches, received several medals, and participated in local, regional and international conferences and seminars.

Executive Team

Anand Raheja
CEO

Mr. Raheja holds the position of Chief Executive Officer (CEO) since 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 and auditing firms in the Middle East, US, UK and India. Mr. Raheja holds a Master's degree in Finance from New York University.

Philip Antony
CFO

Mr. Antony holds the position of Chief Financial Officer (CFO) since June 2019. In his previous role as Director – Accounting and Financial Reporting, he led several key company initiatives, including previous 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.

Mohammed Al Ghamdi
Head of Govt. Affairs

Mr. Al-Ghamdi career spans 29 years during which time 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 Faculty of Sharia at Al-Imam Muhammad Ibn Saud Islamic University and the Faculty of Commerce, Department of Business Administration, Cairo University.

Executive Team (continued)

Nawfal Al Khudhairy

CEO, Business Development

Mr. Nawfal holds a Post Graduate diploma in Landscape Architecture and BA (Hons) Landscape Architecture, HND Civil Engineering from Kingston University, London. Over a career spanning more than 25 years, Nawfal has predominantly worked in the strategy, growth, and business development of major key projects across Infrastructure, defense, and property sectors for both public and private sector clients including Riyadh Metro and Riyadh's National Park (Salam Park). He is an Associate Member of the British Landscape Institute, an International Member of the American Society of Landscape Architects and a Professional Engineer Member of the Saudi Council of Engineers. Prior to joining Dar Al Arkan, Mr. Nawfal served in several key leadership roles, including as Vice President - Strategy and Growth of AECOM's KSA, as the Country Director of CH2M Olayan joint venture from 2016 to 2018, and as Associate Director and General Manager of WS Atkins International in the Middle East.

Laura Al Ruzaig

Human Resources Director

Ms. Laura has joined Dar Al Arkan as a Human Resources Director in July 2020. She has 11 years of experience in the Human Resources field. She led the organization through strategic staffing plans, compensation and benefits, training and development, performance management, talent assessment, organizational development programs, benefits plans, policies and guidelines and developing a culture that enables employees to perform in accordance to a firm's objectives. Prior to joining Dar Al Arkan, Ms. Laura held senior roles in HR and Support Services with Kingdom Holding Company. She holds a Bachelor degree in Business Administration and Management from Arab Open University in Riyadh.

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 17 years in capital markets, the last six 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. Rasha Al-Othaim leads the Sales Operations Department. Ms. Rasha holds a Bachelor 's degree from the College of Da'wah and Media at Imam Muhammad bin Saud University. She has more than 8 years of vast experience, and possesses high skills in sales and business management.

Tareq Alnabulsi

GM of Procurement & FM

Mr. Tareq holds bachelor degree in Industrial Engineering from Northeastern University. Mr. Tareq has 30 years' experience in construction, project management and real estate development. He worked on many projects in UAE such as, Al Fahad Island and Nurai Island.

Houssam Al Hasan

Construction Director

Mr. Houssam has 20 years of experience in the field of construction. Prior to joining Dar Al Arkan, Mr. Houssam managed mega projects in UAE and KSA, construction and infrastructure. Worked on variety of projects with Tameer, Palm island, KAUST, ARAMCO, MOI, Ministry of housing.

Membership of the Board

#	Name	Capacity	Membership
1	Yousef Bin Abdullah Al Shelash	Chairman	Non-executive
2	Majed Bin Abdulrahman Al Qasem	Vice Chairman	Non-executive
3	Tariq Bin Mohamed Al Jarallah	Member	Non-executive
4	Ahmed Bin Mohammed Al Dahash	Member	Independent
5	Hethloul Bin Saleh Al Hethloul	Member	Non-executive
6	Dr. Abdulaziz Bin Ibrahim Al Mana	Member	Independent

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 2021.

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	-	-	-	-	-	Direct
Majed Bin Abdulrahman Al Qasem	Vice Chairman	0	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 Hethloul	Board Member	368	0.00%	1000	1368	0.00%	Direct
Dr. Abdulaziz Bin Ibrahim Al Mana	Board Member	2,000	0.00%	-	2,000	0.00%	Direct
Anand Rahija	CEO	0	0	0	0	0	
Philip Antony	CFO	0	0	0	0	0	
TOTAL		**2,649,626**		**1,000**	**2,650,626**	**0.25%**	

Meetings Attendance

Board meetings register

#	Name	Meeting Register				Total
		18 March	5 May	11 August	3 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 2021

#	Name	28 June
1	Yousef Bin Abdullah Al Shelash	√
2	Majed Bin Abdulrahman Al Qasem	x
3	Tariq Bin Mohamed Al Jarallah	√
4	Ahmed Bin Mohammed Al Dahash	x
5	Hethloul Bin Saleh Al Hethloul	x
6	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
			17 March	30 June	29 September	3 November	
1	Yousef Bin Abdullah Al Shelash	Chaiman	√	√	√	√	4
2	Tariq Bin Mohamed Al Jarallah	Member	√	√	√	√	4
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	√	4

Board Committees
The Executive Committee (continued)

Committee'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 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 2021.

