

DAR AL ARKAN

2022
ANNUAL
REPORT



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

DAIR

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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 further our leadership position as the most respected and dynamic Saudi Arabian real estate solutions provider, developing integrated communities for life in the region

MISSION

To create and nurture thriving integrated communities, which fulfil and add value to the social, cultural, recreational, and commercial needs of our communities, maximizing long term financial returns for our investors

MALAGA

Benahavis
Tabano
Finca Cortesin

LONDON

The Fourth Floor Flat
of 149 Old Park Lane

SARAJEVO

Sidra

YANBU

Al Mourjan

MEDINA

Naeem Al Jiwar

JEDDAH

Al Manar
Golden Coast
Shams Al Arous
Qasr Khozam
Commendatore Tower

BURAIDAH

Buraidah Hills

MECCA

Dar Al Mashaer
Al Awali villas

RIYADH

Qurtoba
Al Rabie
Shams Ar Riyadh
Ishbilyah
Al Mesyaf
Al Qasr Mall
Al Munsiyah
Al Falah
Parisiana
Al Tawoun
Al Yarmouk
Sedra Project

MUSCAT

Aida

DUBAI

Urban Oasis by Missoni
Da Vinci Tower by Pagani
W Residences

DOHA

Les Vagues by Elie Saab

DAMMAM

Juman Project
Seashells Project

ABOUT DAR AL ARKAN

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 9th 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

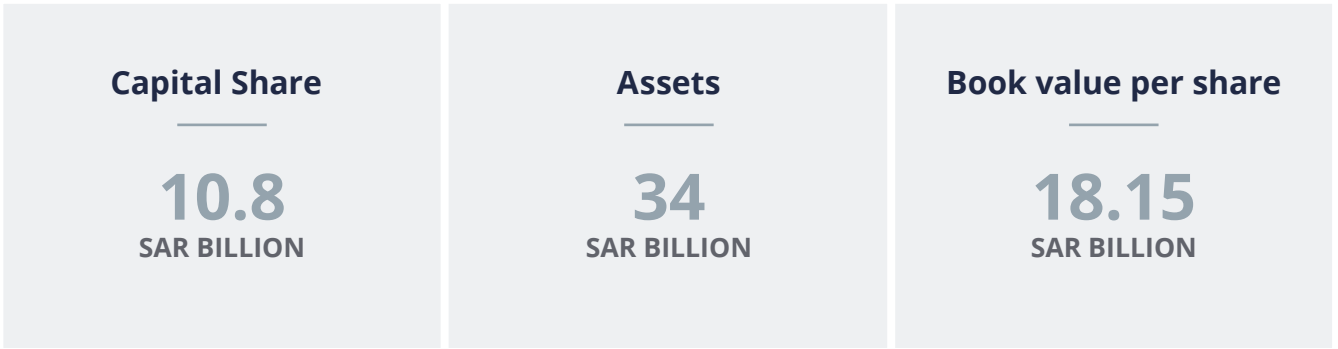
- Issuance of 11th Sukuk in the value of \$400 million in Feb 2020 and maturing in Feb 2027, listed on the Dubai NASDAQ
- Launched Verde, La Casa, Giovane and Palazzo in Shams Ar Riyadh

2021

- Relaunch of Dubai tower under Urban Oasis by Missoni
- Launch of new international projects: Da Vinci Tower by Pagani in Dubai and Aida in Oman
- Handover of 1st plots in Shams Ar Riyadh
- Dar Al-Arkan became the leading company in the region by providing 3D construction technology (3DCP) for the first time in the Kingdom.

2022

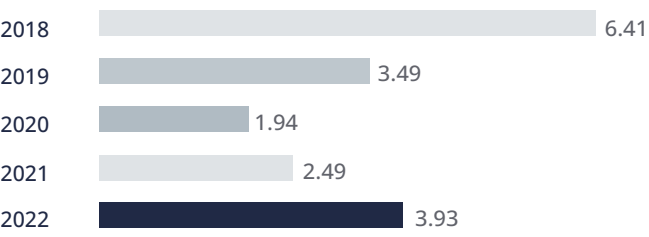
- Launch of new international projects: Les Vagues in Qatar, W Residences in Dubai, Benahavis, Tabano and Finca Cortesin in Spain, and The Fourth Floor Flat of 149 Old Park Lane in London
- Launch of new local projects: Sedra Project in Riyadh, Buraidah Hills in Buraidah and Commendatore Tower in Jeddah
- Issuance of 12th Sukuk in the value of \$400 million in Jul 2022 and maturing in Feb 2026, listed on the Euronext Dublin and Dubai NASDAQ



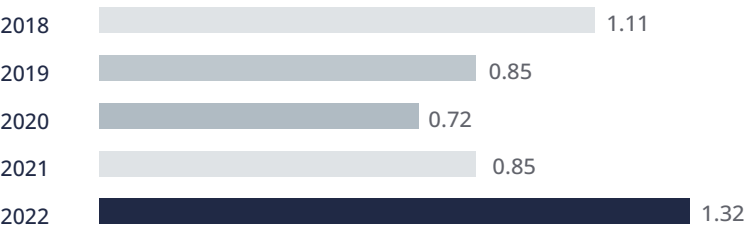
Investment in land and properties (SAR Billion)



Revenue (SAR Billion)



EBITDA (SAR Billion)



message of the *chairman*



Yousef Abdullah Al Shelash

CHAIRMAN

On behalf of the Board of Directors, I am pleased to present Dar Al Arkan's Annual Report for the year ended 31 December 2022. After the challenging environment imposed by the pandemic in 2020 and part of 2021, we have returned to normalcy in 2022.

As the world emerges from the pandemic and seeks to tackle varied pressing issues and challenges ranging from war in Ukraine, inflation, now more than ever we are focusing and planning to tackle emerging problems long before they become existential crises. We are taking active steps to ensure that Dar Al Arkan can thrive and create great impact long into the future.

The sector recorded value of real estate deals increased by 6% (YoY) an increase of SAR 12.5 billion, highest in 6 years translated into SAR 223.5 billion in total transaction values compared to SAR 211 billion in 2021.

With positive market outlook Dar Al Arkan's management set out to position the business for growth. Our progressive business model continues to deliver a sequential growth in revenue ending at SAR 3.9 billion for the year 2022. Our Gross Profit Margin sustained the strong trends that started in 2020 with continuing improvement and averaged a solid 37%. We have started the year 2022 with a strong liquidity position of SAR 4.2 billion and while still deploying SAR 3.5 billion in replenishing our land bank, we ended 2022 with SAR 5.9 billion in cash, which puts us in a solid position to meet all our commitments related to repayment of debts and our future investment needs in 2023.

Given the strong performance to ensure robust liquidity position, we issued our 12th Sukuk of USD 400 million for the equivalent value of SAR 1.5 billion listed on Euronext Dublin (formerly The Irish Stock Exchange) and NASDAQ Dubai in July 2022 that is maturing in February 2026.

“2022 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.”

Our operational progress in projects continued to gather momentum both in terms of sales and construction. Furthermore, we have launched several new initiatives both locally as well as globally. Such as, Sedra project in north of Riyadh in the master development of ROSHN for the construction of villas, Branded residential tower project of Commendatore Tower in Jeddah corniche, Buraidah Hills for the development and sale of plots with appropriate quality infrastructure located in the west of Buraidah city along with various new international ventures, including W Residences Dubai featuring premium apartments in downtown area of Dubai, Les Vagues in Qetaifan Island, Doha offering luxury living to be designed in cooperation with Elie Saab and multiple new offerings in Spain and UK.

In order to accelerate group offerings with added focus on international growth, we are pleased to announce that Dar Global PLC (“Dar Global”), the UK incorporated holding company for its Dubai headquartered international property development business, got listed in 2023 on the standard listing segment of the Official List of the UK Financial Conduct Authority and to the London Stock Exchange's main market for listed securities. The official direct listing on the London Stock Exchange makes Dar Al Arkan one of the first Saudi homegrown brands to list on the London Stock Exchange.

Creating sustainable impact and long-term social and financial value is at the heart of the company's purpose. We are integrating ESG criteria into our decisions and enhancing our real estate assets to create better environmental and social impacts and protect our assets against the effects of climate change, and other societal changes. Our sustainability strategy to do this is built on five key pillars. We have embarked on a journey to define the sustainability strategy for Dar Al Arkan and we have articulated and rolled out our ESG KPI's and we are in the process of tracking and improvising these KPI's. We are continuously taking efforts to de-carbonize our real estate

assets and to create a strong resiliency of our assets to climate change risks. Sustainability is not about the environment and climate we also emphasize on communities in which we work, our supply chain and the market we operate. We have achieved a milestone in partnership with COBOD, completed one of the largest 3D printed villa in the world in Shams Al Riyadh using concrete mix. To build further on the aspect of efficient resource utilization, we managed to complete the second villa of 280 sqm using the 3D printing technology within 26 days only. As a signatory to the Paris Agreement, Saudi Arabia's Green Initiative Program of reforestation and clean energy deployment coupled with a commitment to net zero by 2060 shall transform the country. We are committed to play our part in supporting the Kingdom's Green Initiatives.

With a strong focus on innovation and sustainability we are confident about our business momentum and growth trajectory. Our distinctive capabilities, dynamic strategies and innovation drive will enable us to continue to add values for our stakeholders.

As we enter the next financial year with all our expertise we will continue to grow by identifying challenges and opportunities. We have embedded innovation and dynamism across our business, and we are confident to thrive in the long-term. I would like to take this opportunity to thank all our stakeholders – including investors, partners, customers, and the people we serve in our communities – as well as our people at Dar Al Arkan for being part of this journey.

strategic review

Message of the CEO



Anand Raheja

CHIEF EXECUTIVE OFFICER

2022 is a noteworthy year of recovery and growth after Covid-19 pandemic and we have proved our true resilience and strong determination to thriving for excellence. I am happy to say that we have completed a year filled with achievements, growth and despite the repercussions of Covid 19, which we managed to overcome driven by our ambition and our strong vision. We will continue to pursue operational excellence and following through with our long-term real estate growth strategies as we strive towards our goals.

As Saudi Arabia has recovered strongly from the Covid 19, the Kingdom's GDP to exceed US\$ 1 trillion at the end of 2022 for the first time in the Kingdom's history according to Ministry of Finance estimates. Oil revenue, which slumped during the Covid 19 pandemic has been boosted by spiralling demand brought about by oil embargoes on Russia imposed after the invasion of Ukraine, which began just over halfway through Q1 2022. Saudi Arabia recorded a budget surplus of SAR 104 billion in 2022, beating its own estimates, as higher oil prices boosted government revenues by 31%, according to Ministry of Finance press release. Real estate price index in Saudi Arabia reached 1.6% (YoY) in the fourth quarter of 2022 compared to 0.9% in fourth quarter of 2021. Plot prices were leading the residential real estate price index reaching to 2.7% in fourth quarter of 2022 compared to 1.9% in fourth quarter of 2021.

The positive economic and industry outlook also translated into stimulation of our group operations in order to push the growth further across the Kingdom along with expanding our global reach. This resulted into our top line to grow significantly with closing at SAR 3.9 billion in total revenues, a 57% growth versus 2021. Our determination to be at the forefront of our industry is best illustrated by acceleration of construction programs across our portfolio of real estate assets. The major operational highlights for the year were steady progress of related development activities and customer bookings on our ongoing projects of Shams Ar Riyadh, Shams Al Arous Jeddah, Dar Al Mashaer Makkah, Urban Oasis Tower Dubai, Da Vinci Tower Dubai and Sidra Bosnia.

“The journey of Dar Al Arkan in 2022 was one driven by growth and the realization of the company’s vision into projects beyond our borders and into new markets.”

In addition, we launched multiple new projects within the Kingdom and beyond to strengthen our assets base and to ensure constant flow of financially viable returns in future. During 2022, we materialized our new approach to business development by launching various joint development projects like, Buraidah hills project in Al Qassim province was launched in partnership with the landowner of that site. As of yearend, majority of its units offered for sale have already been booked. In addition to securing a contract to develop residential units in SEDRA, an integrated community project being developed in northern Riyadh by national developer ROSHN, we also entered into a Joint Venture arrangement with the landowner in Jeddah Corniche in order to launch a project to build a 48 floors branded residential tower.

At the global front, we launched several new projects and initiatives. W Residences - Downtown Dubai, a residential building project in one of the premium neighbourhoods in the world was launched in early 2022 that received a tremendous response from the investors and almost all the offered units were booked within few months. Aida project in Oman that was announced at the end of last year was officially launched during the year offering around 3,500 residential units along with hotels, cafes, restaurants and 18 holes luxury golf course. Later in 2022, we expanded our global footprint to launch Les Vagues, a mega project located in Qetaifan Island Qatar. This project will be carried out in partnership with the Qetaifan Projects Company that is the owner of these five beachfront land plots on which luxurious sea-front residences designed by Elie Saab will be developed. Before the end of year 2022, we further consolidated our global position by successfully managing to secure projects to develop three lands in Spain and one property in London. These projects are currently in the initial design phase.

In February 2023, Dar Al Arkan reached to a new milestone whereby we successfully listed Dar Global PLC (Our international business group holding Company) valued at US\$ 600 million (SAR 2.5 billion) to the London Stock Exchange's

main market for listed securities. Thus, proudly making Dar Al Arkan as one of the first Saudi homegrown brand to list on the London Stock Exchange.

During the year 2022, we continued to maintain the robust liquidity position by adopting sound financial strategy and controls that enables the group to settle all future commitments and to capitalise on any potential investment opportunities. Overall, we raised new funds of SAR 3.7 billion during the year through appropriate mix of Sukuk issuance and the medium to long term bilateral bank facilities. At the same time, we repaid the total debt of SAR 2.3 billion mainly from internal resources.

Sustainability is at the very heart of our operations at Dar Al Arkan. In 2022, we took steps to build our sustainability strategy for reducing carbon footprint; exploring greater use of recycled materials and strengthening our governance framework to prioritize and evaluate ESG initiatives. We also intend to work towards being net zero carbon in line with KSA's Net Zero 2060 strategic initiatives. We have satisfactorily achieved several initial milestones in our drive for sustainable business performance. We are focusing on promoting diversity and inclusion and integrating well-being within our workforce.

Moving forward to 2023 and beyond, we will continue to exert more efforts to achieve new heights and write more success stories. Our strategy and outlook toward sustainability and ESG are becoming part of our normal business process. We ensure that every strategy we formulate and every decision we take in the future are sustainability-oriented, at the same time we are also committed to redefine and reimagine our offerings to tackle the future needs of our customers by introducing innovative solutions.

I take this opportunity to extend my heartfelt thanks to our visionary 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

- We have 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 training opportunities to our employees.

OUR FOCUS IS TO SERVE OUR SAUDI CLIENTELE AT HOME AND ABROAD

- We aim 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.

EXPANDING GLOBAL FOOTPRINT IN COLLABORATION WITH LUXURY BRANDS

- To enhance stakeholder value, Dar Al Arkan increased its global presence in collaboration with regional and global experts and luxury brands to build quality real estate developments and services.

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.
- We have 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.



STRATEGIC REVIEW

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 business development pipeline.
- Identify "white lands" for joint development potential.
- Highlight stalled projects in need of project restructuring.
- Develop live master tracker of development land targets.
- Work with government and semi government mega or giga projects.

STRATEGIC PROJECT TARGETING

- Conduct specific project due diligence, research and opportunity weighing.
- Undertake investor and organizational engagement and relationship development.
- Perform feasibility studies to confirm procurement and development options of: JDA, BOT, BLT, DBOT, DFOT.
- Identify modern methods of construction for selected project opportunities.
- Seek potential partnership opportunities.

PROJECT CLOSURE PROCESS

- Identify opportunities from private and government sectors.
- Qualify those leads by articulating "win-win" strategies for stakeholders.
- Implement standardized commercial and legal development framework.
- Select the right partners for each opportunity.
- Deal execution and performance tracking to ensure timely delivery within the allocated budget.

MODERN METHODS OF CONSTRUCTION

- In collaboration with COBOD, a global leader in modular 3D construction printers, Dar Al Arkan is 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 is operated solely by a team of 100% Saudi Arabian professionals. Through 3DCP, not only the real estate market is transformed through increased efficiency, quality and growth, but also, it has empowered national talent. The first two mock up villas were built in Dar Al Arkan Shams Ar Riyadh Project during 2022.

NEW PROJECT LAUNCH

- Aligned with the company's overall strategy of working closely with government initiatives and entities to help achieve VISION 2030 and increase the quality of life in Saudi Arabia, Dar Al Arkan has recently signed a new project with ROSHN (PIF entity) to build more than 160 luxury villas in northern Riyadh flagship project – SEDRA. The deal was signed in 2022 and work has started already. This is the beginning of a long term partnership with ROSHN and other PIF entities in KSA.



our *Assets*

Projects

National Projects

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



Shams Ar Riyadh

OUR ASSETS - 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 sqm divided into five zones. After selling zone 2 which is estimated at 1.8 million sqm to SABIC for their employee housing, Dar Al Arkan is currently developing the remaining 4 zones, an area over 3.1 million sqm.

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 2022:

INFRASTRUCTURE EXECUTION PROGRESS:

Infra execution on zones 4A and 4B have been fully completed whereas related works on other zones are more than 55% complete and progressing steadily and expected to complete as per commitments.

I. MOCK-UP VILLAS:

Seven Mock-up VIP villas are already constructed. Out of which

five are fully finished whereas the remaining two are under fit-out and finishing works stage. Versace and Roberto Cavalli branded interiors are two of these brands.

II. 3D PRINTED MOCK-UP VILLAS:

Dar Al Arkan has completed the kingdom's first 3D construction printed (3DCP) two-storey villa, which stands 9.9-m tall, within the Shams Al Riyadh residential development which is considered one of the largest 3D printed villa using concrete mix.

The villa has been constructed using locally-made materials including cement, sand, rocks and stones, with varying degrees of concentration, to ensure the structure is up to four times stronger than traditional construction.

In addition, Dar Al Arkan completed the second 3D printing villa of 280 sqm consisting of 2 storeys within 26 working days only.

Dar Alarkan switched to 3DCP technology in Q4 2021 to spearhead the transition of the construction and real-estate industry toward advanced and sustainable building practices and complement the goals of Saudi Vision 2030 to support economic diversification and digitization.

3DCP cuts the construction time by more than half, is more flexible and requires less manpower since it takes only three workers to build one house. This, in turn, also contributes to decreased Lost Time Injury, thus creating a safer workplace and less concrete was needed to complete a building, thus making the technology more sustainable and a viable solution for a low-carbon construction industry of the future.



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.

Phase 1 of this project was launched officially in 2021. Above 60% of the onsite construction work was completed by the end of 2022 and out of the total 876 plots in the project, 244 plots were released for sale and all of these were sold/booked.

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 (66.5% equity owner) and headquartered in Jeddah.

The project is to be built on a total land area of 4,129,492 sqm over 5 phases, and consists of mixed used 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.

During last year, 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.

Construction and renovation work on site has been started in 2021 and expected to finish by Q2 2023.



OUR ASSETS - national projects



Commendatore Tower

Eastern Province, Saudi Arabia

The project is to be built on a total land area of 11,928 sqm, comprised of 48 floors branded residential tower, which is located on strategic location overlooking sea view and directly accessible to Jeddah corniche road, with close proximity to Al Nawras square.