The Audit Committee

The Audit Committee formation and meetings register:

#	Name	Capacity	Meeting Register					Total
			18 March	5 May	10 May	10 August	3 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

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

Commitee's responsibilities and meetings

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 2021. The committee discussed and reviewed the quarterly and annual financial statements for the year 2021 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
			18 March	3 November	
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
4	Ahmed Bin Mohammed Al Dahash	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 2021.

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 and 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.

The risks that the Company may face and commensurate management and control policies (continued)

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.

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.

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.

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 arty 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, 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.

Corporate Governance (continued)

It is worth mentioning that the company has applied all 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 and Investment; and**

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

The provisions of the Corporate Governance Regulations

unless applicable, and the reasons for this

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

Remuneration and compensation paid to the Board members and senior executives 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 members of the Board of Directors

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 hiwghest bonuses and compensation from the Company during 2021

Description (in '000 Saudi Riyal)	Executive Board members	Non-executive/independent Board members	Senior executive including CEO and CFO
Salaries and compensation	-	-	8,084
Allowances	-	-	4,353
Periodic and annual bonuses	-	-	-
Incentive plans	-	-	-
Any other compensations or incentives paid monthly or annually	-	-	-
End of service contribution			1,036

Penalties and Fines

Fine	Fine reasons	Amount SR	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	Ejadh	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	Ejadh	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	Ejadh	Ensure that necessary approval is obtained
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
Encroachment on public facilities (2 cable parts)	After the ground line of lighting was installed by the contractor, the number of 2 cables were cut off	20,439	Saudi Electricity Company	The company challenged the decision of the electricity company for the depth of the cable, which does not meet the specifications, as it must be buried at least 0.5 m deep, and the objec-tion has been accepted
Violation of not showing license	For not putting the municipal license on the counter, a violation was monitored	100	Ejadh	The violation was challenged because there was a license plate for the municipality's permit and the objection was accepted

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 2021, 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.

Internal Control

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.

Features of the internal control system

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.

Internal Audit (continued)

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.

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 2021, the Internal Audit Department performed periodic reviews according to the approved annual plan. The Internal Audit Department carried out the planned audits for 2021, in addition to the management's involvement in the implementation of some special assignments.

4. Scope of work
   The scope of internal audit work in 2021 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.

Internal Audit (continued)

Audit committee opinion annual audit

Based on the internal audit results and the external auditor's reports during 2021, 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 2021

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Al Kharashi & Co.

Independent Auditors' Report On The Consolidated Financial Statements

To the Shareholders of Dar Al Arkan Real Estate Development Company (A Saudi Joint Stock Company) Riyadh – Kingdom of Saudi Arabia

Opinion

We have audited the accompanying consolidated financial 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 consolidated statement of financial position as at December 31, 2021, 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, 2021, 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 Group in accordance with the Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. 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 year. 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.

Independent Auditors' Report On The Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

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 19.3 billion (31 December 2020: SR 18.2 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 revenues 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. 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, 2021, 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 included in the Group's annual report for the year ended 31 December 2021

Management is responsible for the other information. The other information consists of the information included in the annual report of the board of directors but does not include the consolidated financial statements and our report thereon, which are expected to be made available to us after the date of our report.

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

With regards to our audit of the consolidated financial statements, our responsibility is limited to reading the other information described above, and when reading it, we take into account whether the other information does not materially correspond to the consolidated financial statements or information obtained during the audit process or otherwise appears to contain significant misstatements.

If, upon reading the board's report, we conclude that it contains material misstatements, we must inform those charged with governance of this matter.

Independent Auditors' Report On The Consolidated Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation for the consolidated financial statements in accordance with IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's 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 Group'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 Group'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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 Group 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 communicate 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 year 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

During our audit of the consolidated financial statements, we did not find the Group's violation of the provisions of the Companies Law or the provisions of the Company's Articles of Association.

For Al-Kharashi Co.