The concept design was submitted to Jeddah municipality as special and pilot project, which was approved by the higher committee in Q2 2022. Subsequently obtained approvals on Traffic Study, Aviation authorities and enabling works.

This project is carried out by IbdAA Properties that is a Joint Venture limited liability company, between Dar Al Arkan Properties and Saleh Alsoraye that is the owner of that land.

Currently, working to complete the design development and detailed design for the project which is planned to be completed in Q2 2023.



OUR ASSETS - national projects



Sedra Project

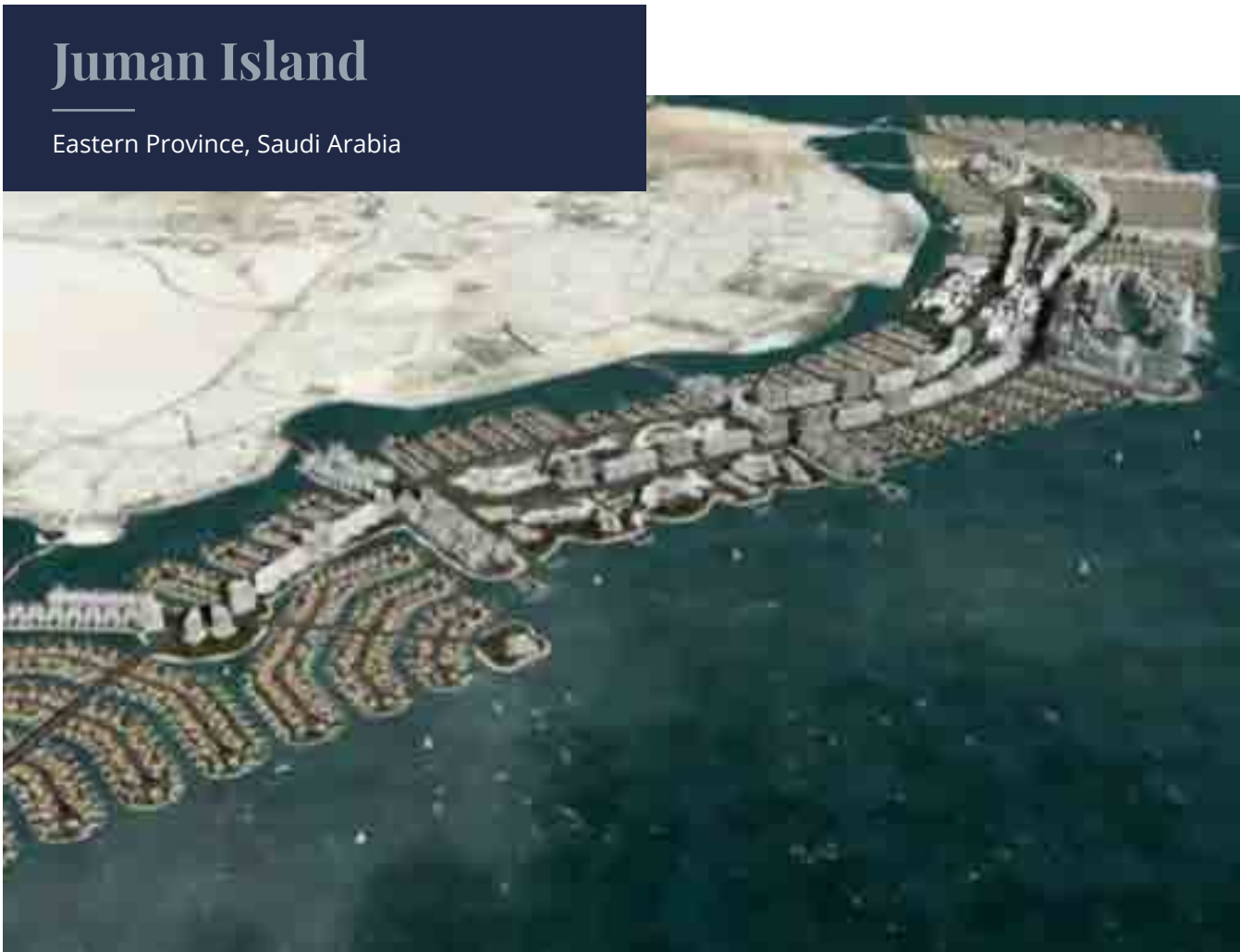
Riyadh, Saudi Arabia

Dar Al Arkan aims to develop three blocks of Villas in North of Riyadh as part of a bigger Master development on Serviced Plots, the “Project”, comprises of 163 villas to be executed on 163 plots totaling 45,544 sqm.

The Project will be developed on serviced Plots with all the necessary infrastructure which is to be provided by the master developer.

The design of the villa shall be as per local authority and in line with Salmani architectural typology.

The Project includes seven villas typologies with plot sizes ranging from 200 to 350, and total Built up area of 54,653 sqm and these Villa’s will be branded with Elie Saab.



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 sqm.

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 2021, the Concept design was presented to the Eastern Province Development Authority. Subsequently, received comments on the concept design and Qatif municipality requested for No Objection Letter from Aramco, Notary Public, and Ministry of Industry and Mineral Resources. Updated Concept design was submitted in Q4, 2022 and No Objection Letters were received from Notary Public and Ministry of Industry and Mineral Resources, while still awaiting from Aramco.

OUR ASSETS - national projects



Buraidah Hills

Buraidah, Saudi Arabia

A return to our roots, this how we you can describe Buraidah Hills Project; which is a master plan project strategically located in the growing western part of Buraidah city, the development area is approximately 291,000 sqm and includes a total net land area of 186,000 sqm. The project will be sold off-plan to end buyers under the WAFI program. Different serviced land sizes available, all of which equipped with the appropriate quality infrastructure, all the proper foundations to ensure every home

at Buraidah Hills is the ideal space within an elegant and tranquil community. The masterplan also offers to provide common activities, such as commercial spaces, schools, markets, mosques, green spaces and gardens

The infrastructure works started on May 1, 2022, and with target to be completed by the second quarter of 2023. By the end of 31 Dec 2022 the infra structure work progress at site is estimated at 90%.

International Projects

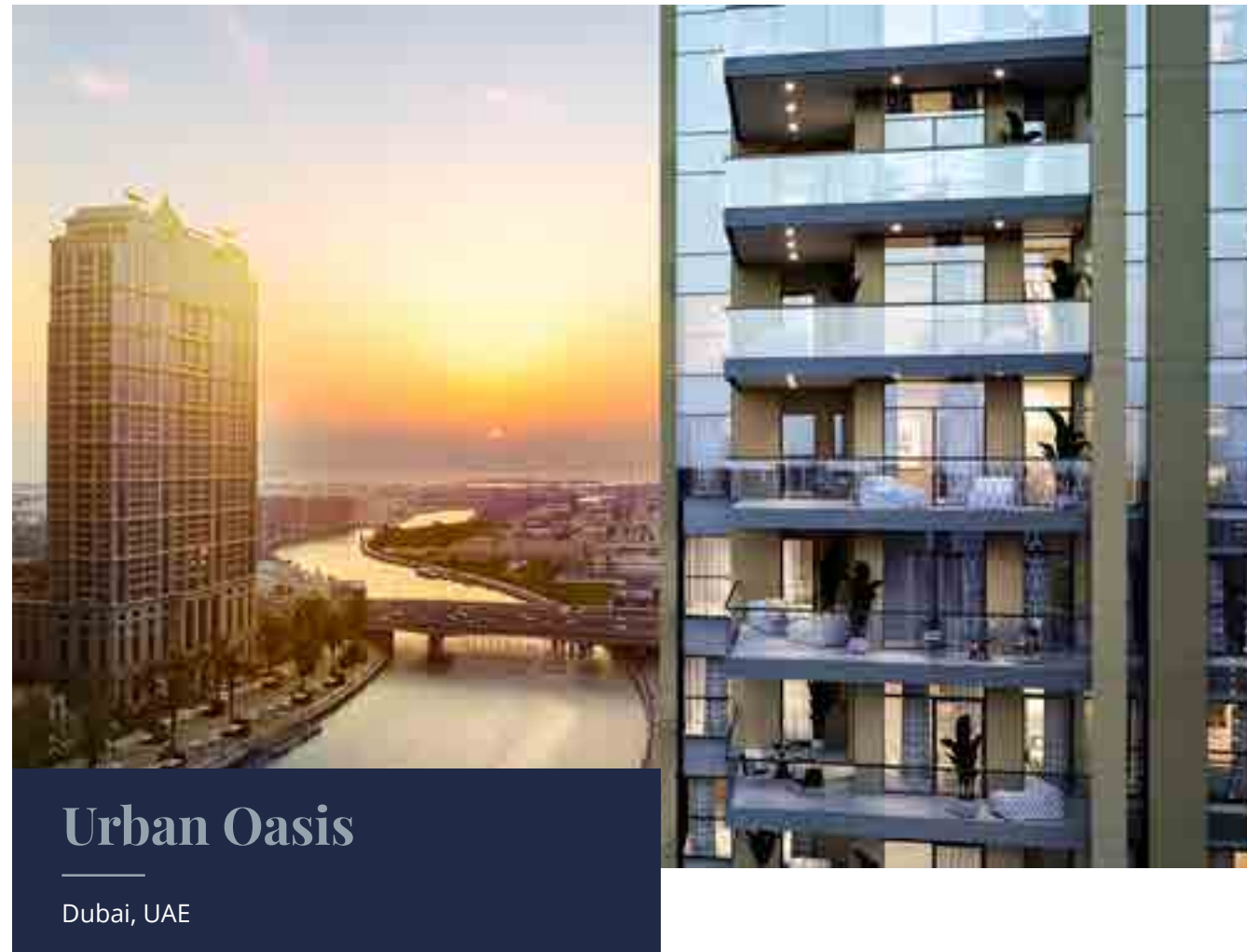
Dar Global is the international residential development business of Dar Al Arkan, its major shareholder, which has grown since 2017 to a portfolio of ten projects. Dar Global was formed to capitalise on international expansion opportunity and hence, all the projects outside Kingdom are developed and managed by it.



Aida

International Projects

PROJECTS UNDER CONSTRUCTION



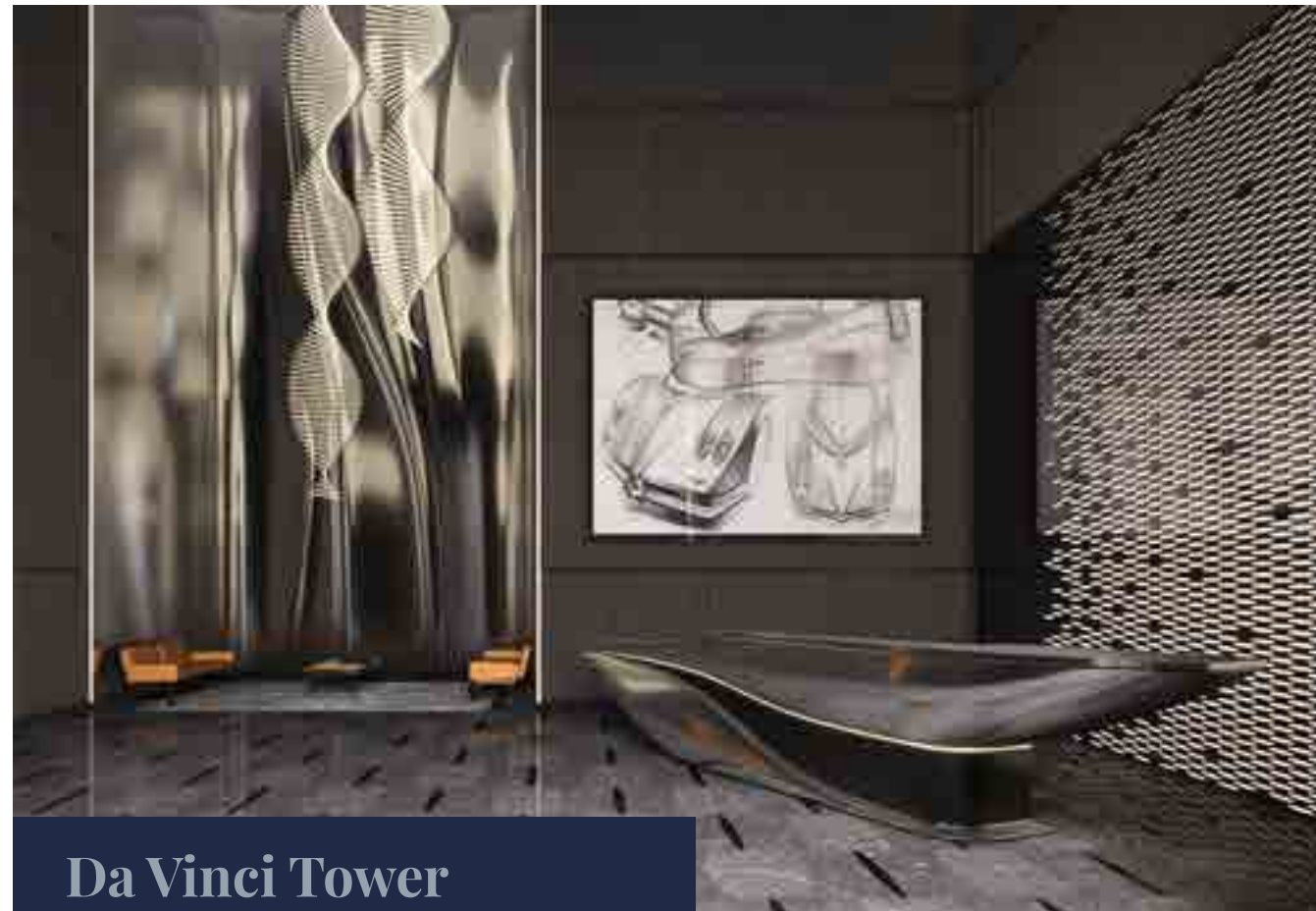
The Urban Oasis tower is a 34 storey residential development located on the Dubai Canal in Dubai and will contain bespoke apartments with interiors designed with the cooperation of Missoni for internal common areas. This tower is the Dar Al Arkan's first project in the UAE and contains the region's first-ever bespoke Missoni-inspired living spaces with interiors designed in cooperation with the internationally known high-end Italian fashion and design house Missoni and its Missoni home line that is dedicated to interiors, decor and furnishings. Dar Properties acquired the freehold title to the property in 2017 and is the registered developer of the project.

The Urban Oasis tower is designed to cater to middle to high-income market segment and comprises 465 modern apartments with a saleable area of approximately 44 thousand sqm.

Urban Oasis is currently expected to be completed by December 2023. As of 31 December 2022, 417 out of a total of 465 units have been sold or reserved. This project has an estimated gross development value of SAR 967 million.



OUR ASSETS - international projects (under construction)



Da Vinci Tower

Dubai, UAE

The Da Vinci Tower by Pagani (previously Dar Al Arkan Pagani Tower) is located along the Dubai Canal in downtown Dubai. The project was launched in 2021 when the Group acquired the J1 Tower, a completed building for SAR 383 million. The acquisition was made on a deferred sale basis and, initially, the Group made an SAR 77 million payment for this property. During the 2022, the remaining amount of acquisition was paid in full to receive the settlement discount on the earlier agreed price.

In November 2021, Dar Properties entered into a branding

agreement with Pagani Automobili S.p.A., an internationally known high-end Italian automotive and design house. The Da Vinci Tower is designed to cater to the high-income market segment with a saleable area of approximately 21 thousand sqm.

The refurbishment stage of the Da Vinci Tower project is expected to be fully completed by December 2023. The mock-up apartment was completed in the end of September 2022. As of 31 December 2022, 26 out of a total of 85 units have been sold or reserved. This project has an estimated gross development value of SAR 990 million.



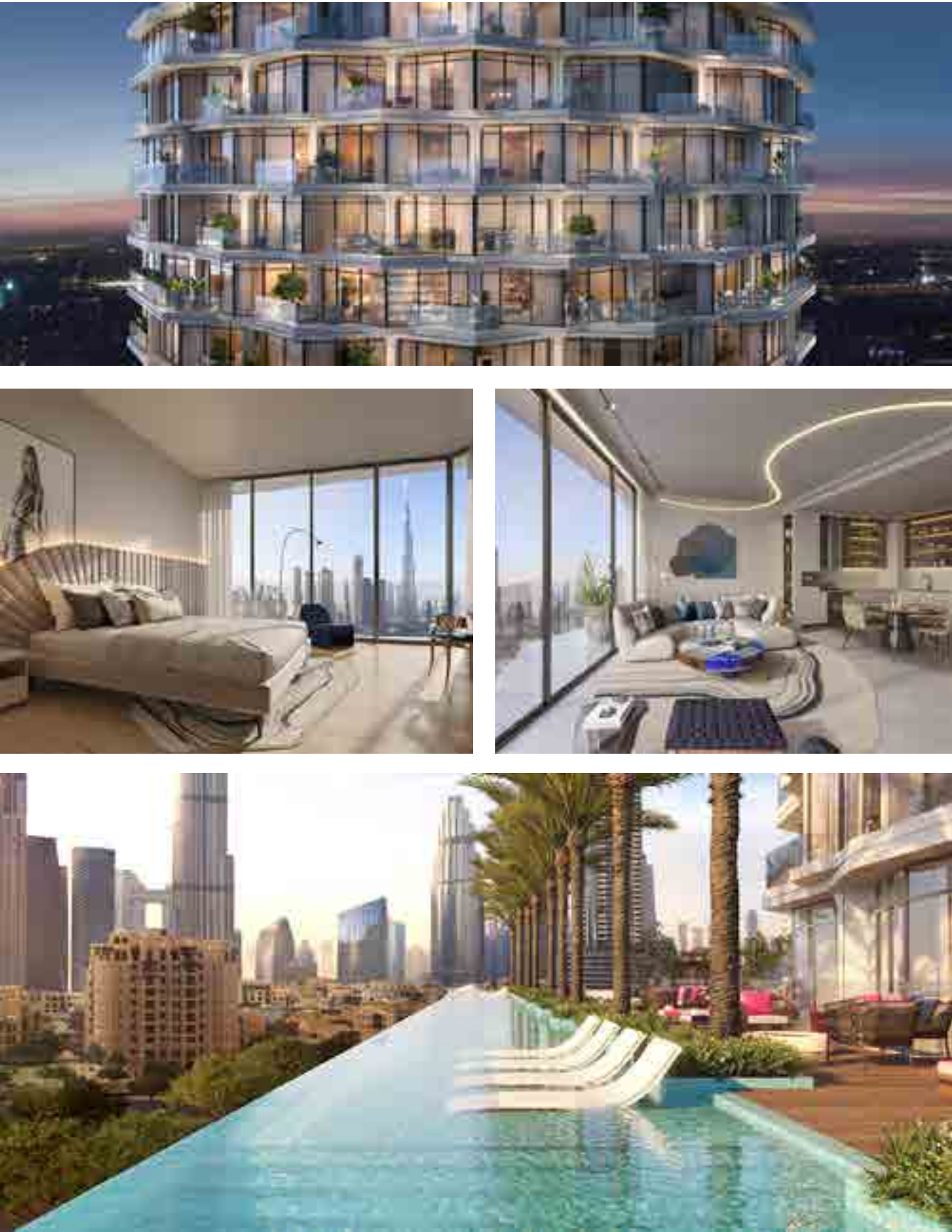
OUR ASSETS - international projects (under construction)



The W Residences Dubai – Downtown is a 49 floors high residential building in one of the most prominent and affluent neighbourhood in the world, Downtown Dubai. It is located in the Burj Dubai district in view of many of Dubai’s major landmarks.

In February 2022, Dar Properties, and Marriott International Design & Construction Services, Inc. entered into many

agreements to brand and manage the property as W residences. The projected completion date of W Residences Dubai will be by the end of second quarter in 2026; The W Residences project was launched in early 2022 and, as of 31 December 2022, out of a total of 385 units, 376 units have been sold or reserved. This project has an estimated gross development value of SAR 1,072 million.



OUR ASSETS - international projects (under construction)



Sidra

Sarajevo, Bosnia

Dar Al Arkan is the master developer of a project land area of 500 thousand sqm in Bosnia that was considered to be the largest single real estate development project in the country. The site is situated in Ravne, Vares, 38 km outside Sarajevo, the capital of Bosnia. The project provides developed land plots to customers mainly from the Kingdom of Saudi Arabia, on which they can build low-rise residential holiday villas.

The total saleable land area of the project is approximately 457 thousand sqm. Municipal and federal approval for the development have been obtained.

Sidra project is expected to be ready by early 2024 and, as of 31 December 2022, out of a total of 476 plots within the project, 98 plots have been sold or reserved. This project has an estimated gross development value of SAR 262 million.



International Projects

PROJECTS UNDER DEVELOPMENT



Les Vagues

Doha, Qatar

This project is located on Qetaifan Island North, which is a part of the private gated community of Qetaifan Islands that lies within the new city of Lusail located just to the north of Doha. In October 2021, Dar Properties and Qetaifan Projects Company entered into a memorandum of understanding with respect to the new project to be developed on five beachfront land plots on Qetaifan Island North owned by Qetaifan Projects Company. This memorandum of understanding was followed by a development agreement (the "Les Vagues Development Agreement") relating to the development of the five plots constituting the land for the Qetaifan Island North project (subsequently re-branded "Les Vagues") between Qetaifan Projects Company, as the owner of the land plots, and Dar Qatar as the developer for this project. This development agreement was entered into in March 2022.

Les Vagues is the first ever residential project in Qatar in which the project will be designed with the cooperation of Elie Saab, the world's first Arab designer to be admitted to the fashion industry's governing body, Chambre Syndicale de la Haute Couture. This project is situated in Qetaifan Island North, a place of unimaginable beauty that is paradise on earth for Haute Couture living.

The Les Vagues project features 303 opulent sea-front residences of one, two and three-bedroom apartments with a variety of majestic balconies and terraces. This project is currently expected to be completed by December 2027 and has an estimated gross development value of SAR 1,354 million.



OUR ASSETS - international projects (under development)



Aida

Yiti and Yenkit, Oman

The Aida project is to be located on an approximately 3.4 million sqm elevated site overlooking the sea in Yiti and Yenkit in Oman. This site is on the coastline approximately 20 minutes away from downtown Muscat and is owned by the Oman Investment Authority. In March 2022, Yiti Tourism Development Company LLC, the developer of Yiti and Yenkit plots and Dar Al Arkan Property Development SPC, entered into a development agreement under which Dar Oman, as a sub-developer will develop approximately 3.4 million sqm of land at Yiti and Yenkit.

The project comprises of 3,500 residential units consisting of medium-sized villas, townhouses and low-rise apartments. It also features two charming hotels, a plaza filled with cafes and restaurants in addition to an 18 holes' luxury golf course and a golf club.

On 14 November 2022, Dar Oman and the TRUMP organization entered into a series of agreements with respect to the management of the hotel and golf course to be built within Dar Oman's Aida project in Oman, the licensing of a right to use the Licensed Mark to brand residential villas in the project.

The Aida project is expected to be phased over 10 years with a plan to launch one phase per year. The last phase of this project is expected to be completed in December 2034. Currently, the project is still in the permitting stage, with construction expected to be commenced in first half of year 2023. Aida has an estimated gross development value of SAR 9,015 million.



OUR ASSETS - international projects (under development)



The Fourth Floor Flat of 149 Old Park Lane

London, UK

In November 2022, Dar Al Arkan Global UK Holdings Ltd and FCP (London) Ltd entered into a joint venture to acquire the Fourth Floor Flat of 149 Old Park Lane, London, United Kingdom. The 471 sqm flat has views over Green Park and is in close proximity to Hyde Park, The Ritz, Harrods and Knightsbridge. The property is a single apartment on one floor of the building.

The shareholders of the joint venture plan to reconfigure and improve the existing layouts and undertake a full refurbishment of the flat, with an expected completion of the refurbishment in December 2023. It has an estimated gross development value of SAR 105 million.



OUR ASSETS - international projects (under development)



Benahavis

Malaga, Spain

In March 2022, the Group signed a purchase contract with respect to two plots of land with the total area of over 97,500 sqm and saleable area of over 20,503 sqm in Benahavis, Spain.

Benahavis is a Spanish town and municipality in the province of Malaga, which is located seven kilometres from the coast and is in close proximity to the resort of Marbella. This first project of the Group in Spain is expected to be developed in collaboration with Marbella Club, a well-known brand of luxury hotels and developments. All villas and apartments in this project will have sea views.

The purchase of the land is subject to the seller obtaining the parcellation licence and approval of the detailed design studies by the municipality of Benahavis. Dar Spain plans to build combination of villas and apartments on this property.

Construction at this project is expected to commence in the first quarter of 2023 and is estimated to be completed before the end of 2024. The Benahavis project is one of a smaller project in the Group's portfolio. It has an estimated gross development value of SAR 585 million.

Finca Cortesin

Malaga, Spain



In Q4 2022, Dar Benahavis acquired a plot of land in the municipality of Casares in the province of Malaga in southern Spain. The development plot is located in one of the sought-after enclaves of the Andalusia coast, not far from the Finca Cortesin resort which has an 18-hole championship golf course rated among Spain's best golf courses. Marbella, the capital of the Costa del Sol region, is just a short drive away.

The total land area of the Finca Cortesin project is 16,467 sqm, of which buildable land constitutes 9,386 sqm. Dar Benahavis

intends to build 35 villas on this land, with the residents getting access to the private golf course of the Finca Cortesin resort and 24/7 concierge home services.

The Finca Cortesin project is currently in the pre-construction phase and is expected to be completed in June 2025. The initial estimated gross development value of this project is SAR 247 million.

OUR ASSETS - international projects (under development)



Tabano

Malaga, Spain

In September 2022, Dar Tabano acquired six plots of land in the municipality of Manilva in the province of Malaga on its border with the province of Cadiz in southern Spain. The plots are located approximately 45 minutes distance from Marbella by car and are close to several polo clubs and one of the best beach areas of la Costa del Sol. The total land area of the Tabano project is 4,650,092 sqm with the net total buildable area of 1,586,000 sqm, consisting of 200 land plots.

Dar Spain intends to develop residential units on these available land plots.

The Tabano project is currently in the early permitting stage and is expected to be completed in December 2029. It has an estimated gross development value of SAR 2,846 million.

Property Management and Leasing



Qasr Mall

OUR ASSETS - 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 2022, approximately 91% of units available for leasing were leased. Going forward the Company is focusing increased leasing efforts on B2B corporate leases.



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 built up area of 235,288 sqm, that has family entertainment and food and beverage outlets, as well as a Vox Cinema with 15 screens and Yalla! Bowling alley. The Mall offers visitors a modern, spacious environment that provides a convenient location for shopping, socializing and family leisure. By 31 Dec 2022, the occupancy rate reached 87%. New tenants in 2022 included: AIBAIK, McDonalds, Billy Beez, Ice Rink, Sephora, SIB Bank, Costa Café, and Al-Arabia (Advertising).

Largest Billy Beez venue in Qasr Mall covering an area of 3,188 m² was introduced during 2022. Ice-Skating Rink and Ninja Obstacle Course offering unmatched experience and adventure for kids of all ages were also launched for public during end of year 2022

Total footfall for 2022 reached over 6 million visitors, a 2% growth over 2021.



Major Brands in Qasr Mall



Saudi *real estate*

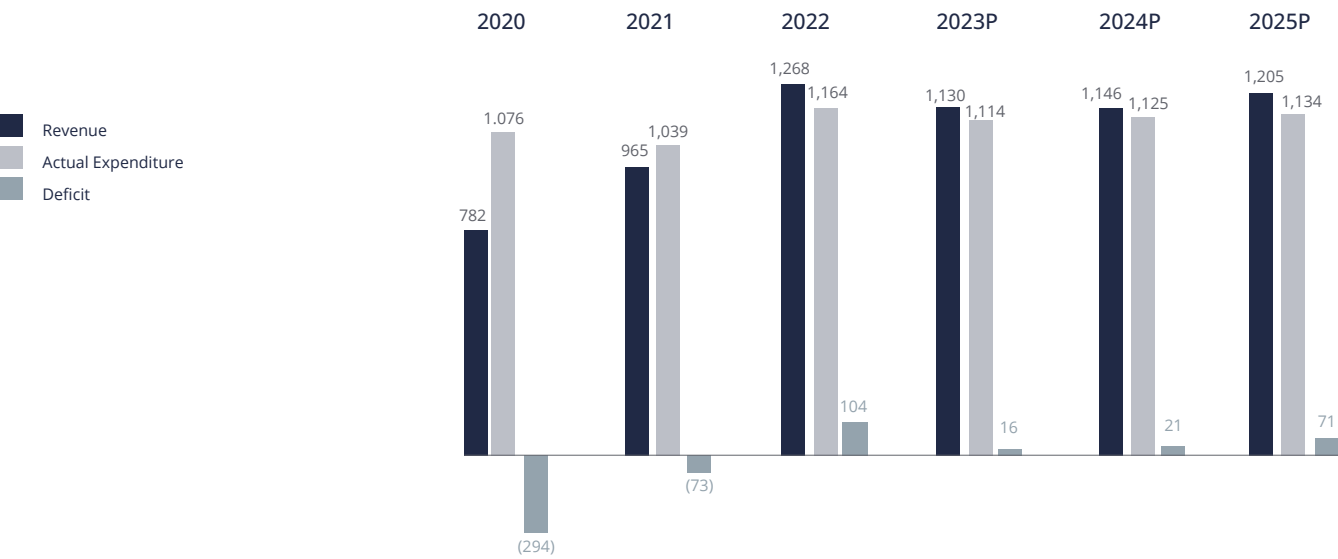
The global economy is facing several challenges that effect the trajectory of its growth and future outlook. The ramifications and impacts of the pandemic are still an influencing factor that effects the global economy. The supply chain crisis is still ongoing despite some indication of recovery. Also the global economy witnesses raising inflation rates reaching high levels around the world. These factors have led many organizations and international institutions to lower economic growth exceptions for this year and next year.

The proactive structural and fiscal reforms that were implemented under the umbrella of the Kingdom’s VISION 2030 are key in enabling the Kingdom to achieve high economic growth rates during 2022, sustaining the decrease in the levels of unemployment among Saudis and controlling the inflation compared to international rates.

Despite the increase in global inflation rates, the Kingdom preliminary projections indicated that the inflation for the year 2022 remained around 2.6%. In 2022, the Kingdom delivered a budget surplus of SAR 104 billion or 2.6% of GDP an impressive recovery from a deficit of -2.3% levels of 2021. Despite the anticipation of achieving budget surplus during FY 2023, the government intends to continue the borrowing activities with the aim of repaying debt principle that becomes due during FY 2023.

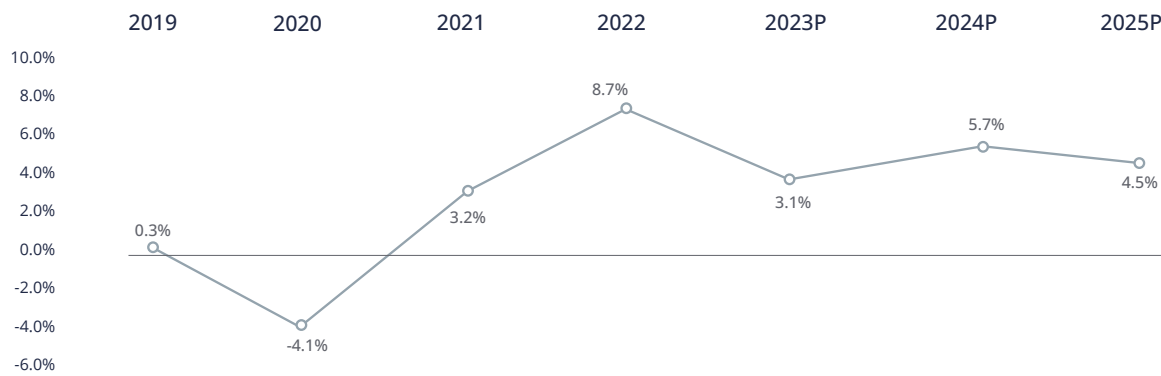
FISCAL PERFORMANCE

(SAR Billion)



Source: Ministry of Finance

GDP GROWTH



Source: Ministry of Finance

SAUDI REAL ESTATE

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.

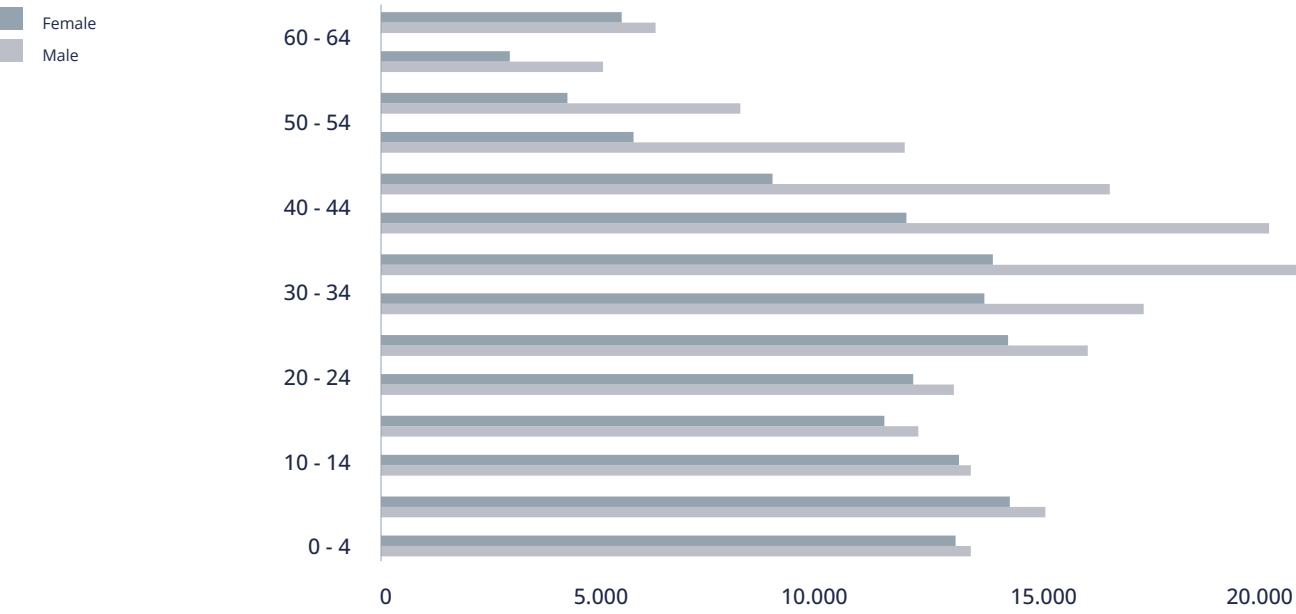
The drivers of growth are anchored in four pillars:

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

Positive Demographic Trends

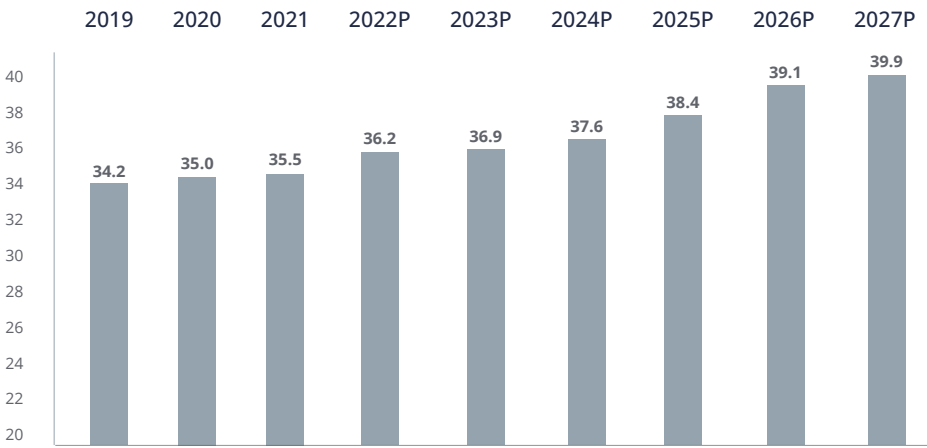
A young and growing population with circa 60% of below the age of 30 and a total population expected to reach 38.38 million by 2025. The evolving labor mobility and societal norms are increasing demand for housing stock for young professionals and newly formed families.

TOTAL POPULATION (AGE/GENDER)



Source: General Authority of statistics 2021

POPULATION (MN)



Source: IMF Forecast

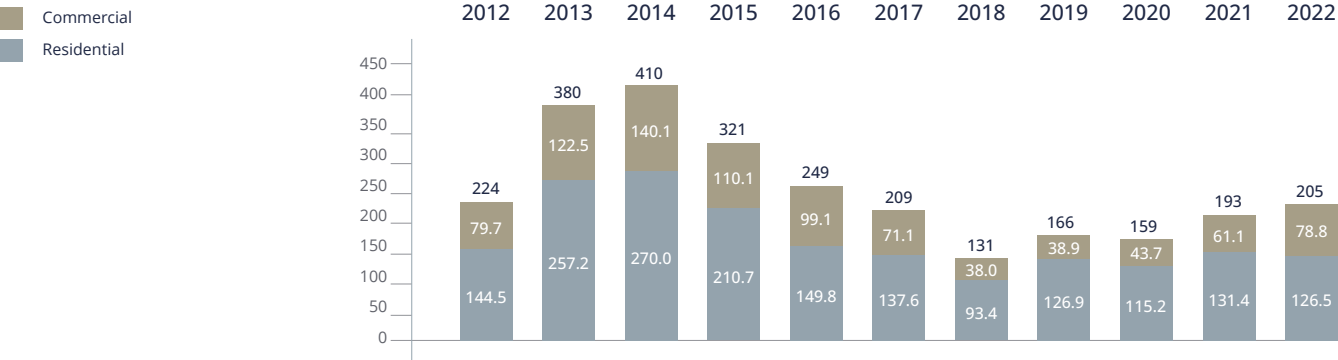
Structural Supply Deficit

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 Municipal and Rular Affairs estimates suggest that the Kingdom will need to create approximately 1.2 million new homes to reach a housing stock of 4.96 million houses by 2030. Saudi Arabia's housing demand stood at 99,600 houses in 2021 and is expected to increase by more than 50 percent to reach 153,000 houses by 2030.