Abdullah S. AL-Msnad
Certified Public Accountant
License No. (456)

Shaaban 25, 1443H
March 28, 2022G

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants & Auditors

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated statement of financial position as at 31 December 2021

	Notes	2021	2020
		SR 000	SR 000
ASSETS			
Non-Current Assets			
Investment properties, net	5	1,110,414	1,519,116
Long-term development properties	6	19,285,287	18,246,583
Property and equipment, net	7&22a	77,653	72,180
Investments in associates and joint ventures	8	1,195,144	1,173,547
Other assets, net	9	-	492
Total Non-Current Assets		**21,668,498**	**21,011,918**
Current Assets			
Short-term development properties	6	369,682	341,860
Trade receivables and others	10	5,770,074	4,649,178
Cash and cash equivalents	11	4,153,426	4,931,660
Total current assets		10,293,182	9,922,698
Total Assets		**31,961,680**	**30,934,616**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-Current Liabilities			
Borrowing-long-term maturity portion	12	7,039,241	9,781,391
End of service indemnities	13	22,550	21,323
Total Non-Current Liabilities		**7,061,791**	**9,802,714**
Current Liabilities			
Borrowings-short-term maturity portion	12	2,374,182	436,062
Trade payables and others	14	3,029,444	1,232,466
Zakat provision	15c	336,633	437,194
Total Non-Current Liabilities		5,740,259	2,105,722
TOTAL LIABILITIES		**12,802,050**	**11,908,436**
Shareholders' Equity			
Share capital	16	10,800,000	10,800,000
Statutory reserve		1,155,147	1,141,895
Retained earnings		7,204,483	7,084,285
Total Shareholders' Equity		19,159,630	19,026,180
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,961,680**	**30,934,616**

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 2021

	Notes	2021	2020
		SR 000	SR 000
Revenue	17	2,493,078	1,944,854
Cost of revenue	18	(1,596,350)	(1,270,204)
GROSS PROFIT		**896,728**	**674,650**
Operating expenses			
General and administrative expenses	19	(211,945)	(171,332)
OPERATING PROFIT		**684,783**	**503,318**
Finance costs	20	(662,977)	(645,883)
Other income, net		93,888	143,361
Share of net profits from associates and joint ventures	8a	19,748	18,583
PROFIT BEFORE ZAKAT		**135,442**	**19,379**
Zakat provisions	15b	(2,922)	(585)
NET PROFIT FOR THE YEAR		**132,520**	**18,794**
Other comprehensive income			
Re-measurement (loss)/ gain on end of service indemnities	13	930	(2,102))
Total Comprehensive Income For The Year		**133,450**	**16,692**
Total comprehensive income attributable to			
Dar Al Arkan shareholders		**133,450**	**16,692**
Earnings per share (in Saudi Riyal)			
Basic and diluted	21	**0.12**	**0.02**

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 2021

	Share capital	Statutory reserve	Retained earnings	Total equity
	SR 000	SR 000	SR 000	SR 000
2021				
Balance as at 1 January 2021	10,800,000	1,141,895	7,084,285	19,026,180
Net profit for the year	-	-	132,520	132,520
Other comprehensive (loss)/income	-	-	930	930
Total comprehensive income for the year	-	-	133,450	133,450
Transfer to statutory reserve	-	13,252	(13,252)	-
Balance as at 31 December 2021	10,800,000	1,155,147	7,204,483	19,159,630
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

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 2021

	Notes	2021	2020
		SR 000	SR 000
OPERATING ACTIVITIES			
Profit before Zakat		135,442	19,379
Adjustment for:			
Depreciation	5,7 &22a	48,413	55,228
Amortisation	9	492	1,009
Provision for expected credit losses	10b	4,453	2,516
Provisions for end of service indemnities	13	4,557	3,884
Finance costs	20	662,977	645,883
Share of net profit from associates and joint ventures	8	(19,748)	(18,583)
Operating cash flows before movements in working capital		836,586	709,316
Development properties, net		(694,309)	(1,269,370)
Trade receivables and others		(1,125,349)	(670,168)
Trade payables and others		1,786,706	433,687
Cash from/(used in) operations		803,634	(796,535)
Finance costs paid		(630,945)	(608,809)
Zakat paid	15c	(103,483)	(50,056)
End-of-service indemnities paid	13	(2,400)	(6,277)
Net cash From/(Used In) operating activities		66,806	(1,461,677)
INVESTING ACTIVITIES			
Investment in associates	8	(1,849)	(458)
Purchase of property and equipment	7	(6,669)	(2,639)
Proceeds from disposal of property and equipment	7	82	-
Investment Properties	5	(542)	(1,282)
Net cash (Used In) investing activities		(8,978)	(4,379)
FINANCING ACTIVITIES			
Long term borrowings		(836,062)	2,447,696
Net Cash (Used In)/ From Financing Activities		(836,062)	2,447,696
(Decrease)/ increase in cash and cash equivalents		(778,234)	981,640
Cash and cash equivalents, beginning of the year		4,931,660	3,950,020
Cash and cash equivalents, end of the year	11	4,153,426	4,931,660
Non-cash transaction related to transfer of investment property and right to use asset			
Addition to lease assets and trade payables and others	22a	10,272	-
Transfer of investment properties to development properties	5,6	372,217	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

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021

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 Construction Technology Company is a limited liability company (previously known as Dar Al-Arkan Contracting 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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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 2021.