Positive momentum continued in year 2022 delivering SAR 205 billion or 6% growth in residential and commercial transaction values as compared to year 2021.

VALUE OF REAL ESTATE TRANSACTIONS IN KSA

(SAR Billion)



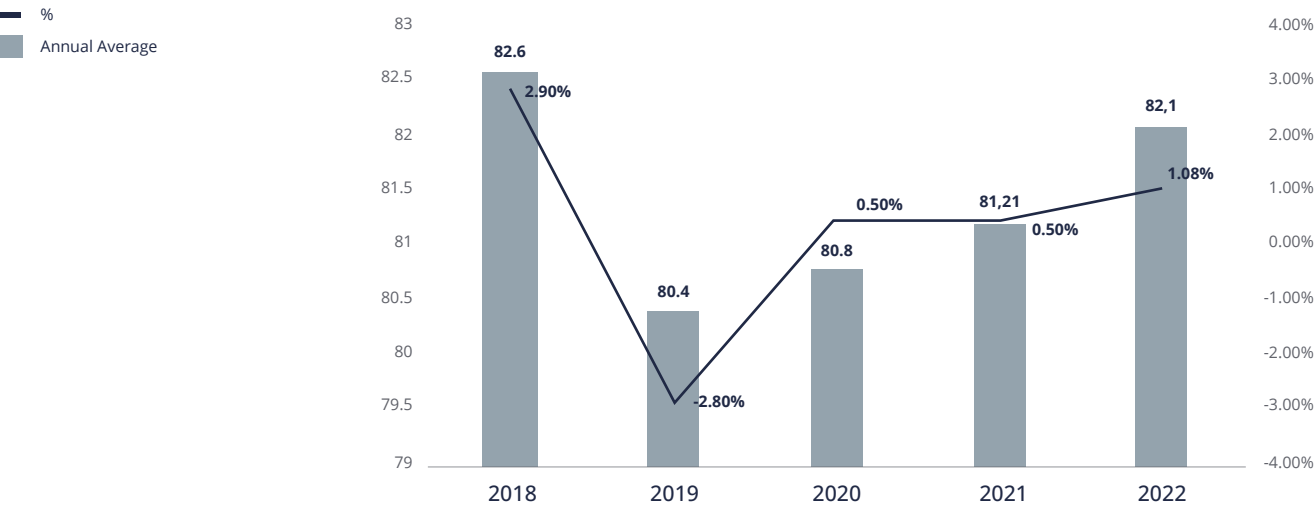
Source: Ministry of Justice

SAUDI REAL ESTATE

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 1.1%.

KSA REAL ESTATE PRICE INDEX



Source: General Authority of statistics

Relatively Low Home Ownership Penetration

By the end of 2022, home ownership penetration among Saudis was reported at 60% in 2020 and is expected to reach 62% by 2025. Saudi VISION 2030, has set a target of 70% to be achieved by the end of the decade. His Royal Highness, The Crown Prince, announced recently that the demand expectations for housing over the next 10 years to exceed 4 million units.

Government Focus and Support

The Saudi Government through its Ministry of housing and the VISION 2030 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.

Sustainability at *Dar Al Arkan*

Our Sustainability Strategy



Dar Al Arkan has developed an ambitious sustainability strategy that is built on five priority pillars, aligned with our sustainability framework

Our Five Sustainability Pillars



Operated Responsibly



Enriched in Value



Powered by Technology



Fuelled by Talent



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.

Our Sustainability Objectives

At Dar Al Arkan, 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 continuously 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.



We are committed to provide high standard of living for our residents



We are intensely focused on reductions in water we consume and waste we generate



Our sustainable sourcing strategy seeks to ensure mitigation of supply chain risks



We invest in our people and recognize top talents within the organization



Creation of job opportunities to Saudi Nationals



Energy efficiency and reduction of green house gas emission



Committed to provide safe, inclusive and productive workplace to our people



We support operational efficiency and realising renewable energy opportunities



Our fair and inclusive strategy create positive social impact and equal opportunities

Sustainability Highlights

more than **50%** of employees are

Saudi nationals



Promoting diversity in the workforce with employees representing

16 different nationalities

36% representation of female workers in senior management



In partnership with COBOD, achieved and completed

largest 3D printed villa in the world using concrete mix



86% of spending on local suppliers



 **87% of our suppliers** are assessed for sustainability risk assessment

200% increase in hours of HSE training provided to employees



Adopting environmentally sustainable solutions in all our new projects concept design

Reducing waste and improving efficiency through 3D Printing



65

2022 ANNUAL REPORT

Implementation of LED lighting with sensors for energy conservation



Continuing a paperless system to reduce paper waste



 Efficient and smart building design to reduce energy consumption

Use of smart HVAC's and smart water meters in our residential projects

Zero incidents of corruption reported

Formation of a Sustainable Management Committee chaired by the Chief Financial Officer

Zero data security breaches

Continuous sponsorship of 1st ladies' football team in Jeddah

 Reused and recycled 12,000 m³ and 8,000 m³ of waste

We are active in our community Around 2,500 beneficiaries benefited in 2022 from our community efforts

Protection and Preservation of greenery and other plantation in our development projects in Eastern Province of Saudi Arabia & Sarajevo, Bosnia

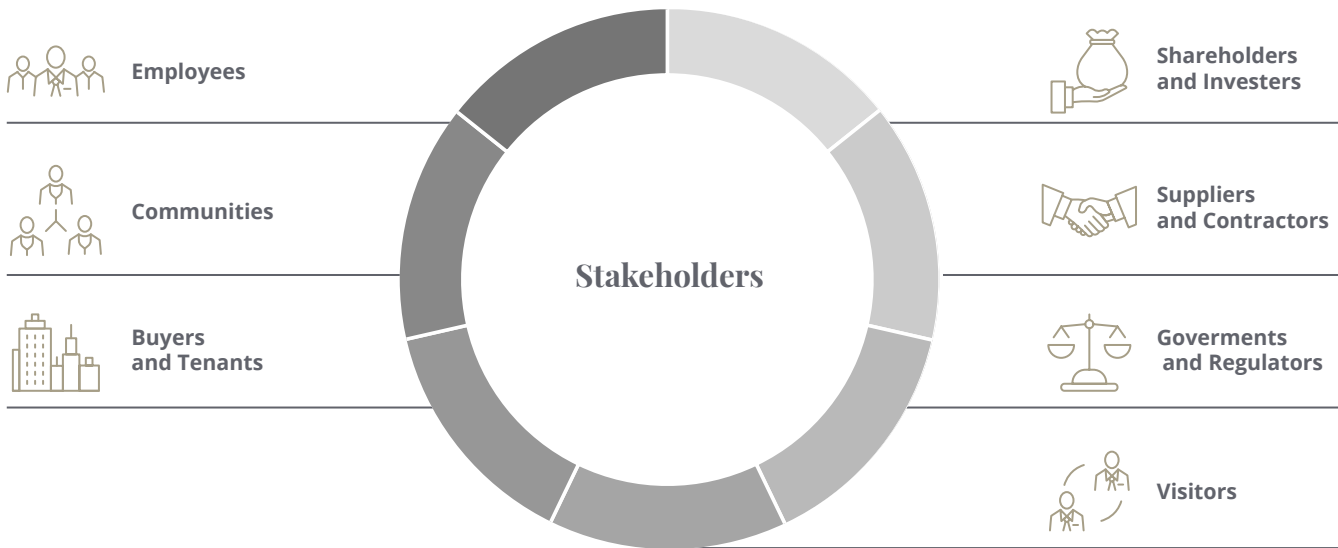


Alignment with SDGs and National Vision

Dar Al Arkan Pillars					Alignment with Saudi VISION 2030	Alignment with UN SDGs	Our SDG Initiatives and Targets
Operated Responsibly	Enriched in Value	Powered by Technology	Fuelled by Talent	Committed to the Environment			
●	●	●	●	●	Vibrant Society <ul style="list-style-type: none">• Providing access to transparent information for employees and stakeholders at all levels.• Promoting employee training and development.• Conducting regular Risk Assessments.• Maintaining the ratio of Saudi nationals in the workforce in excess of 50%.• Monitoring targets focused on reducing emissions, energy, and water intensity.• Promoting biodiversity by integrating local flora in landscape design.		<ul style="list-style-type: none">✓ We ensure good health and well-being of our employees by providing healthy working environment. (SDG 3)✓ We provide regular training and development of our employees. We support our employees for higher education. (SDG4)✓ We promote gender equality and 30% of our employees are female workers. Our inclusiveness outlook encourages employment of local Saudi nationals who represent more than 50% of our work force. (SDG 5)✓ We are focusing on improving energy efficiency to reduce GHG emissions and to use renewable energy for our future building developments. (SDG 6)✓ We are planning to implement water efficiency program in all our development by using efficient fixtures, water efficient land scaping and improved irrigation processes. (SDG 7)
●	●	●	●	●	Thriving Economy <ul style="list-style-type: none">• Adopting best practices in corporate governance to enhance the trust and support of the local and global investment community.• 86% of our suppliers are local suppliers.• Attracting and retaining top talent.• Hiring fresh Saudi national graduates from esteemed universities.• Maintained the ratio of female employment around 30%.• Conducting training sessions for employees.• Encouraging female employees to rise into senior management roles in the company currently five women employees are in senior management position.• Promoting diversity and inclusion by employing talents from diverse sources.		<ul style="list-style-type: none">✓ Ensure health and safety of all staff, prevent occupational injuries, and ensure employee wellbeing.✓ We have zero incidence of fatalities, occupational injuries for the past four years (2019-2022) and we conducted six emergency response drills per year during the period 2019. to 2021. (SDG8)✓ In partnership with COBOD we have completed largest 3D printed villa in the world using concrete mix. (SDG 9)✓ We have equal opportunity and anti-discrimination policy for our workforce. We provide facilities at our workplace for persons with disabilities. (SDG10)✓ Our strategy support development of sustainable buildings and communities. (SDG11)
●	●	●	●	●	Ambitious Nation <ul style="list-style-type: none">• Endorsing the practice of recycling and reuseage of waste.• Monitoring the 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 optimization of water usage.		<ul style="list-style-type: none">✓ We have a target to achieve waste diversion from landfill by near future. (SDG12)✓ We have created a goal to reduce energy consumption by using renewable energies. (SDG13)

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. We regularly engage with our stakeholder groups through various communication channels to receive feedback, exchange views and maintain dialogue. We are increasingly focusing on creating a strong linkage between our activities and sustainability strategies to enhance long-term value for our key stakeholders. We believe continuous engagement with our stakeholders is key to achieving our strategic goals. Our foundation is built on trust with our residents, suppliers and contractors, our employees, investors, and our other stakeholders. We regularly engage with our diverse stakeholder groups by various means.



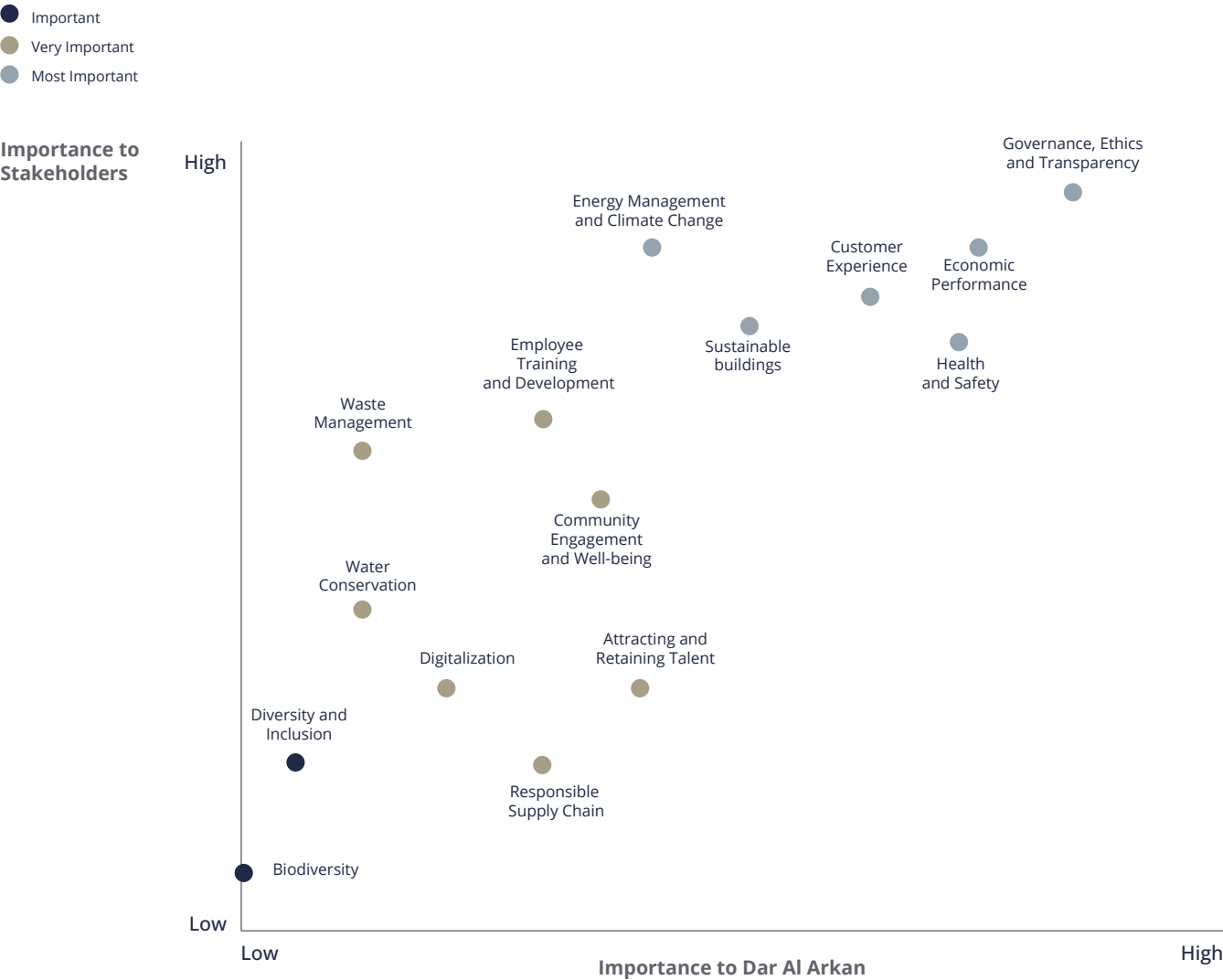
Shareholders and Investors	Engagement with shareholders & investors is important for us as it allows us to ensure our sustainability action plan, policies, and initiatives adequately complements the interest of our shareholders & investors who are impacted by our business. We actively organize and participate in investor conferences and meetings.
Suppliers and Contractors	Our business strategy at Dar Al Arkan is to cultivate mutually beneficial partnerships with our value chain partners which include suppliers and contractors. We have developed a strong supply chain strategy that will help us to achieve our business goals and remain ahead of the competition. We conduct regular meetings with suppliers to assess their products, services, research, and innovation initiatives.
Government and Regulators	Ethics and regulatory compliance have always been on top of Dar Al Arkan's operational agenda. Our commitment extends to organizing a regular discussion with policymakers and regulators through our Government relations and Compliance team.
Visitors	We believe that a positive first impression is a vital start to forging a strong relationship with potential buyers & tenants. Our courteous and well-trained business development team pays attention to ensuring that visitors get the best personalized experience.
Buyers and Tenants	We engage with our buyers and tenants through community events and through various communication channels. We offer sustainable and environmentally friendly building solutions to ensure our buyers and tenants receive best quality services.
Communities	Our ESG strategy is to create an environment that benefit our community. We work closely with our community by providing charities and sponsorships to the deserving segments of society.
Employees	We believe our employees are the driving force behind our success story. We are committed to create a culture of inclusiveness for all our employees across genders and races. We are focused to create a safe, inclusive, and productive workplace for all.

Materiality Matrix

We undertook a materiality analysis to understand the issues that are most critical and relevant to our operations. We have identified and assessed material issues which are of highest importance to our stakeholders. In 2021, we conducted a materiality assessment to identify priority areas for the organization and its stakeholders to develop a list of 15 major topics with potentially meaningful impacts to be monitored and managed. In 2022, the Sustainability Management Committee was formed and chaired by the Chief Financial Officer on a quarterly basis to monitor and drive the progress on these major topics. These topics were later transformed into identifiable and measurable KPI's for better tracking purpose.

The findings of our materiality assesement are presented in our Materiality Matrix

Dar Al Arkan Materiality Matrix



Sustainability Framework

The sustainability framework at Dar Al Arkan was developed to conceptualize sustainability within our organization 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 operate with the highest level of responsibility and ensure compliance. We have a full set of policies which are reviewed and updated regularly covering all aspects of the business such as Anti Money Laundering, Whistleblowing, Conflict of Interest, among others. 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.

Sustainability Framework (continued)



Powered by Technology

Digitalization and 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 (Saudization)

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 attract and invest in our people and provide fair opportunities for growth and achievement.



Committed to the Environment

Dar Al Arkan is committed towards continually improving its environmental performance both in developing properties and in 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.

Sustainability Achievements

Our People

At Dar Al Arkan our people are our core strenght. Our dynamic work environment captures top talents and cultivates the best ideas. We foster a culture where diverse talents can flourish and where employees, regardless of their background, identity, or circumstances should feel valued, accepted, and supported to succeed at work. To ensure workplace safety, we enforce compliance with our Occupational Health & Safety Procedures. Our gender diversity and inclusive workplace is built on the premise that employees feel their voices are heard and are engaged in our shared purpose. We are committed to bringing the full potential of our women workforce within the organization, encouraging them to showcase leadership through high-visibility initiatives. Currently, 30% of our overall workforce are women, among which five occupy senior management positions.

Dar Al Arkan fully endorses the initiative by the government of Saudi Arabia VISION 2030 to provide employment for its citizens. More than 50% of our workforce are Saudi Nationals.

Our Environment

At Dar Al Arkan we make a significant contribution for a better world by delivering sustainable business environment. We are committed to achieve the highest standards in environmental sustainability across all our business operations. Our goal is to limit the environmental footprint by incorporating sustainable building design in our real estate portfolios. We are working intensively to develop smart buildings that ultimately consume less energy and resources. We have minimized construction waste to lower carbon emissions using 3D printing technology and adopting other modern construction methods. We have focused on water recycling on our recent projects. Our recyling initiatives also include waste sepration system. We are also offering carbon offsets in communities. In our projects we are implementing energy eifficient windows. We are working towards reducing biodiversity loss.

Sustainability Achievements (continued)

Our Sustainable Procurement

Our sustainable procurement strategy provides a roadmap to strengthen and align our internal policies and procedures with our suppliers ensuring the procurement strategy we follow aims to achieve best practices in the industry. We work with responsible suppliers who provide environmental friendly products and services whenever possible. We encourage suppliers who can demonstrate their commitment and compliance with our ESG principles. In line with Saudi Arabia's National VISION 2030 pillar for economic development, we maintain our preference for procurement from local suppliers. In 2022 our proportion of spending on local suppliers were 86%.

We have code of conduct policy for our suppliers and it covers all our suppliers.