IFRS 4, 7, 9, 16 and IAS 39	Amendment	• 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 16	Amendment	• Amendment to extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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 9	Amendment	• Applicable annual periods beginning on or after 1 January 2022. Fees in the '10 percent' test for derecognition of financial liabilities.
IFRS 16	Amendment	• Applicable annual periods beginning on or after 1 January 2022. The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives.
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. • Disclose material accounting policy information rather than significant accounting policies.
IFRS 17	New standard	• Insurance Contract applicable annual periods beginning on or after 1 January 2023.
IAS 8	Amendment	• Amendments regarding the definition of accounting estimates applicable annual periods beginning on or after 1 January 2023.
IAS 12	Amendment	• Amendments regarding deferred tax on leases and decommissioning obligations applicable annual periods beginning on or after 1 January 2023.
IFRS 4	Amendment	• Amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9 (financial instrument) until 1 January 2023.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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.

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 2021.

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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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.

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

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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. Accordingly, all 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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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.

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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

Properties constructed/ developed under contract with customer– recognised over the time (continued)

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.

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.

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

Group as a lessee (continued)

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.

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

3. Critical Accounting Estimates and Judgments (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

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 2021 reflects assets that are not covered by forward sales contracts.

The development properties are stated at the lower of cost and net realisable value. The Group assesses the net realisable value of its development properties at each reporting date, through an internal tolerance check, which includes an assessment of 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.

For the determination of the expected net realisable value of the development properties, the group extensively uses its management's subjective expertise and location knowledge together with comparable transactions recorded in the surrounding

area for non-related arms lengths transactions. The estimated mark-up arrived using these methodologies disclosed as a percentage (%) of net-margin over the carrying cost.

To neutralise single data risk, the group also estimates the potential uplift in value of its development properties by using the Accounting Rate of Return. Under ARR method the group estimates return 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.
Below are the key assumptions the group used to estimate net realisable value of its development property portfolio:

	2021 Range	2020 Range
Profit margin on carrying cost –development properties	20% - 25%	20% - 25%
Targeted ARR –development properties	3-5%	4-6%

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 investment properties, the group engage third party independent real estate valuation experts using recognised valuation methods to value the investment 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 valuation agencies are mostly use capitalisation method, under this 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.

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

Fair value measurements (continued)

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:

	2021 Range	2020 Range
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:

- **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 2021 and 31 December 2020 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 2021		
		Sale of Developed Properties	Leasing of Properties	Group Total
		SR 000	SR 000	SR 000
SEGMENT WISE PROFIT AND LOSS				
Revenue	17	2,379,456	113,622	2,493,078
Cost of revenue	18	(1,559,323)	(37,027)	(1,596,350)
Gross Profit		820,133	76,595	896,728
Operating expenses				
General and administrative expenses	19			(211,945)
Operating Profit				684,783
Finance costs	20			(662,977)
Other income, net				93,888
Share of net profit from associates and joint ventures	8a			19,748
Segment Profit For The Year				135,442
SEGMENT WISE ASSETS AND LIABILITIES				
Total Assets		30,759,954	1,201,726	31,961,680
Total Liabilities		11,911,664	890,386	12,802,050

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

4. Reporting Segments (Continued)

	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 AND LOSS				
Revenue	17	1,812,379	132,475	1,944,854
Cost of revenue	18	(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 AND LIABILITIES				
Total Assets		29,170,091	1,764,525	30,934,616
Total Liabilities		11,144,481	763,955	11,908,436

5. Investment Properties, Net

The movement in investment properties is as follows:

	2021	2020
	SR 000	SR 000
COST		
At beginning of the year	1,881,251	1,968,537
Transfer to development properties	(468,287)	(88,568)
Additions	542	1,282
At end of the year	**1,413,506**	**1,881,251**
ACCUMULATED DEPRECIATION		
At beginning of the year	362,135	317,180
Transfer to development properties	(96,070)	(49)
Charged during the year	37,027	45,004
At end of the year	303,092	362,135
CARRYING AMOUNT AT THE END OF THE YEAR	**1,110,414**	**1,519,116**

Included within investment properties is land with an original cost of SR 270 million (31 December 2020: 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 2021, 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:

	2021	2020
	SR 000	SR 000
COST	**1,110,414**	**1,519,116**
ESTIMATED FAIR VALUE		
Estimated on rent yield of 6-8 % on Investment properties	1,525,590	1,927,484

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

Sensitivity in fair value estimation

	Increase	Decrease
	SR 000	SR 000
CHANGE IN FAIR VALUE ON INVESTMENT PROPERTIES		
50 basis points change in capitalisation rate	94,000	(83,000)
Sensitivity impact on estimated fair value	**94,000**	**(83,000)**

The estimated fair value of Group's investment 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.

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 2021				
	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	6,880	334,980	1,020,009	17,226,574	18,588,443
Additions during the year	-	29,375	492,022	1,732,235	2,253,632
Transfer, net	-	-	372,217	-	372,217
Charged to cost of sales during the year	(1,553)	-	(95,583)	(1,462,187)	(1,559,323)
Carrying amount at the end of the year	**5,327**	**364,355**	**1,788,665**	**17,496,622**	**19,654,969**
Short- term development properties					369,682
Long-term development properties					19,285,287

	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

The properties held for development are stated at the lower of cost and net realisable value. Development properties are classified as current if it is completed or expected to be completed within 12 months, otherwise it is classified as non-current.
Projects under development includes investment in land and joint development worth SR 14.01 billion (31 December 2020: SR 13.87 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 2021 the Group has not capitalised Islamic borrowing costs to development properties (31 December 2020: nil).

Internal tolerance evaluation

During the year the Group's management and directors conducted an internal tolerance check on its development properties portfolio to identify the existence or indication of possible impairment. This internal evaluation is based on the market indications and margins achieved on similar parcels The internal evaluation for the reporting period resulted an estimation of market value, of development properties; indicating an average uplift of 20% (31 December 2020: 20%) across the development property portfolio. The management believes that the resultant uplift on the book value is a conservative indication of the value of the development 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 internal value assumptions along with known comparable transaction between unrelated parties at arms-length around properties, the management included an additional valuation technique of average ARR in the range of 3-5% for development properties to arrive the value estimate.

	Year ended 31 December 2021				
	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	**5,327**	**364,355**	**1,788,665**	**17,496,622**	**19,654,969**
ESTIMATED VALUE					
Estimated value @ 20% margins on cost – Land	6,000	430,000	2,150,000	21,000,000	23,586,000
Estimated value @ 3-5 % ARR- Land	6,000	410,000	1,930,000	19,800,000	22,146,000
Average value of land	**6,000**	**420,000**	**2,040,000**	**20,400,000**	**22,866,000**
Estimated Value	**6,000**	**400,000**	**2,000,000**	**20,400,000**	**22,806,000**

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

Internal tolerance evaluation (Continued)

	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 VALUE					
Estimated value @ 20% margins on cost – Land	7,000	400,000	1,220,000	20,670,000	22,297,000
Estimated value @ 3-5 % ARR- Land	7,000	365,000	1,100,000	19,217,000	20,689,000
Average value of land	**7,000**	**382,000**	**1,160,000**	**19,943,000**	**21,492,000**
Estimated Value	**7,000**	**380,000**	**1,150,000**	**19,400,000**	**20,937,000**

The result of this exercise have indicated a higher value than carrying cost stated in the consolidated statement of financial position. A change in the basis of these estimates in the future could have an impact on the valuation of the development properties.

Sensitivity in internal tolerance valuation

The estimated net realisable value of Group's development properties can be impacted by the market conditions existed at the time of actual transaction.

	Increase	Decrease
	SR 000	SR 000
CHANGE IN VALUE OF DEVELOPMENT PROPERTIES		
10% change in comparable margins	1,965,000	(1,965,000)
1% change in ARR	695,000	(665,000)
Average change in value of development properties	**1,330,000**	**(1,315,000)**

The above values represent the minimum net realisable value estimation of the development properties of the group exclusively for the impairment study. It is not a fair market value disclosure.

7. Property and Equipment, Net

	31 December 2021					
	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 2021	115,073	10,095	8,018	17,945	62,961	214,092
Additions for the year	-	5,009	-	-	1,660	6,669
Transfer/Disposal	(73)	-	-	-	(9)	(82)
Balance at 31 December 2021	**115,000**	**15,104**	**8,018**	**17,945**	**64,612**	**220,679**
ACCUMULATED DEPRECIATION						
Balance at 1 January 2021	57,677	7,693	7,983	15,944	52,721	142,018
Depreciation for the year	3,195	1,127	23	887	4,282	9,514
Transfer/Disposal	-	-	-	-	-	-
Balance at 31 December 2021	**60,872**	**8,820**	**8,006**	**16,831**	**57,003**	**151,532**
Carrying amount at 31 December 2021	**54,128**	**6,284**	**12**	**1,114**	**7,609**	**69,147**

	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**

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Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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 67%. 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:

	2021	2020
	SR 000	SR 000
Investments, beginning of year	1,173,547	1,154,506
Additions	-	34
Share of profit during the year	21,597	19,007
Investments, end of the year	**1,195,144**	**1,173,547**

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	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	66.5%
Juman company (iv)	1,500	18%
Waslt Real Estate Services Company (Waslt) (v)	34	67%
Accumulated share of profits	**96,063**	
Balance, end of the year	**1,195,144**	