Our Corporate Governance

At Dar Al Arkan we have robust corporate governance to ensure high performance across all our operations. We have integrated sustainability into our corporate governance framework to support our purpose and embed it into our operations. Our six Board of Directors are charged with governance & regulatory compliance and are responsible for overseeing the strategic direction of the company. Our efforts to address sustainability within our internal operations are overseen by the Sustainable Management Committee chaired by the Chief Financial Officer. We are committed to follow highest standards of corporate ethics. In addition to our anti-corruption and anti-bribery policies, our cyber security and threat management policies ensure that the company is adequately protected from any disruption incidence.

Community Engagement and Philanthropy

As a real estate developer, we also have an impact on local communities and neighbouring residents. Our projects contribute to the quality of life for society. We believe in creating an environment that benefits everyone by providing continuous support to our local community. Dar Al Arkan continued to contribute to the local charity for community development. Among the CSR activities undertaken by us include charity for orphan care, participation in various community engagement programs, donations and sponsorship to 1st women football team in Jeddah.

Moving Forward

We are continually taking effort to review our overall goals, strategy and purpose focused on sustainability.

OUR ENVIRONMENT

Energy and emission

- Improve energy emission and quality of energy data collection and accumulation.

Climate action and renewable energy

- Set our targets and approach to achieve net zero business.
- Explore opportunities for implementation of renewable energy solutions across our real estate portfolio.

Waste management

- Reduce operation waste intensity (tons per square meter).

Water management

- Set a target for reduction in consumption of water across our real estate assets.

Protect biodiversity loss.

- Explore opportunities for the development of green infrastructure for all our real estate portfolios.

OUR PEOPLE

Employees

- Enhance diversity and inclusion by creating more opportunities for young Saudi nationals.
- Offer scholarships and skills development programs for all employees.

Health and safety

- Create a robust incident prevention strategy and showcase demonstrable leadership in health and safety.

Engaging with suppliers

- Increase engagement with suppliers and introduce wellbeing program for suppliers.

Buyers and tenants

- Introduce buyers and tenants’ satisfaction survey.

OUR COMMUNITY

Our community

- Identify volunteering opportunity for community development.
- Promote a consistent approach to the measurement of social values.

financial review

Message of the CFO



Philip Antony

CHIEF FINANCIAL OFFICER

The world underwent significant changes in fiscal year 2020 and part of 2021 due to the Covid 19 pandemic. We are looking back at a successful 2022 and I am happy to share with you highlights from a CFO perspective. Our turnover for the year 2022 progressed strongly and reached SAR 3.9 billion a massive 57% increase from the previous year and we have successfully managed to retain a healthy gross profit margin by reaching 37% for the current year. Moreover, We have registered a promising net income of SAR 442 million in 2022. In year 2022 we started with a strong liquidity position of SAR 4.2 billion in cash and by the end of year 2022 our liquidity position was further boosted to close at SAR 5.9 billion.

Our strategy to increase the retail sales with the objective of generating superior's margin eventually materialized in the year 2022 with the recognition of revenue for the first time from our off-plan sales projects of Shams Ar Riyadh and Urban Oasis Dubai. Going forward, this trend of increased retail and off-plan sales will be further enhanced due to launch of multiple new projects during the year along with various similar projects in pipeline.

We managed to make major inroads on operational aspect during the year. The sales bookings of Shams Ar Riyadh, our flagship project was fully completed in 2022. Similarly, all the released units of our Shams Al Arous project were booked. Apart from this, we initiated and launched three new projects within the Kingdom that were Buraidah Hills in western part of Buraidah city, ROSHN Sedra in north of Riyadh and Commendatore Tower at Jeddah Corniche.

Whereas, at Dar Global level there was a major turnaround and expansion with continued progress on ongoing projects of Urban Oasis & Da Vinci Tower in Dubai and Sidra in Bosnia as well as launch of new projects of W Residences in Downtown Dubai, Aida in Oman, Les Vagues in Qatar along with three projects in Spain and one in London and hence making the total tally of ten projects beyond the Kingdom borders.

“Dar Al Arkan had a robust 2022, achieving new milestones in its operating and financial performance. The Company continued its growth trajectory by achieving record-breaking financial results, proving its continued execution momentum on its Growth Strategy.”

Dar Al Arkan's financial strategy is primarily focused on matching its project investment cycles ranging between five to seven years with the maturity profile of its funding. The company continues to diversify its sources of funding to avoid any skewed dependency on any specific source. We have successfully implemented our funding strategy. Thus far the Group has issued twelve Sukuks and raised about SAR 21.75 billion of which SAR 14.63 billion has been successfully repaid by the end of 2022, the remaining SAR 7.12 billion maturity is spread till 2027. Pursuant to our diversification strategy, we have successfully established good relationship with local, regional, and international banks where we have secured medium and long term financing for projects and general corporate purposes. The total outstanding amount against these bilateral facilities at the end of 2022 was SAR 3.72 billion.

During 2022 to boost its liquidity, Dar Al Arkan raised additional total financing of SAR 3.71 billion representing issuance of one Sukuk of SAR 1.50 billion and multiple Murabaha and other related facilities from banks of SAR 2.21 billion. In the same period we used our internal resources of SAR 2.34 billion to redeem a sukuk due in April 2022 for SAR 1.87 billion and also successfully repaid the due installments of bilateral facilities amounting to SAR 464 million on their respective due dates.

We continue our investor interactions and periodic business updates through earning calls and personalised meetings. We also have actively participated in investor conferences met with different institutions, and had more than 500 investor touch points with both retail and institutional investors.

We are fostering a culture of operational improvement to fuel profitability, accelerate cash flow generation, and reinvest in growth. As our several ESG achievements in 2022 underline, we will keep our commitment to create value for all our stakeholders going forward by further strengthening the implementation of our holistic ESG strategy. We are focusing to reduce carbon emissions, regenerating infill sites, using

renewable energy, utilizing 'green concrete', that is eco-friendly and has a smaller carbon footprint than traditional concrete and creating more equitable supply chains.

Moving forward, continued agility, resilience, and fiscal discipline will remain the foundation of our financial approach. Our efforts aim to futureproof our business in the ongoing quest to become an international commercially driven company, and a world class provider of residential and commercial properties in future.

I would like to thank our customers, shareholders, banks, business partners and key advisors for their continued trust in Dar Al Arkan and their ongoing support to initiate and execute the right measures helping us to emerge stronger and be in the best position to take advantage of the opportunities we see on our way ahead.

FINANCIAL REVIEW

1. 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.

2. The company’s subsidiaries

Sr. No.	Company Name	Capital (SAR)	Principal Activity	Country of Incorporation	Ownership %	Commercial Registration	Entity Type
1	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
2	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
3	Dar Al Arkan Sukuk Company	500,000	Real estate investment and development	Kingdom Of Saudi Arabia	100%	1010256421	Limited Liability Company
4	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
5	Dar Sukuk International Company	500,000	Real Estate investments and development	Kingdom Of Saudi Arabia	100%	1010275448	Limited Liability Company
6	Dar Al Arkan Construction Technology Company	100,000	Real Estate investments and developments, leasing and property management	Kingdom Of Saudi Arabia	100%	1010521509	Limited Liability Company
7	Maaqel Real Estate Company	500,000	Real Estate, leasing and property management	Kingdom of Saudi Arabia	100%	1010600708	Limited Liability Company
8	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
9	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
10	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
11	Dar Al Arkan For Real Estate Development LLC	1,020,000	Sale & Purchase, acquisition, development, leasing of real estate and property management	State of Qatar	100%	165584	Limited Liability Company

3. Investments in subsidiary companies as defined by the rules of the Capital Market Authority (“CMA”)

Sr. No.	Company Name	Capital (SAR)	Principal Activity	Country of Incorporation	Ownership %	Commercial Registration	Entity Type
1	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
2	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
3	Compass Project Investments SPV Limited	74,868	Rendering of services related to project management, cost control and risk management	United Arab Emirates	51.0%	3719	Private Limited Company
4	149 OPL LTD	4,516	Real estate activities i.e. buying and selling of own real estate	United Kingdom	75.4%	14367615	Limited Liability Company

FINANCIAL REVIEW

4. Description of company’s activities and contribution to revenues

Historically, most of the Company’s operations were carried out within the Kingdom of Saudi Arabia. However, since the launch of its first international real estate development project Urban Oasis by Missoni in Dubai in December 2017, Dar Al Arkan has continued to rapidly expand its presence overseas and is currently managing a portfolio of at least ten projects across the Middle East and Europe through its international business arm of Dar Global. Dar Al Arkan operates as three distinct divisions, as follows:

4.1 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 2022 this division accounted for SAR 3,810 million, representing 97.05% of the Company’s total revenues, as compared to SAR 2,379 million, or 95.44% in 2021.

Off-plan sales of the properties in KSA and Dubai are in progress. For the year 2022, the Company recognize SAR 1,034 million from Off-plan sales of the projects.

4.2 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 2022, revenues generated in Asset Management amounted to SAR 116 million and represented 2.95% of Group revenues as compared to SAR 114 million and 4.56 % of total revenues in 2021.

4.3 INVESTMENTS

These represent strategic investments in companies that the management believes are complementary to the Group’s real estate development operations. During 2022, the Company earned SAR 16 million as share of net profits from associates and joint ventures and SAR 8 million as dividend income from investments in financial assets.

During 2022, no other material elements influenced the Company’s net income. However, the Company earned SAR 146 million mainly representing profit from short term Islamic Deposits.

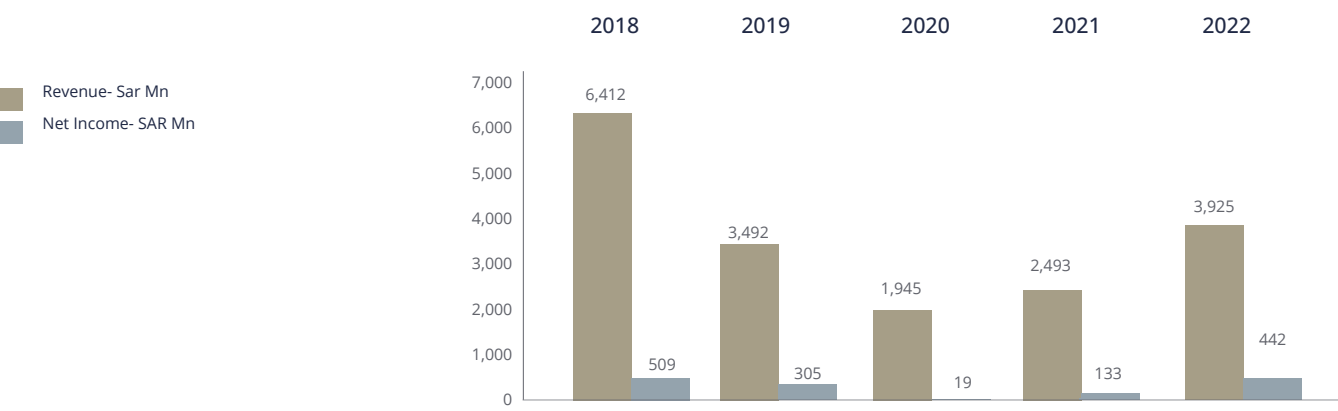
5. Financial Highlights

5.1 INCOME STATEMENT FOR THE FISCAL YEARS 2018 TO 2022

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)	2018	2019	2020	2021	2022
Revenues	6,412,265	3,491,856	1,944,854	2,493,078	3,925,499
Cost of revenue	(5,355,114)	(2,667,416)	(1,270,204)	(1,596,350)	(2,467,912)
Gross profit	1,057,151	824,440	674,650	896,728	1,457,587
Principal activities expenses	(168,942)	(174,787)	(171,332)	(211,945)	(357,934)
Net income from principal activities	888,209	649,653	503,318	684,783	1,099,653
Financing expense	(511,652)	(478,418)	(645,883)	(662,977)	(681,637)
Net other Income	145,298	141,154	161,944	113,636	170,370
Net income before Zakat provisions	521,855	312,389	19,379	135,442	588,386
Zakat provisions	(13,046)	(7,799)	(585)	(2,922)	(146,666)
Net income	508,809	304,590	18,794	132,520	441,720
Earnings per share	0.47	0.28	0.02	0.12	0.41

TOTAL REVENUE AND NET INCOME CHANGES FROM 2018 TO 2022



FINANCIAL REVIEW

Financial Highlights (continued)

5.2 THE BALANCE SHEET FOR THE FISCAL YEARS 2018 TO 2022

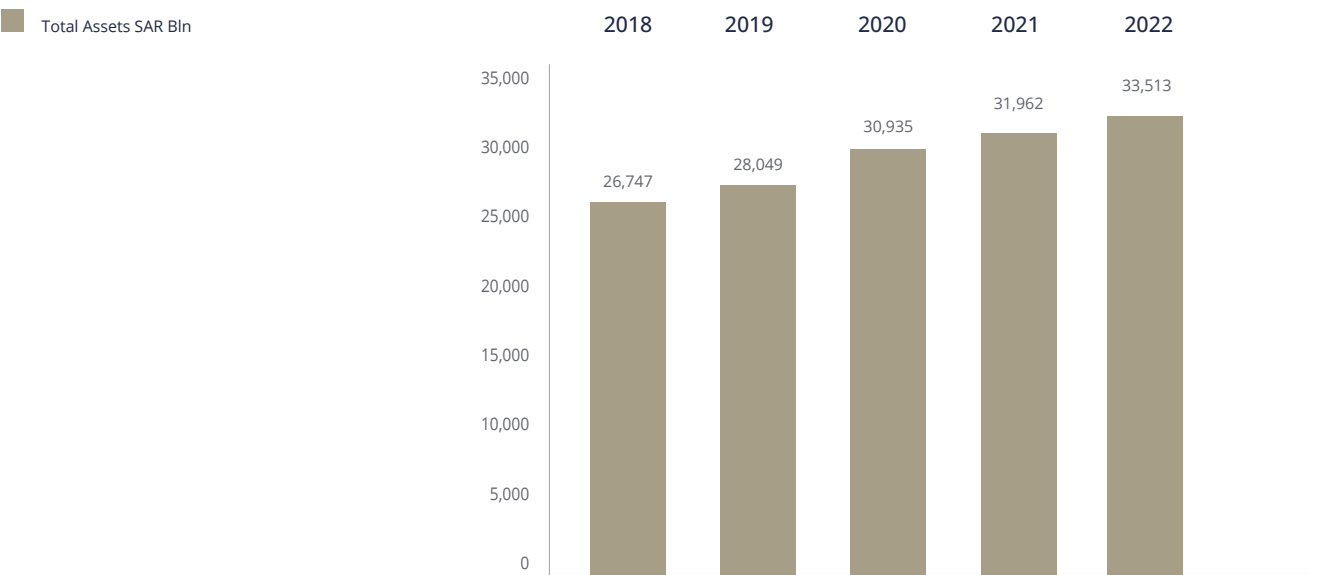
The following table illustrates the main balance sheet items for the last five years. This should be read in conjunction with the audited consolidated financial statements and accompanying notes.

Item (in SAR 'ooos)	2018	2019	2020	2021	2022
Current Asset	9,993,697	8,266,496	9,922,698	10,293,182	10,540,261
Non-current Asset	16,670,535	19,702,968	20,939,738	21,590,845	22,886,536
Fixed Asset	83,085	79,765	72,180	77,653	86,056
Total Asset	26,747,317	28,049,229	30,934,616	31,961,680	33,512,853
Current Liabilities	3,291,806	1,691,387	2,105,722	5,740,259	6,067,519
Non-Current Liabilities	4,750,178	7,348,354	9,802,714	7,061,791	7,841,206
Total Liabilities	8,041,984	9,039,741	11,908,436	12,802,050	13,908,725
Capital	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Statutory reserve	1,109,601	1,140,016	1,141,895	1,155,147	1,199,319
Retained earnings	6,795,732	7,069,472	7,084,285	7,204,483	7,604,809
Total shareholders' Equity*	18,705,333	19,009,488	19,026,180	19,159,630	19,604,128
Total Liabilities and Shareholders' Equity	26,747,317	28,049,229	30,934,616	31,961,680	33,512,853
Book value per share*	17.32	17.60	17.62	17.74	18.15

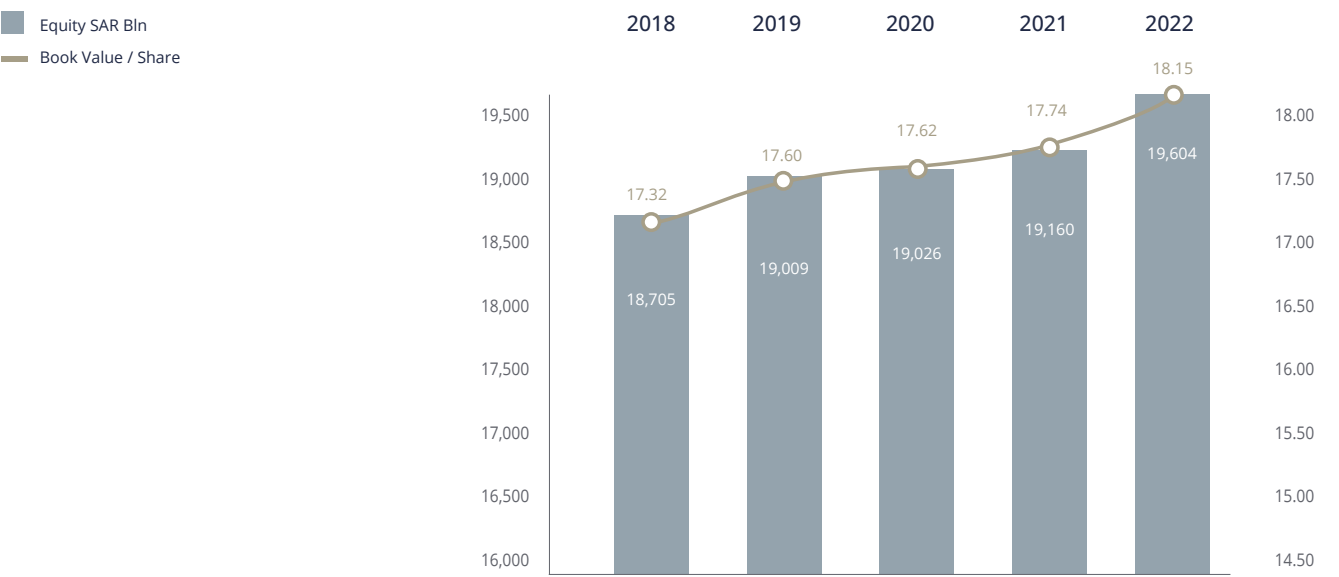
*Book value per share is calculated by dividing the total shareholders' equity by total number of outstanding shares at the end of each fiscal year.

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

TOTAL ASSETS FROM 2018 TO 2022



SHAREHOLDERS' EQUITY AND SHARE BOOK VALUE CHANGES FROM 2018 TO 2022



FINANCIAL REVIEW

Financial Highlights (continued)

5.3 GEOGRAPHICAL ANALYSIS OF COMPANY REVENUE FOR THE YEAR 2022

Location (in SAR '000s)	Development properties	Lease	Residential developments	Total
Western region – KSA	-	-	-	-
Central Region - KSA	727,742	115,883	103,457	947,082
Eastern - KSA	-	-	-	-
Dubai – UAE	-	-	306,502	306,502
Investment	2,671,915	-	-	2,671,915
Total	3,399,657	115,883	409,959	3,925,499

The Company relies on diversification of its revenue from leasing of properties, sale of investments in lands and properties within and outside of Kingdom 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.