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

31 December 2021	Juman	KDC	ACS	SHL	WASLT	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
Total assets	8,200	541,967	1,052,115	4,408,032	5,150	6,015,464
Total liabilities	-	(36,630)	(27,309)	(2,718,098)	(5,100)	(2,787,137)
Net assets	8,200	505,337	1,024,806	1,689,934	50	3,228,327
KDC net assets includes SAR 172 mn of exclusivity right- refer below note c(iii)	-	171,603	-	-	-	171,603
Group's share of net assets	**1,500**	**507,652**	**432,468**	**253,490**	**34**	**1,195,144**
Total revenue for the year	-	-	95,165	294,220	10,521	399,906
Other comprehensive income for the year	-	-	-	-	-	-
Total profit/(loss) for the year	-	(452)	15,251	103,196	(2,760)	115,235
Total cumulative earning at end of the year	-	(35,407)	22,324	689,034	-	675,951
Total cumulative earning at end of last year	-	(34,956)	6,066	588,792	-	559,902
Change for the year	-	(451)	16,258	100,242	-	116,049
Group's share of cumulative profit for the year	-	**(300)**	**6,861**	**15,036**	-	**21,597**

31 December 2020	Juman	KDC	ACS	SHL	WASLT	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/(Loss) 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**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

8. Investments In Associates and Joint Venture (Continued)

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 investment in KDC is now 66.5% 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 172 million as an exclusive right to participate in the Khozam project development and SR 359 million as capital contributions fully paid in cash. The other shareholder (JDURC) contributed land as their capital contribution. The management believes that the value of the total investment in KDC 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) Waslt Real Estate Services Company (Waslt)

During the year 2020, the group had invested 67% in Waslt Real Estate Services Company (previously known as 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 1,849 thousand recorded for the year ended 31 December 2021 has been absorbed and recognised in the consolidated statement of profit or loss.

9. Other Assets (Deferred Charges), Net

The movement during the year is as below:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	492	1,501
Additions during the year	-	-
Amortisation charge for the year	(492)	(1,009)
Balance, end of the year	**-**	**492**

10. Trade Receivables and Others

	2021	2020
	SR 000	SR 000
Trade receivables – net of allowances for doubtful debts of SR 27.99 million (31 December 2020: SR 23.54 million)	4,586,883	3,626,042
Advance payments to purchase land	803,020	709,670
Accrued revenue	3,868	1,461
Prepayments and others	376,303	312,005
Investments, end of the year	**5,770,074**	**4,649,178**

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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

10. Trade Receivables and Others (Continued)

a) Ageing of trade receivables that are due but not impaired

	2021	2020
	SR 000	SR 000
0-60 days	690,093	324,722
61-120 days	487,438	251,119
121-180 days	411,037	261,608
Above 180 days	2,998,315	2,788,593
Total	**4,586,883**	**3,626,042**

Ageing are from the date of invoice and the trade receivables include about 99% (31 December 2020: 98%) 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

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	23,535	21,019
Allowance for the year	4,453	2,516
Balance, end of the year	**27,988**	**23,535**

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:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	-	863
Purchased / sold during the year	-	-
	-	**863**
Realised gains	-	-
Total	**-**	**863**
Transfers/withdrawals	-	(863)
Balance, end of the year	**-**	**-**

Investment includes SR nil as at 31 December 2021 (31 December 2020 SR nil) representing cash deposit held with the fund manager.

11. Cash and Cash Equivalents

	2021	2020
	SR 000	SR 000
Cash in hand	232	666
Cash with bank	4,153,194	4,930,994
Total	**4,153,426**	**4,931,660**

12. Long-Term Borrowings

	2021	2020
	SR 000	SR 000
Islamic Sukuk	7,500,000	7,500,000
Islamic Murabaha	1,967,988	2,804,050
	9,467,988	**10,304,050**
Less: Un-amortised transaction costs (note 12 b)	(54,565)	(86,597)
Borrowings end of the year	**9,413,423**	**10,217,453**
Less: Borrowing -short-term maturity portion	(2,374,182)	(436,062)
Borrowing -long-term maturity portion	**7,039,241**	**9,781,391**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

12. Long-Term Borrowings (Continued)

a. Repayable as follows:

	2021	2020
	SR 000	SR 000
Within one year	2,375,812	436,062
In the second year	2,319,562	2,348,412
In the third to fifth years inclusive	4,772,614	7,519,576
Total	**9,467,988**	**10,304,050**

b. Islamic borrowings transaction costs:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	86,597	99,767
Additions during the year	-	23,905
Amortisation charge for the year	(32,032)	(37,075)
Balance, end of the year	**54,565**	**86,597**

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 2021.

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 8 years with various repayment schedules like annual roll revolvers, bullet payments and instalment repayments ranging from quarterly and half yearly as detailed below.