5.4 RESULTS OF OPERATIONS

The following table compares the results of operations for 2022 and 2021:

Item (in SAR '000s)	2022	2021	Change	Change %
Revenues	3,925,499	2,493,078	1,432,421	57.46%
Cost of revenue	(2,467,912)	(1,596,350)	871,562	54.60%
Gross Profit	1,457,587	896,728	560,859	62.55%
Principal activities expenses	(357,934)	(211,945)	145,989	68.88%
Net income from principal activities	1,099,653	684,783	414,870	60.58%
Financing expense	(681,637)	(662,977)	18,660	2.81%
Net other Income	170,370	113,636	56,734	49.93%
Net Income before Zakat provisions	588,386	135,442	452,944	334.42%
Zakat provision	(146,666)	(2,922)	143,744	4918.76%
Net income	441,720	132,520	309,200	233.32%
Earnings Per Share	0.41	0.12	0.29	241.67%

FINANCIAL REVIEW

Financial Highlights (continued)

REVENUES

Total revenues were SAR 3,925 million in 2022, compared to SAR 2,493 million in 2021, representing a significant increase of 57.46%. The increase is mainly attributable to increase in bulk land sales by 18.18% to reach SAR 2,672 million against SAR 2,261 million in 2021 and recognition of revenue from off-plan sales projects (Shams Ar Riyadh and Urban Oasis Dubai) for the first time in 2022 amounting to SAR 1,034 million. Though, there was a marginal decrease of 12.56% in sale of other residential properties of SAR 103 million in 2022 against SAR 118 million in 2021.

Rental revenues increased slightly to reach 116 million during 2022 compared to SAR 114 million in 2021.

COST OF REVENUE

Cost of revenue accounted for SAR 2,468 million in 2022 representing 62.87% of total revenues compared to SAR 1,596 million in 2021 representing 64.03% of total revenues. This increase is in accordance with increased revenue in 2022 compared to 2021.

SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Selling and general administrative expenses were SAR 358 million in 2022 compared to SAR 212 million in 2021, representing a significant increase of 68.88%. This increase is primarily attributable to major expansion of international operations carried out by the group resulting mainly into increase in staff related costs, marketing expenses, professional fees, utilities and maintenance costs. The benefit for these increased costs will eventually reflect into increase of revenue in upcoming years.

FINANCING CHARGES

Net financing charges were SAR 682 million in 2022 as compared to SAR 663 million in 2021, representing minimal increase of 2.81%. This increase is mainly due to net increase in financing of SAR 1,372 million and increase in interest rates in Saudi Arabia and worldwide during the year.

NET OTHER INCOME

Net other income was SAR 170 million in 2022 compared to SAR 114 million in 2021. The increase is due to increase in profit from short term Islamic Deposits during 2022 due to availability of additional spare cash and also due to dividend income of SAR 8 million from investments in financial assets.

NET INCOME

Net income in 2022 was SAR 442 million compared to SAR 133 million in 2021. Earnings per share were SAR 0.41 in 2022 as compared to SAR 0.12 in 2021. In conclusion, the major 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 2022, the Company had cash and cash equivalents of SAR 5,929 million as compared to SAR 4,153 million as at 31 December 2021.

CASH FLOW

The following table sets out the Company's cash flows for the financial periods 2020 to 2022:

Item (in SAR millions)	2020	2021	2022
Funds from/(used in) Operating Activities	(1,462)	67	454
Funds (used in)/from Investing Activities	(4)	(9)	(14)
Funds from/(used in) Financing Activities	2,448	(836)	1,336

Net cash from operations was SAR 454 million in 2022 compared to net cash of SAR 67 million in 2021. The increase in operating cash out flow is due to increase in net income resulting from increase in revenue and major increase in collection from customers despite of more cash utilized in replenishment of development properties and also increase in payments made to suppliers as compared to prior year.

Increased purchase of property & equipment has primarily led to an overall net outflow of cash in investing activities of SAR 14 million in 2022 as compared to SAR 9 million in 2021.

Net cash from financing activities of SAR 1,336 million was mainly due to issuance of Sukuk of SAR 1,500 million and new Murabaha and loan facilities of SAR 2,211 million, despite of redemption of sukuk of SAR 1,875 million, repayment of Murabaha of SAR 464 million and payment of transaction costs of SAR 36 million during the year.

PROJECTS AND INVESTMENT EXPENDITURES

The Company's priorities for expenditure on projects include building integrated residential developments and developing of existing lands. During 2022, the Company spent SAR 3,473 million primarily on replenishing the investment in land and developing projects for retail sales.

6. Debt Program

6.1 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 twelve Sukuks.

Total funds raised from Sukuk amounted to SAR 21.75 billion of which SAR 14.63 billion has already been repaid by the end of 2022, whereas the remaining SAR 7.12 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 facilities for general corporate purposes. The total outstanding amount at the end of 2022 was SAR 3.72 billion.

The ratio of International Islamic Sukuks to total financing amount at the end of 2022 was approximately 66%, whereas the Murabahas with local and regional banks were 34%. 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 continued 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.

6.2 INDEBTEDNESS

All financing taken by the Company locally is Shariah-compliant and follow the structures of Murabaha transaction. Below is a description of the repayments and outstanding debts at the end of 2022.

6.2.1 INDEBTEDNESS DETAILS AND INCREASE IN FINANCING AT THE END OF 2022

During 2022, the Company raised new Sukuk financing of SAR 1,500 million and redeemed one Sukuk upon maturity amounting to SAR 1,875 million. It also raised new Murabaha and other loan facilities from local Banks of SAR 2,211 million and repaid some of the local bilateral Murabaha facilities amounting to SAR 464 million.

SAR millions								
Bilateral Islamic Facilities	Settlement	Original Amount	Starting Date	Opening Balance	Addition During 2022	Paid During 2022	Closing Balance	Maturity
Murabaha: Local Bank Alinma	Yearly settlement	300	Q2 2015	206	0	18	188	Q2 2027
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q2 2020	429	0	172	257	Q2 2024
Murabaha: Local Bank SAMBA	Quarterly settlement	600	Q3 2020	467	0	133	333	Q2 2025
Murabaha: Local Bank Saudi Arab Investment Bank	Bullet	150	Q2 2022	0	150	0	150	Q4 2027
* Murabaha: Local Bank Saudi Arab Investment Bank	Half yearly settlement	150	Q2 2019	150	-150	0	0	Q3 2024
* Murabaha: Local Bank Saudi Arab Investment Bank	Half yearly settlement	800	Q2 2019	656	150	81	726	Q2 2032
Murabaha: Local Bank Saudi National Bank	Quarterly settlement	1,500	Q3 2022	0	1,500	0	1,500	Q3 2025
Murabaha: SICO (Escan Muscat)	Half yearly settlement	300	Q2 2022	0	300	0	300	Q4 2027
Murabaha: Local Bank Muscat	Quarterly settlement	175	Q2 2015	60	0	60	0	Q4 2022
Commercial Loan: International Bank ADCB	Quarterly settlement	244	Q4 2022	0	244	0	244	Q4 2027
Commercial Loan: International Bank Santander Bank Spain	Bullet	17	Q4 2022	0	17	0	17	Q4 2023
Gross Total		4,836		1,968	2,211	464	3,715	

* Outstanding SAIB loan of SAR 150 million was transferred to another existing SAIB loan facility of SAR 800 million

The ratio of gross debt to capitalization stood at 35.6% at the end of 2022.The closing cash balance increased to SAR 5.93 billion at the end of 2022 compared to SAR 4.15 billion at the end of 2021. The increase was mainly due to net increase in borrowings and increase in collection from customers.

FINANCIAL REVIEW

Debt program (continued)

SUMMARY OF THE MURABAHA AND SUKUK DUE MATURITIES

SAR millions			
Maturity	Outstanding balance	Murabaha	Sukuk
2023	2,964	1,089	1,875
2024	880	880	0
2025	2,898	648	2,250
2026	1,708	208	1,500
2026 onwards	2,390	890	1,500
Total	10,840	3,715	7,125

STATEMENT OF PAYMENTS DUE

	2020	2021	2022
Item	(Thousands)	(Thousands)	(Thousands)
Payables	260,221	532,654	305,679
Accrued expenses	209,444	292,224	509,971
Indemnity	21,323	22,550	26,911
Dividend payable	35,381	35,376	35,309
Others	537,679	1,982,755	1,683,688
Total	1,064,048	2,865,559	2,561,558

7. Related party transactions

During 2022, 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)

Saudi Home Loans (SHL) is a related party and the company had originally invested SAR 120 million representing a 15% equity stake. The common Board members between SHL and Dar Al Arkan is Mr. Yousef Bin Abdullah Al Shelash.

During Q2 2022, SHL has offered 30% of its paid-up capital to the public through an initial public offering and became a publicly listed company. Accordingly, as part of this IPO transaction, the Group disposed of its 4.5% holding and lost significant influence over SHL. Hence, the retained interest of 10.5% is classified as investments in financial assets.

In the ordinary course of business, the company enters into transactions with SHL. 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 2022, there were sales of SAR 3.8 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 23, 2022.

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 2022 amounted to SAR 186.43 million) with Dar Al Arkan at a nominal interest repayable on demand to facilitate its working capital needs. During 2022 the company repaid SAR 0.46 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 2022was SAR 186.94 million. This transaction was approved during the AGM on June 23, 2022 and the company can repay the amount and close the balance anytime.

investor relations

and shareholder

information

review

Share performance

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

As at 31 Dec 2022, Dar Al Arkan had SAR 10,800 million in authorized capital and issued 1,080 million shares.

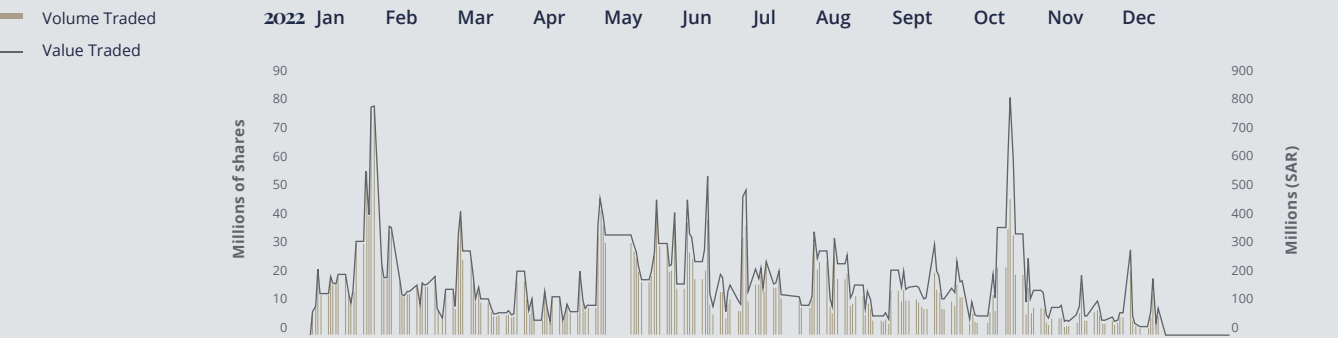
SHARE DATA PERFORMANCE (SAR)

End of the Year (31 Dec 2022)	11.62	Absolute annual performance	15.51%
Year Ago	10.06	Annual Relative performance vs TASI	22.63%
3 Year Ago	11.00		
52 Weeks High (5 Oct 2022)	17.92		
52 Weeks Low (2 Jan 2022)	10.06		

DAR AL ARKAN SHARE PRICE (SAR)



DAR AL ARKAN VOLUME AND VALUE TRADED



INVESTOR RELATIONS AND SHAREHOLDER INFORMATION REVIEW

Investor Communication

At Dar Al Arkan, Investor Relations takes the lead in communicating with the financial community, in particular; institutional investors, 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

Dar Al Arkan participated in 8 investor conferences and earnings calls, met with 132 different institutions and had a total of 568 investor touch points both retail and institutional. Furthermore, we conducted 2 site visits of our assets in Riyadh.

Investors Interactions	
Category	Number
Conferences and Earning Calls	8
Site vist	2
Institutions met	132

Investor Touch Points	
Category	Number
Retail Investors	290
Institutional Investors	278
Total	568

In addition, the IR Department organized our third online General Assembly meeting, in compliance with the regulatory instructions given the global pandemic, which was held on Jun 23, 2022.

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 31 Dec 2022:

TYPE OF INVESTORS

Nationality	No of investors	Shares	%
Institutions	479	535,383,659	49.57%
Retail	89,621	544,616,341	50.43%
Total	90,100	1,080,000,000	100%

NATIONALITY OF INVESTORS

Nationality	No of investors	Shares	% of Total
Saudis	87,546	863,945,902	79.99%
GCC	143	4,554,543	0.42%
Foreign	2,411	211,499,555	19.58%
Total	90,100	1,080,000,000	100%

Shareholder Register Requests

Number of requests for shareholder register from Tadawul

Number	Date of requests received	Request's reason
1	10-Jan-22	Company procedures
2	31-Jan-22	Company procedures
3	16-Feb-22	Company procedures
4	28-Feb-22	Company procedures
5	13-Apr-22	Company procedures
6	26-May-22	Company procedures
7	15-Jun-22	Company procedures
8	23-Jun-22	The General Assembly Meeting
9	25-Jul-22	Company procedures
10	03-Aug-22	Company procedures
11	04-Oct-22	Company procedures
12	31-Dec-22	Company procedures

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.

corporate *governance*

Board of directors

The current board of directors of the company, which was elected on 23/6/2022 until 22/6/2025, 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" and Chairman of Alkhair Capital Saudi Arabia. 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 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.

CORPORATE GOVERNANCE

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. He served on the Board of Directors of the Saudi Home Loans “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. 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.



Ahmed Bin Mohammed Al Dahash

MEMBER (UNTIL 22-06-2022)

Ahmed Bin Mohammed Al Dahash was an independent 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 an independent member of the board of Dar Al Arkan Real Estate Development Company. Dr. Al Mana was also a University Professor, a former Minister of State in the Council of Ministers, and a former member of the Shoura Council. His expertise is in strategic planning, engineering education and management systems. Dr. Al Mana holds several degrees including: a Bachelor degree in Civil Engineering, University of Santa Clara, USA, a Master of and Ph.D. in Civil Engineering from Stanford University, USA. He has many Literatures and researches, received several medals, and participated in local, regional and international conferences and seminars.



Abdulrahman Saleh Alsawi

MEMBER (FROM 23-06-2022)

Abdulrahman Saleh Alsawi is an independent member of the board of Dar Al Arkan Real Estate Development Company. He has a General Education and has more than 24 years of practical experience in infrastructure development, development and investment in real estate projects. He has experience in managing residential, commercial and hotel real estate. He also has proven experience in managing land development and value creation. He has special background in real estate valuation and appraisal.

CORPORATE GOVERNANCE

Executive Team



Anand Raheja

CEO

Mr. Raheja was promoted to the role of Chief Executive Officer (CEO) in June 2019. He previously held the position of Chief Financial Officer (CFO) from May 2018 till June 2019. He has more than 30 years of experience working with the largest real estate companies and accounting 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 has been with Dar Al Arkan since 2008 and got promoted several times and currently holds the position of Chief Financial Officer (CFO) since June 2019. He leads several key company initiatives, including Sukuk issuances and syndicated financing programs. Prior to joining Dar Al Arkan, Mr. Antony spent 16 years in senior corporate finance and management roles with Sonata Software Ltd and Novell Inc. Mr. Antony holds a Master of Commerce degree from University of Calicut and is a Chartered Accountant from India.



Mohammed Al Motawakil

CHIEF BUSINESS DEVELOPMENT OFFICER

Mr. Al Motawakil is the Chief Business Development Officer at Dar Al Arkan. He is a passionate executive offering more than 20 years of diverse international and local experience in finance, operations, and business development. Mr. Al Motawakil holds a Master’s degree in Real Estate Management and Development from the American University in Washington D.C., USA.



Laura Al Ruzaig

HR DIRECTOR

Ms. Al Ruzaig has joined Dar Al Arkan as a HR Director in 2020. She has 11 years of experience in the Human Resources field. She leads the organization to deliver on its strategic staffing plans, compensation and benefits, training and development and performance management. Prior to joining Dar Al Arkan, Ms. Al Ruzaig 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.



Rasha Al Othaim

SALES DIRECTOR

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



Abdullah AlSaeed

INVESTOR RELATIONS MANAGER

Mr. Alsaeed joined Dar Al Arkan in 2018 and is the Manager of the Investor Relations department. He offers 12 years of experience in Investor Relations and Finance. He is responsible for IR areas, including: institutional investors briefings, annual report of the Company, environmental sustainability governance reporting, corporate actions and transactions undertaken by the Company including debt issuance. Mr. Alsaeed holds a Bachelor’s degree in Business Administration from Valparaiso University, USA. He is also a Certified Life Coach from the International Coaching Federation. Mr. Alsaeed is known to be the first Saudi national to ski on the North Pole.

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 (until 22-06-2022)	Member	Independent
5	Hethloul Bin Saleh Al Hethloul	Member	Non-executive
6	Dr. Abdulaziz Bin Ibrahim Al Mana	Member	Independent
7	Abdulrahman Saleh Alsawi (from 23-06-2022)	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 2022.

Name	Capacity	No. of Shares at the beginning of the year	Ownership at the beginning of the year (%)	No. of Shares on 22/06/2022 - end of the member tenure on the BOD	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
		-	-	-	-	-	-	Direct
Majed Bin Abdulrahman Al Qasem	Vice Chairman	639,154	0.06%	639,154	-	639,154	0.06%	Direct owned by direct relative
Tariq Bin Mohamed Al Jarallah	Board Member	3,000	0.00%	3,000	-	3,000	0.00%	Direct
Ahmed Bin Mohammed Al Dahash*	Board Member	2,005,106	0.19%	2,005,106	-	-	0.00%	Direct
Hethloul Bin Saleh Al Hethloul	Board Member	1,368	0.00%	1,368	-	1,368	0.00%	Direct
Dr. Abdulaziz Bin Ibrahim Al Mana	Board Member	2,000	0.00%	2,000	-	2,000	0.00%	Direct
Abdulrahman Saleh Alsawi**	Board Member	-	0.00%	-	-	-	-	
TOTAL		2,650,628	0.25%	2,650,628		645,522	0.06%	

* Board Member until 22-06-2022
** Board Member from 23-06-2022

Meetings Attendance

BOARD MEETINGS REGISTER

#	Name	Meeting Register					Total
		28 March	17 May	26 May	26 June	7 November	
1	Yousef Bin Abdullah Al Shelash	√	√	√	√	√	5
2	Majed Bin Abdulrahman Al Qasem	√	√	√	√	√	5
3	Tariq Bin Mohamed Al Jarallah	√	√	√	√	√	5
4	Ahmed Bin Mohammed Al Dahash (until 22-06-2022)	√	√	√	-	-	3
5	Hethloul Bin Saleh Al Hethloul	√	√	√	√	√	5
6	Dr. Abdulaziz Bin Ibrahim Al Mana	√	√	-	√	√	4
7	Abdulrahman Saleh Alsawi (from 23-06-2022)		-	-	√	√	2

BOARD MEMBERS GENERAL ASSEMBLY MEETINGS REGISTER 2022

#	Name	23 June
1	Yousef Bin Abdullah Al Shelash	√
2	Majed Bin Abdulrahman Al Qasem	√
3	Tariq Bin Mohamed Al Jarallah	√
4	Ahmed Bin Mohammed Al Dahash	-
5	Hethloul Bin Saleh Al Hethloul	√
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
			10 April	26 June	29 September	6 November	
1	Yousef Bin Abdullah Al Shelash	Chairman	√	√	√	√	4
2	Tariq Bin Mohamed Al Jarallah	Member	√	√	√	√	4
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	√	4

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 2022.