Summary of the Murabahas:

Maturity date	Outstanding Balance	Short-term	Long-term
	SR 000	SR 000	SR 000
2023	60,250	60,250	-
2024	578,571	201,428	377,143
2025	466,667	133,334	333,333
2027	206,000	18,000	188,000
2029	656,500	87,800	568,700
Total	**1,967,988**	**500,812**	**1,467,176**

The total weighted average effective annual commission rate for the year ended 31 December 2021 is 6.38% (31 December 2020: 6.71%) The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2021.

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:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	21,323	21,614
Charged to expenses during the year	4,557	3,884
Re-measurement loss/ (gain)	(930)	2,102
Paid during the year	(2,400)	(6,277)
Balance, end of the year	**22,550**	**21,323**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

13. End of Service Indemnities (Continued)

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

A- Significant actuarial assumptions:

	2021	2020
	%	%
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

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	20,497	20,705
Net period benefit cost	3,741	3,755
Re-measurement loss/ (gain)	(930)	2,102
Paid during the year	(3,332)	(6,065)
Balance, end of the year	**19,976**	**20,497**

C- Analysis of present value of obligation

	2021	2020
	SR 000	SR 000
Benefit obligation earned and accumulated to the date of financial position	18,763	19,833
Benefits attributed to future salary increase	1,213	664
Total	**19,976**	**20,497**

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:

	2021	2020
	SR 000	SR 000
Discount rate + 0.5%	19,340	19,614
Discount rate - 0.5%	20,651	21,446
Long term salary increase + 0.5%	20,692	21,485
Long term salary increase - 0.5%	19,295	19,570

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

The weighted average duration of the employee benefit obligation is 6.55 years for the year ended December 31, 2021 (31 December 2020: 8.92 years). The expected maturity analysis of undiscounted defined benefit obligation is as follows:

	2021	2020
	SR 000	SR 000
Within one year	2,341	983
In the second year	3,340	3,158
Between third and fifth years	6,503	4,754
Above five years	7,792	11,602
Total	**19,976**	**20,497**

14. Trade Payables and Others

	2021	2020
	SR 000	SR 000
Trade payables	532,654	260,221
Due to related parties (note 23a)	186,435	189,741
Accruals	292,224	209,444
Unpaid dividend	35,376	35,381
Lease liability (note 22b)	8,240	243
Contract liabilities (note 14a)	1,888,257	518,539
Unearned revenue	86,258	18,897
Total	**3,029,444**	**1,232,466**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

14. Trade Payables and Others (Continued)

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 2020: 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.

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	518,539	108,590
Collected/invoiced during the year	1,369,718	409,949
Cancellations during the year	-	-
Transfers to cost of revenue during the year	-	-
Balance, end of the year	**1,888,257**	**518,539**

15. Zakat Provisions

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

	2021	2020
	SR 000	SR 000
ZAKAT BASE		
Equity	19,026,180	19,009,488
Provisions and other adjustments	7,859,421	6,350,010
Total Zakat base	**26,885,601**	**25,359,498**
Deductions:		
Total deduction after adjustment	(26,885,601)	(25,359,498)
Zakat base	-	-

b) Adjusted net income for the year:

	2021	2020
	SR 000	SR 000
ADJUSTED NET INCOME:		
Adjusted net income,net	116,865	4,680
Adjusted net income	**116,865**	**4,680**
Estimated Zakat and Tax provision for the year	**2,922**	**585**

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:

	2021	2020
	SR 000	SR 000
Balance beginning of the year	437,194	486,665
Estimated Zakat for the year	2,922	585
Paid during the year	(103,483)	(50,056)
Estimated Zakat provision, end of the year	**336,633**	**437,194**

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 2020 which are under assessments. The consolidated return for the year 2021 is under preparation.

16. Share Capital

	2021	2020
	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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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**	**2021**	**2020**
		SR 000	**SR 000**
Sale of development properties	- At a point in time	2,261,135	1,625,976
Sale of residential properties	- At a point in time	118,321	186,403
Leasing of properties	- IFRS 16	113,622	132,475
Total		**2,493,078**	**1,944,854**

18. Cost of Revenue

	For the year ended 31 December	
	2021	**2020**
	SR 000	**SR 000**
Development properties cost	1,462,187	1,066,625
Residential properties-cost	97,136	158,575
Direct cost on leasing – depreciation (refer note 5)	37,027	45,004
Total	**1,596,350**	**1,270,204**

19. General and Administrative Expenses

	For the year ended 31 December	
	2021	**2020**
	SR 000	**SR 000**
General and administrative expenses	200,559	161,109
Depreciation (refer note 7 & 22a)	11,386	10,223
Total	**211,945**	**171,332**

20. Finance Costs

	For the year ended 31 December	
	2021	**2020**
	SR 000	**SR 000**
Charges on Sukuk	512,857	497,042
Charges on Islamic Murabaha	117,969	111,744
Charges on Lease liability (note 22b)	119	22
Amortisation of transaction costs (note 12b)	32,032	37,075
Total	**662,977**	**645,883**

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	
	2021	**2020**
	SR 000	**SR 000**
EARNINGS		
For the purpose of basic earnings per share (Net profit for the year)	132,520	18,794
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 2021 (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.