CORPORATE GOVERNANCE

Board Committees (continued)

THE AUDIT COMMITTEE

The Executive Committee formation and meetings register:

#	Name	Capacity	Meeting Register					Total
			27 March	17 May	26 May	21 August	6 November	
1	Tariq Bin Mohamed Al Jarallah	Chairman	√	√	√	√	√	5
2	Hethloul Bin Saleh Al Hethloul	Member	√	√	√	√	√	5
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	√	√	5
4	Ahmed Bin Mohammed Al Dahash	Member	√	√	√	-	-	3
5	Abdulrahman Saleh Alsawi	Member	-	-	-	√	√	2

THE COMMITTEE’S RESPONSIBILITIES AND MEETINGS:

The Audit Committee shall have the authority to monitor the Company’s business and shall have the right to inspect its records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management. The Committee shall perform its approved functions, including supervising the Company’s internal audit department and studying its report, in addition to the study of annual financial statements, the accounting policies adopted and recommending the Board of Directors to nominate the auditors of the company, and study the reports of the regulatory authorities on the company’s compliance with the regulations and instructions. The employees of the company are able to provide their observations regarding any violation of the company’s internal regulations. The committee submits its recommendations to the board of directors. The Audit committee held five meetings during 2022. The committee discussed and reviewed the quarterly and annual financial statements for the year 2022 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
			10 April	26 May	
1	Dr. Abdulaziz Bin Ibrahim Al Mana	Chairman	√	-	1
2	Yousef Bin Abdullah Al Shelash	Member	√	√	2
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	2

COMMITTEE’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 2022.

Board Undertakings

THE BOARD OF DIRECTORS UNDERTAKES THE FOLLOWING:

- Proper accounting books have been maintained
- The system of internal control has been effectively implemented
- 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.

RISK FACTORS

PROJECT DEVELOPMENT AND EXECUTION

Project identification, development and execution phases might be exposed to material risk. Ineffective development or execution of a key project can compromise the capital expenditure budget and schedule, and consequently affect the company’s profitability, growth prospects, reputation, and overall financial health.

To minimize these risks, development and investment decisions in respect to the current and new projects are executed and monitored using a “Stage Gate” project system to ensure that the current or new projects properly account for the costs, risks and expected returns of the investment. During execution, project managers including third party expert companies are used to manage progress to ensure project completion on budget, quality and schedule. This includes providing monthly completion reports and capital expenditure reports to the executive management to monitor progress, identify slippage and propose remedial action.

MARKETING

In case of market decline, the company faces the risk of insufficient clients (decrease in demand) for all its real estate products (residential or commercial). Also delay in leasing and / or selling real estate products may have a negative impact on the company’s profitability and cash flows.

To minimize these risks, the Company seeks to diversify its product portfolio to meet the market conditions as much as possible and to reach the possible tenant and / or the buyers using effective marketing tools such as direct or indirect and electronic marketing.

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.

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:

GOVERNANCE AND REGULATION

Remuneration and compensation (continued)

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 commensurate with the company's activity and the skill needed to mange it.

4. Taking into consideration the sector in which the company operates, its scale and the experience of the members of the Board of Directors.

5. The remuneration is reasonably sufficient to attract, motivate and retain Board members with appropriate competence and experience.
- b. The members of the board of directors may not vote on the item of remuneration of the members of the Board of Directors at the General Assembly meeting.
- c. A member of the board of directors may obtain a remuneration for his membership in the Audit Committee formed by the General Assembly, or for any additional business, executive, technical, administrative or advisory positions – under a professional license – assigned to him by the company. This is in addition to the remuneration that can be obtained as a member of the Board of Directors and in the committees formed by the Board of Directors, in accordance with the Companies Law and the Company's Article of Association.
- d. The remuneration of the members of the board of directors may be of varying amount to reflect the member’s experience, terms of reference, tasks assigned to him, his independence, the number of sessions he attends and other considerations.
- e. The remunerations of independent members of the board of directors should not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.
- f. If the General Assembly decides to terminate the membership of a member of the board of directors due to his absence from attending three consecutive meetings of the board without a legitimate excuse, this member is not entitled to any remuneration for the period following the last meeting he attended, and he return all the remunerations that were disbursed to him for that period.
- g. If the Audit Committee or CMA found that the remuneration paid to any of the members of the board of directors is based on incorrect or misleading information that was presented to the General Assembly or included in the annual report of the board of directors, he must return it to the company and the company has the right to ask for its refund.

REMUNERATION OF THE COMMITTEES:

1. The board of directors determines and approves the membership remuneration of its committees except for the Audit Committee, attendance allowances and other entitlements upon the recommendation of the remuneration and nomination committee.
2. The annual membership remuneration for the committees is a lump sum and meeting attendance allowance.
3. The membership remuneration for the Audit committee is approved by the shareholders’ General Assembly upon the recommendation from the Board of Directors.
4. When forming the committees, the number of membership that a member of the board of directors can occupy shall be taken into account, so that the total remuneration received by the member for this membership in the board and committees, does not exceed the upper limit stipulated in the corporate system.

REMUNERATION OF THE EXECUTIVE MANAGEMENT:

- a. The remuneration should be fair and commensurate with the powers, actions, and responsibilities of the members of the executive management, in addition to the objective set by the board of the directors to be achieved during the fiscal year.
- b. The Remuneration and Nomination Committee should evaluate the salary scale for executive management positions in accordance with the job description and the general market and comparison criteria for other similar companies.
- c. On the recommendation of the Remuneration and Nomination Committee, the Board of Directors determine the types of remuneration granted to the senior executives of the company. For example: fixed remuneration, performance related remuneration and incentives, in a manner that does not conflict with controls and regulatory procedures issued to joint-stock companies.
- d. The remuneration of senior executives should be consistent with company's strategic objectives and commensurate with the company's activity and the skills needed to manage it, taking into consideration the sector in which the company operates and its scale.
- e. The Remuneration and Nomination Committee reviews the incentive schemes for senior executives consistently and submits the recommendation to the Board of Directors for approval.
- f. The Remuneration aims to provide the competitive situation required to attract and retain qualified employees and maintain the high level of skills that the company needs.

THE FOLLOWING TABLE SHOWS THE REMUNERATION AND COMPENSATION PAID TO BOARD MEMBERS AND THE TOP FIVE SENIOR EXECUTIVES WHO RECEIVED THE HIGHEST BONUSES AND COMPENSATION FROM THE COMPANY DURING 2022.

Description (in 'ooo Saudi Riyal)	Executive Board members	Non-executive/independent Board members	Senior executives (including CEO and CFO)
Salaries and compensation	-	-	7,271
Allowances	-	-	3,064
Periodic and annual bonuses	-	-	587
Incentive plans	-	-	-
Any other compensations or incentives paid monthly or annually	-	-	-
End of service contribution			861

GOVERNANCE AND REGULATION

Penalties and Fines

Fine	Fine reasons	Amount	Signed by	Ways to treat it and avoid its occurrence in the future
The Committee's decision for Block No. 3 to use the residential annex + reception entrance	The Committee's decision for Block No. 3 to use the residential annex + reception entrance after submitting a request to issue a building completion + modifying the units	10,000 SR	Riyadh Region Municipality	Commitment to use according to the building permit
Violation of precautionary measures in the mall	Allowing people who are not committed to wearing a mask to enter the mall	10,000 SR	Ejada Company	The value of the violation was charged to the security company inside the mall for not adhering to the procedures

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 2022, 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 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 2022, the Internal Audit Department performed periodic reviews according to the approved annual plan. The Internal Audit Department carried out the planned audits for 2022, 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 2022 included an examination of the adequacy and effectiveness of the Company's internal control system to verify whether the Company's internal systems provide reasonable assurance to achieve the Company's objectives. The scope of work included the following:
 - Audit and periodic inspection of the departments that work in the company during appropriate periods.
 - Inform and submit the audit results to departments under audit in order to verify the necessary procedures.
 - Evaluate the plans and procedures provided by departments to address the audit observations and recommendations covered in the audit report. In case of insufficient corrective actions, the internal audit department may re-discuss the plans and recommendations with concerned departments to ensure the efficiency and adequacy of the measures taken.

AUDIT COMMITTEE OPINION

Based on the internal audit results and the external auditor's reports during 2022, 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 2022

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Alluhaid & Alyahya Chartered Accountants
License NO. (735) CR: 1010468314
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Kingdom of Saudi Arabia Riyadh King Fahd Road,
Muhammadiyah District, Garnd Tower 12th Floor

Independent Auditor's Report

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

OPINION

We have audited the 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, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 for 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.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Independent Auditor’s Report (continued)
To the Shareholders of Dar Al Arkan Real Estate Development Company (A Saudi Joint Stock Company)

Key Audit Matters (continued)

For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matter	How the matter was addressed in our audit
IMPAIRMENT OF DEVELOPMENT PROPERTIES	
<p>The Group maintains development properties for the purpose of development and sale in its ordinary course of business. As at 31 December 2022, the carrying amount of such development properties is SR 20.7 billion (31 December 2021: SR 19.3 billion).</p>	
<p>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.</p>	<ul style="list-style-type: none">• We assessed the appropriateness of valuation methods and assumptions, and estimates used by management in the internal evaluation process;
<p>During the year, the Group's management and directors conducted an internal tolerance evaluation on its development properties portfolio to identify the existence or indication of possible impairment. This internal tolerance evaluation is based on the market indications and margins achieved on similar parcels of properties.</p>	<ul style="list-style-type: none">• We assessed the competence and capability of management personnel in the evaluation process;
<p>The impairment of development properties is considered as a key audit matter because this involves significant judgment and estimates and where the change in the Group's estimate of the margin and average accounting rate of return could materially affect the valuation of the properties held for development and sale in the Group's consolidated financial statements.</p>	<ul style="list-style-type: none">• We have engaged in discussions with management and 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 development properties such as margin and average accounting rate of return;• We have benchmarked the key assumptions used by management with external and internal data such as comparable real estate transactions and the Group's actual sale transactions;
<p><i>The Group's accounting policy for development properties is disclosed in note 2.7, the significant accounting estimates, assumptions and judgments relating to development properties are disclosed in note 3 and related disclosures about development properties are included in note 6 of the accompanying consolidated financial statements.</i></p>	<ul style="list-style-type: none">• We tested sensitivity analysis that considered impact of changes in assumptions on outcome of the impairment assessment;• We have ensured the consolidated financial statements contain adequate disclosures regarding the methods and assumptions used in the valuation including the sensitivity analysis.

Key Audit Matter	How the matter was addressed in our audit
IMPAIRMENT OF INVESTMENT PROPERTIES	
<p>Investment properties are stated in the Group's consolidated financial position at cost less depreciation and impairment (if any).</p>	<ul style="list-style-type: none">• We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report;
<p>As at 31 December 2022, the carrying amount of such investment properties is SR 1.1 billion (2021: SR 1.1 billion). The fair value of the investment properties amounting to SR 1.5 billion (2021: SR 1.5 billion) is disclosed in the notes to the consolidated financial statements.</p>	<ul style="list-style-type: none">• We evaluated the competency, capabilities and objectivity of work performed by the independent management expert;• On sample basis, with the help of our independent expert, we performed the following:
<p>The Group's management has estimated the fair value of its investment properties on 31 December 2022, through an independent valuation expert with a recognized professional qualification and experience in the real estate sector.</p>	<ul style="list-style-type: none">• We assessed the appropriateness of valuation methods and assumptions, and estimates used by management in the investment properties valuation process;
<p>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 to the consolidated financial statements.</p>	<ul style="list-style-type: none">• We engaged in discussions with management and assessed the relevant assumptions used based on market data where possible;• We tested the appropriateness of the key assumptions used in the valuation of investment properties such as income capitalization rate, operations costs, expected rental value and occupancy rate;
<p>The impairment of investment properties is considered a key audit matter because of its significant reliance on a range of assumptions including expected lease values, occupancy rate and income capitalization rate.</p>	<ul style="list-style-type: none">• We tested sensitivity analysis that considered impact of changes in assumptions on outcome of the impairment assessment;• We have ensured the consolidated financial statements contain adequate disclosures regarding the methods and assumptions used in the valuation including the sensitivity analysis.
<p><i>The Group's accounting policy for investment properties is disclosed in note 2.6, the significant accounting estimates, assumptions and judgments relating to investment properties are disclosed in note 3 and related disclosures about investment properties are included in note 5 of the accompanying consolidated financial statements.</i></p>	

OTHER MATTER

The consolidated financial statements of the Group as of 31 December 2021 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 25 Shaaban 1443H (corresponding to 28 March 2022).

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Independent Auditor’s Report (continued)

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

OTHER INFORMATION INCLUDED IN THE GROUP’S 2022 ANNUAL REPORT

Management is responsible for the other information. The other information comprises the information included in the Group’s 2022 annual report other than the consolidated financial statements and our auditor’s report thereon. The Group’s 2022 annual report is expected to be made available to us after the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group’s 2022 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and the provisions of Companies’ Law and the Company’s Bylaws, 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, i.e. the Board of Directors, 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 that are endorsed in the Kingdom of Saudi Arabia 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 that are endorsed in the Kingdom of Saudi Arabia, 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 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.

For Alluhaid & Alyahya Chartered Accountants



CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Consolidated statement of financial position as at 31 december 2022

	Notes	2022	2021
		SR 000	SR 000
ASSETS			
Non-Current Assets			
Investment properties, net	5	1,077,808	1,110,414
Long-term development properties	6	20,563,563	19,285,287
Property and equipment, net	7&23a	86,056	77,653
Investments in associates and joint ventures	8	1,030,125	1,195,144
Investments in financial assets	9	215,040	-
Total non-current assets		22,972,592	21,668,498
Current Assets			
Short-term development properties	6	144,332	369,682
Trade receivables and others	10	4,455,050	5,770,074
Inventories		12,022	-
Cash and cash equivalents	11	5,928,857	4,153,426
Total current assets		10,540,261	10,293,182
TOTAL ASSETS		33,512,853	31,961,680
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-Current Liabilities			
Borrowings-non-current portion	12	7,814,295	7,039,241
End of service indemnities	13	26,911	22,550
Total Non-Current Liabilities		7,841,206	7,061,791
Current Liabilities			
Borrowings-current portion	12	2,959,484	2,374,182
Trade payables and others	14	2,721,583	3,029,444
Zakat provision	15c	386,452	336,633
Total Current Liabilities		6,067,519	5,740,259
TOTAL LIABILITIES		13,908,725	12,802,050
Shareholders' Equity			
Share capital	16	10,800,000	10,800,000
Statutory reserve		1,199,319	1,155,147
Other reserves	9	5,040	-
Retained earnings		7,599,769	7,204,483
Total Shareholders' Equity		19,604,128	19,159,630
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,512,853	31,961,680


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 (Saudi Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Notes	2022	2021
		SR 000	SR 000
Revenue	17	3,925,499	2,493,078
Cost of revenue	18	(2,467,912)	(1,596,350)
GROSS PROFIT		1,457,587	896,728
Operating expenses:			
General and administrative expenses	19	(357,934)	(211,945)
OPERATING PROFIT		1,099,653	684,783
Finance costs	20	(681,637)	(662,977)
Other income, net	21	153,957	93,888
Share of net profits from associates and joint ventures	8a	16,413	19,748
PROFIT BEFORE ZAKAT		588,386	135,442
Zakat provisions	15c	(146,666)	(2,922)
NET PROFIT FOR THE YEAR		441,720	132,520
Other comprehensive income			
Re-measurement (loss)/ gain on end of service indemnities	13	(2,262)	930
Changes in fair value of investments in financial assets - FVOCI	9	5,040	-
Total comprehensive income for the year		444,498	133,450
Total comprehensive income attributable to:			
Dar Al Arkan shareholders		444,498	133,450
Earnings per share (in Saudi Riyal):			
Basic and diluted	22	0.41	0.12


Authorised Board of Directors Member


Chief Executive Officer


Chief Financial Officer

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company Saudi Joint Stock Company
Consolidated statement of changes in shareholders' equity for the year ended 31 December 2022

	Share capital	Statutory reserve	Other Reserves	Retained earnings	Total equity
	SR 000	SR 000	SR 000	SR 000	SR 000
2022					
Balance as at 1 January 2022	10,800,000	1,155,147	-	7,204,483	19,159,630
Net profit for the year	-	-	-	441,720	441,720
Other comprehensive income					
Re-measurement loss on end of service indemnities	-	-	-	(2,262)	(2,262)
Changes in fair value of investments in financial assets	-	-	5,040	-	5,040
Total comprehensive income for the year	-	-	5,040	439,458	444,498
Transfer to statutory reserve	-	44,172	-	(44,172)	-
Balance as at 31 December 2022	10,800,000	1,199,319	5,040	7,599,769	19,604,128
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 income					
Re-measurement gain on end of service indemnities	-	-	-	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


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 2022

	Notes	2022	2021
		SR 000	SR 000
OPERATING ACTIVITIES			
Profit before Zakat		588,386	135,442
Adjustment for:			
Depreciation	5,7 &23a	50,182	48,413
Amortisation		-	492
Provision for expected credit losses	10b	-	4,453
Donations		1,637	-
Provisions for end of service indemnities	13	6,485	4,557
Finance costs	20	681,637	662,977
Gain on disposal of property and equipment		(8)	-
Gain on disposal of investment in associates	8	(40,378)	-
Share of net profit from associates and joint ventures	8	(16,413)	(19,748)
Operating cash flows before movements in working capital		1,271,528	836,586
Development properties, net		(1,039,884)	(694,309)
Trade receivables and others		1,315,058	(1,125,349)
Inventories		(12,022)	-
Trade payables and others		(322,478)	1,786,706
Cash from operations		1,212,202	803,634
Finance costs paid		(656,840)	(630,945)
Zakat paid	15c	(96,847)	(103,483)
End-of-service indemnities paid	13	(4,386)	(2,400)
Net cash from operating activities		454,129	66,806
INVESTING ACTIVITIES			
Investment in associates	8	(75,341)	(1,849)
Proceeds from disposal of investment in associates	8	87,117	-
Purchase of property and equipment	7	(21,237)	(6,669)
Proceeds from disposal of property and equipment	7	798	82
Investment properties	5	(5,594)	(542)
Net cash flows used in investing activities		(14,257)	(8,978)
FINANCING ACTIVITIES			
Borrowings - Long term		1,335,559	(836,062)
Net cash flows from/(used in) financing activities		1,335,559	(836,062)
Increase / (decrease) in cash and cash equivalents		1,775,431	(778,234)
Cash and cash equivalents, beginning of the year		4,153,426	4,931,660
Cash and cash equivalents, end of the year	11	5,928,857	4,153,426
Non-cash transactions			
Additions to right-of-use assets and lease liabilities	23a	14,617	10,272
Transfer to investments in financial assets	9a	215,040	-
Donations from development properties	6	(1,637)	-
Transfer of investment properties to development properties	5,6	3,876	372,217
Transfer of properties & equipment to development properties	7,6	10,803	-
Disposal of share in investments in associates	8	34	-


Authorised Board of Directors Member


Chief Executive Officer


Chief Financial Officer

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022

1. Corporate Information

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY

(the “Company”), is a Saudi Joint Stock Company established under the Companies’ Laws 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 referred to as “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, 17/6/1438 H (corresponding to 16/3/2017 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 FOR REAL ESTATE DEVELOPMENT LLC

is a limited liability company, a beneficially wholly owned subsidiary, established under the laws of the state Qatar, under the Commercial Registration No. 165584, 14/7/1443 H (corresponding to 15022022 G). It mainly operates in real estate developments.