	2021	2020
	SR 000	SR 000
COST		
At beginning of the year	3,962	3,962
Additions for the year	10,272	-
Transfer/ retirements	-	-
At end of the year	**14,234**	**3,962**
ACCUMULATED DEPRECIATION		
At beginning of the year	3,856	2,932
Charged during the year	1,872	924
Transfer/ retirements	-	-
At end of the year	**5,728**	**3,856**
Net book value at the end of the year	**8,506**	**106**

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.

	2021	2020
	SR 000	SR 000
LIABILITY		
At beginning of the year	4,791	4,769
Additions for the year	9,397	-
Transfer/ retirements	-	-
Finance cost for the year	119	22
At end of the year	**14,307**	**4,791**
PAYMENTS		
At beginning of the year	4,548	3,897
Paid during the year	1,519	651
At end of the year	**6,067**	**4,548**
BALANCE AT THE END OF THE YEAR	**8,240**	**243**

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:

	2021	2020
	SR 000	SR 000
AMOUNTS DUE		
Within one year	2,876	596
Between one and five years	6,727	-
Above five years	-	-
Total	**9,603**	**596**

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

22. Lease Arrangements (Continued)

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:

	2021	2020
	SR 000	SR 000
AMOUNTS RECEIVABLE:		
Within one year	78,281	84,393
Between one and five years	144,722	137,088
After five years	70,140	61,696
Total	**293,143**	**283,177**

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:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	189,741	189,397
Repayment of advances for the year	(4,266)	(616)
Profit charged for the year	960	960
Balance, end of the year	**186,435**	**189,741**

b) Compensation of key management personnel

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

	For the year ended 31 December	
	2021	2020
	SR 000	SR 000
Short-term benefits	12,437	10,089
End-of-service benefits	1,036	617
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
Total	**13,473**	**10,706**

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:

	2021	2020
	SR 000	SR 000
Balance, beginning of the year	-	-
Sales/ debits during the year	20,394	15,471
Collections /adjustments	(20,394)	(15,471)
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:

	2021	2020
	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
Amount paid during the year	-	(1,500)
Balance, end of the year	-	-

For the year ended 31 December 2021 and the year ended 31 December 2020, 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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

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 2021 was SR 4.56 million (31 December 2020: SR 3.88 million), and the outstanding contribution as at 31 December 2021 is SR 501 thousand (31 December 2020: SR 245 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.

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 year was as follows:

	2021	2020
	SR 000	SR 000
Islamic borrowings	9,413,423	10,217,453
Cash and cash equivalents and short term deposits	(4,153,426)	(4,931,660)
	5,259,997	**5,285,793**
Shareholders' equity	**19,159,630**	**19,026,180**
Net debt to equity ratio	**27%**	**28%**

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.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

26. Financial Risk Management (Continued)

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

	2021	2020
	SR 000	SR 000
Cash and cash equivalents and short term deposits	4,153,426	4,931,660
Trade receivable, net	4,586,883	3,626,042
Other assets	1,183,191	1,023,136
Total	**9,923,500**	**9,580,838**

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 0.12% and 0.22% (0.20% and 0.25% for 2020) and SAIBOR varied between 0.81% and 0.91% (0.82% and 0.87% for 2020).

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

	2021	2020
	SR 000	SR 000
+ 25 basis points	4,920	7,010
- 25 basis points	(4,920)	(7,010)

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 were no capitalisation for the current period 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 year ended 31 December 2021 is 6.38% (31 December 2020: 6.71%)

See notes 12 and 14 for further details.

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

26. Financial Risk Management (Continued)

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 2021 and 31 December 2020 are as follows:

	31 December 2021						
	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	301,255	2,580,938	2,704,703	3,581,907	1,872,774	-	11,041,577
End of service indemnities	-	-	-	-	-	22,550	22,550
Trade payables and others	107,270	1,658,426	828,688	162,563	86,062	186,435	3,029,444
Total	**408,525**	**4,239,364**	**3,533,391**	**3,744,470**	**1,958,836**	**208,985**	**14,093,571**

	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**

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 2021 amounts to SR 168 million (31 December 2020: SR 284 million) and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2020: 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 2021, there were no significant claims notified (31 December 2020: 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 year 2020 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 25 Shaaban 1443H (28 March 2022).

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