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.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (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”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA), consistent with the Group’s accounting policies.

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

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.2 Adoption of new and revised standards and interpretations

Standards and interpretations effective in the current year

In the current year, the Group has adopted all amendments to standards issued by the International Accounting Standards Board (“IASB”) that are mandatory for adoption in the annual periods beginning on or after 1 January 2022.

IFRS 9	Amendment	<ul style="list-style-type: none">Amendment regarding Fees in the ‘10 percent’ test for derecognition of financial liabilities.
IFRS 16	Amendment	<ul style="list-style-type: none">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	<ul style="list-style-type: none">It prohibits 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	<ul style="list-style-type: none">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	<ul style="list-style-type: none">The IASB issued ‘Reference to the Conceptual Framework’ that update an outdated reference without significantly changing its requirements.

Generally, the adoption of these amendments to standards 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.

IAS 1	Amendment	<ul style="list-style-type: none">Applicable annual periods beginning on or after 1 January 2023.Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) require entities to disclose material accounting policy information rather than significant accounting policies.Applicable annual periods beginning on or after 1 January 2024: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. The amendments 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;classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; andsettlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.Amendments to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
IFRS 17	New standard	<ul style="list-style-type: none">Insurance Contract applicable annual periods beginning on or after 1 January 2023.
IAS 8	Amendment	<ul style="list-style-type: none">Amendments regarding the definition of accounting estimates applicable annual periods beginning on or after 1 January 2023.
IAS 12	Amendment	<ul style="list-style-type: none">Amendments regarding deferred tax on leases and decommissioning obligations applicable annual periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28	Amendment	<ul style="list-style-type: none">Amendments related to the sale or contribution of assets between an investor and its associate or joint venture.
IFRS 4	Amendment	<ul style="list-style-type: none">Amendments change the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 (financial instrument) until 1 January 2023.
IFRS 16	Amendment	<ul style="list-style-type: none">Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions applicable annual periods beginning on or after 1 January 2024.

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

2.3 Accounting Convention

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments at fair value and investment in associates and joint venture 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 by the Company or its subsidiaries

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 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 joint control over 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 associate 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.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within ‘Share of net profits from associates and joint ventures’ in the statement of profit or loss.

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.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

Investment in Joint Operation (continued)

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 the 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 awaiting 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 awaiting 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%
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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 period of the retirement/disposal.

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 and realisation date. If the completion and realisation 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.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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 Group 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 in 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;

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

Trade receivables

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

Management applies the simplified approach in calculating ECLs. Therefore, management does not track changes in credit risk, but instead recognised a loss allowance base on lifetime ECL’s at each reporting date. Management has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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

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

Real estate properties which are sold as completed properties 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 Group 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 Group 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.

The Group 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 Group would not have incurred if the contract had not been obtained. All costs to fulfil its obligations under an existing contract, or an anticipated contract, are capitalised in accordance with IFRS 15 if the costs:

- directly relates to such specific contract;
- are expected to be recovered.
- Create, enhance or generate the resources of the company which will be used in performing the current or future performance obligations.

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

If the overall amortisation period of such expenses is one year or less the Group 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, these are not considered to be a significant financing component in the construction contracts with customers.

The Group assesses 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 Zakat, Tax and Customs Authority (“ZATCA”). Any change in the estimate resulting from the final assessment is recognised in that period when final assessments are received.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

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’ Law (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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rentals receivable under leases are recognised to the consolidated profit or loss on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental revenue.

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 impairment adjustments less accumulated depreciation.

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3. Significant Accounting Estimates, Assumptions and Judgments

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 which 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 which 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 Group 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 contracts 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 Group 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.

Recognition of cost of sales

The Group has development properties 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 expected 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 Group recognise for full lifetime expected losses for all contract assets and/or all trade receivables with or without significant financing transaction using provision matrix 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.

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

3. Significant Accounting Estimates, Assumptions and Judgments (continued)

for further development and final transfer under ordinary course of business. While re-assessing the intended use, management considers the holding period, possibility of further appreciations, related economic activities around such properties and need for further development to make the property ready for sale.

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

Carrying value of development properties

The Group's principal activity is currently the development and sale of land, residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the consolidated statement of financial position at 31 December 2022 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 data risk, the Group also estimates the potential uplift in value of its development properties by using the Accounting Rate of Return ("ARR"). 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:

	2022 Range	2021 Range
Profit margin on carrying cost – development properties	20% - 25%	20% - 25%
Targeted ARR – development properties	3-5%	3-5%

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

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

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

	2022 Range	2021 Range
Estimated capitalisation of yields- investment properties	6-8%	6-8%

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

Determination of control, joint control and significant influence

Subsidiaries are all investees over which the Group has control. Management considers that it controls an investee when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, in relation to the investees. It is generally presumed that the Group could exercise significant influence when the Group owns 20% shareholding. However, detailed evaluation and judgements are required for each investee, particularly when the Group owns shareholding and voting rights of more or less than 20% to assess whether the Group has ‘significant influence’ over such investees.

4. Reporting Segments

For management purpose, the Group is organised into two segments. Management develops its strategic planning, resource allocation and business model around these segments and the Chief Operating Decision Maker (CODM) monitors the operating results of these segments separately for the purpose of making decisions about resource allocation and performance assessment, therefore, Group's reportable segment under IFRS 8 is as follows:

- **Development Properties** – Under this segment, the Group categorises all its real estate properties under development which are acquired, developed and sold. It includes:
 - Residential and commercial properties whether completed or under development (“Residential and Commercial Projects”)
 - Land and investment in land properties which are undeveloped, developed with or without infrastructure and the sale of such properties (“Land Projects”).
- **Leasing and Management of Properties** –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 2022 and 31 December 2021 was generated from the development properties segment. The Group provided breakdown of revenue, profit, assets and liabilities by operating segment.

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

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

	Notes	For the year ended 31 December 2022		
		Development Properties	Leasing of Properties	Group Total
		SR 000	SR 000	SR 000
SEGMENT WISE PROFIT AND LOSS				
Revenue	17	3,809,616	115,883	3,925,499
Cost of revenue	18	(2,433,588)	(34,324)	(2,467,912)
Gross Profit		1,376,028	81,559	1,457,587
Operating expenses:				
General and administrative expenses	19			(357,934)
Operating Profit				1,099,653
Finance costs	20			(681,637)
Other income, net				153,957
Share of net profit from associates and joint ventures	8a			16,413
Profit Before Zakat				588,386
SEGMENT WISE ASSETS AND LIABILITIES				
Total Assets		32,358,797	1,154,056	33,512,853
Total Liabilities		12,704,982	1,203,743	13,908,725

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

4. Reporting Segments (continued)

	Notes	For the year ended 31 December 2021		
		Development 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
Profit Before Zakat				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

5. Investment Properties, Net

The movement in investment properties is as follows:

	2022	2021
	SR 000	SR 000
COST		
At beginning of the year	1,413,506	1,881,251
Transfer to development properties (note 6)	(4,593)	(468,287)
Additions	5,594	542
At end of the year	1,414,507	1,413,506
ACCUMULATED DEPRECIATION		
At beginning of the year	303,092	362,135
Transfer to development properties (note 6)	(717)	(96,070)
Charged during the year (note 18)	34,324	37,027
At end of the year	336,699	303,092
CARRYING AMOUNT AT THE END OF THE YEAR	1,077,808	1,110,414

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

Fair value estimation

Fair value of the investment properties is estimated by a recognised independent valuation agency not related to the Group (ValuStrat Saudi Arabia, a licensed member of Saudi Authority of Accredited Valuers) by using income capitalisation method in December 2022. 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% (2021: 6-8%) between residential and commercial leased properties to arrive the fair value estimated as below:

	2022	2021
	SR 000	SR 000
CARRYING AMOUNT	1,077,808	1,110,414
ESTIMATED FAIR VALUE		
Estimated on annual rent yield on investment properties	1,489,000	1,525,590

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

Sensitivity in fair value estimation

	Increase in rate	Decrease in rate
	SR 000	SR 000
CHANGE IN FAIR VALUE ON INVESTMENT PROPERTIES		
50 basis points change in capitalisation rate	(81,000)	92,000
Sensitivity impact on estimated fair value	(81,000)	92,000

The estimated fair value of Group’s investment properties can be impacted by unobservable inputs determined based on 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 value of investment properties disclosed is categorised under Level 3 in the fair value hierarchy.

6. Development Properties

The movement in development properties, the principal operation of the Group, is summarised as follows:

	Year ended 31 December 2022				
	Short-term developed projects	Short-term developed land	Long-term developed land/project	Long-term projects under development	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST					
At beginning of the year	5,327	364,355	1,788,665	17,496,622	19,654,969
Additions during the year	-	8,389	471,697	2,993,386	3,473,472
Transfer, net (note a)	-	-	14,679	-	14,679
Donations	-	-	(1,637)	-	(1,637)
Charged to cost of sales during the year (note 4)	(2,920)	(230,819)	(270,901)	(1,928,948)	(2,433,588)
Carrying amount at the end of the year	2,407	141,925	2,002,503	18,561,060	20,707,895
Short- term development properties					144,332
Long-term development properties					20,563,563

	Year ended 31 December 2021				
	Short-term developed projects	Short-term developed land	Long-term developed land/project	Long-term projects under development	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 (note 4)	(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

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/realised within 12 months, otherwise it is classified as non-current.

Projects under development include land with cost amounting to SR 15.28 billion (31 December 2021: SR 14.01 billion), which represents the Group's share in land with other investors according to the contract and agreements for investments and development of the land.

During the year ended 31 December 2022 the Group has capitalised borrowing costs amounting to SR 955 thousand (31 December 2021: nil) on qualifying assets.

Note (a) – During the year ended 31 December 2022, Investment properties and Properties and Equipment with a net book value of SAR 3,876 thousand and SAR 10,803 thousand respectively were transferred to Development Properties (2021: SR 372.22 million and nil, respectively) (Notes 5&7).

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

Internal tolerance evaluation

During the year, the Group's management and directors conducted an internal tolerance evaluation on its development properties portfolio to identify the existence or indication of possible impairment. This internal tolerance evaluation is based on the market indications and margins achieved on similar parcels of properties. The internal tolerance evaluation for the reporting period demonstrated an estimated market value indicating an average uplift of 20% (31 December 2021: 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 sector, 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 accounting rate of return (“ARR”) in the range of 3-5% (2021: 3-5%) for development properties to arrive at the estimated values.

	Year ended 31 December 2022				
	Short-term developed project	Short-term developed land	Long-term developed land/project	Long-term projects under development	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
COST	2,407	141,925	2,002,503	18,561,060	20,707,895
ESTIMATED VALUE					
Estimated value @ 20% margins on cost	3,000	170,000	2,400,000	22,275,000	24,848,000
Estimated value @ 3-5 % ARR	3,000	166,000	2,195,000	20,892,000	23,256,000
Average value of land	3,000	168,000	2,297,500	21,583,500	24,052,000
Estimated Value	3,000	165,000	2,290,000	21,550,000	24,008,000

	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	6,000	430,000	2,150,000	21,000,000	23,586,000
Estimated value @ 3-5 % ARR	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

The result of this exercise has 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 analysis for internal tolerance valuation

The estimated net realisable value of Group's development properties can be impacted by the market conditions exists at the time of actual transaction. The following table shows the effect of changes in margin % and ARR on the estimated value of development properties:

	Increase	Decrease
	SR 000	SR 000
CHANGE IN VALUE OF DEVELOPMENT PROPERTIES		
10% change in comparable margins	2,071,000	(2,071,000)
1% change in ARR	720,000	(690,000)
Average change in value of development properties	1,395,500	(1,380,500)

The above values represent the minimum impact on net realisable value of the development properties of the Group exclusively for the impairment study purposes. It is not the fair market value of the development properties.

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

7. Property and Equipment, Net

	31 December 2022					
	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 2022	115,000	15,104	8,018	17,945	64,612	220,679
Additions for the year	-	6,339	-	9,143	5,755	21,237
Transfer to Development Properties (note 6)	(22,840)	-	-	-	-	(22,840)
Disposal	(35)	(753)	-	-	(446)	(1,234)
Balance at 31 December 2022	92,125	20,690	8,018	27,088	69,921	217,842
ACCUMULATED DEPRECIATION						
Balance at 1 January 2022	60,872	8,820	8,006	16,831	57,003	151,532
Depreciation for the year	3,022	2,211	9	1,742	3,426	10,410
Transfer to Development Properties (note 6)	(12,037)	-	-	-	-	(12,037)
Disposal	(5)	(19)	-	-	(420)	(444)
Balance at 31 December 2022	51,852	11,012	8,015	18,573	60,009	149,461
Carrying amount at 31 December 2022	40,273	9,678	3	8,515	9,912	68,381

	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 2022	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

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8. Investments in Associates and Joint Venture

Investments in associates and joint venture represent equity ownership in the investee companies, where the Group exercises significant influence or joint control. The shares of these investee companies are not publicly traded. The Group's ownership in these Saudi Arabia based privately owned investee companies ranges from 18% 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:

	2022	2021
	SR 000	SR 000
Investments, beginning of the year	1,195,144	1,173,547
Additions (notes v and vii)	75,341	-
Transfer/disposal, net (notes iv and viii)	(256,773)	-
Share of profit during the year	16,413	21,597
Investments, end of the year	1,030,125	1,195,144

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

Name of the entity	2022		2021	
	Amount	Holding	Amount	Holding
	SR 000	%	SR 000	%
Alkhair Capital Saudi Arabia (ACS) (i)	422,000	42.2%	422,000	42.2%
Khozam Real Estate Development Company (KDC) (ii)	525,547	66.5%	525,547	66.5%
Saudi Home Loans (SHL) (viii)	-	-	150,000	15%
Other associates	71,477		1,534	
Accumulated share of profit	11,101		96,063	
Balance, end of the year	1,030,125		1,195,144	

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

31 December 2022				
	KDC	ACS	Others	Total
	SR 000	SR 000	SR 000	SR 000
Total assets	542,165	1,085,244	337,131	1,964,540
Total liabilities	(36,635)	(24,755)	(117,238)	(178,628)
Net assets	505,530	1,060,489	219,893	1,785,912
Others - notes a & b	171,603	-	18,579	190,182
Group's share of net assets	507,780	447,526	74,819	1,030,125
Total revenue for the year	-	113,036	82,687	195,723
Total profit for the year	193	35,889	(3,237)	32,845
Other adjustments – note c	-	(207)	5,212	5,005
Total comprehensive income for the year	193	35,682	1,975	37,850
Group's share of (loss) profit for the year, net	128	15,058	1,227	16,413

	31 December 2021				
	KDC	ACS	SHL	Others	Total
	SR 000	SR 000	SR 000	SR 000	SR 000
Total assets	541,967	1,052,115	4,408,032	13,350	6,015,464
Total liabilities	(36,630)	(27,309)	(2,718,098)	(5,100)	(2,787,137)
Net assets	505,337	1,024,806	1,689,934	8,250	3,228,327
Others - note a	171,603	-	-	-	171,603
Group's share of net assets	507,652	432,468	253,490	1,534	1,195,144
Total revenue for the year	-	95,165	294,220	10,521	399,906
Total profit for the year	(451)	15,251	103,196	(2,761)	115,235
Other adjustments – note c	-	1,007	(2,954)	2,761	814
Total comprehensive income for the year	(451)	16,258	100,242	-	116,049
Group's share of (loss) profit for the year, net	(300)	6,861	15,036	-	21,597

Other notes

- (a) KDC net assets includes SR 172 million of premium paid to obtain exclusivity right - refer below note (ii); and
(b) Premium paid on acquisition of Compass Project Investments SPV Limited – refer note (v)
(c) Other adjustments pertain to the adjustment to retained earnings of the associates and joint venture.

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

8. Investments in Associates and Joint Venture (continued)

Details of transactions with associates and joint ventures are disclosed under note 24 “Related Party Transactions” of these consolidated financial statements. The nature of relationship and operations of each reported entities are detailed below:

(i) Alkhair Capital Saudi Arabia (ACS)

The Group had originally invested SR 102 million representing 34% of the paid-up share capital of ACS and during 2019, ACS increased the paid-up share capital by additional SR 700 million. The Group has acquired additional capital by investing SR 320 million and accordingly, the original investment of SR 102 million has been increased to SR 422 million to reflect the change in capital investment of the Group with ACS which currently represents 42.2% ownership interest. This investment has been accounted for as investment in associate under equity method of accounting.

(ii) Khozam Real Estate Development Company (KDC)

The Group investment in KDC is 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 and 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 359 million as capital contributions fully paid in cash and SR 172 million premium paid to obtain exclusive right to participate in the Khozam project development. Based on assessment, the management believes that the value of the total investment in KDC has not impaired.

OTHER ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL:

(iii) 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 capital of SR 8.2 million. The Group has paid SR 1.5 million towards the 18.29% of its capital and management believe that the value of the total investment has not impaired.

(iv) Waslt Real Estate Services Company (Waslt)

During 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. Based on the legal arrangement, 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 and consequently, the Group’s investment in Waslt is accounted for as investment in associate under equity method of accounting. up to 30 September 2022, hence the Group's share of operating loss of SR 5,363 thousand has been recognised in the consolidated statement of profit or loss. However, during the last quarter of 2022, the Group disposed of its all shares in Waslt at its book value of SR 33.5 thousand.

(v) Compass Project Investments SPV Limited

During 2022, the Group had invested SR 19.2 million representing 51% ownership of Compass Project Investments SPV Limited, a private company limited by shares incorporated in United Arab Emirates. It is established mainly for rendering services related to project management, cost control and risk management. Based on the legal arrangement, 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 and consequently, the Group’s investment in Compass is accounted for as investment in associate under equity method of accounting.

(vi) Ibdaa Real Estate Company

During 2022, the Group had invested SR 50.8 million representing 25% ownership of Ibdaa Real Estate Company, a limited liability company registered in Jeddah. The Company operates real estate activities including, selling and purchasing of lands, real estate managements, brokerage activities, constructions including general construction for civil buildings.

(vii) 149OPL LTD

During 2022, the Group had invested SR 3.4 thousand (GBP 753) representing 75.37% ownership of 149OPL LTD, a limited liability company registered in London, United Kingdom. The Company operates real estate activities i-e buying and selling of own real estate. As per the arrangements, the power to govern the financial and operating activities which affect the returns of the company 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 and consequently, the Group’s investment in 149OPL is accounted for as investment in joint venture under equity method of accounting.

(viii) Saudi Home Loans (SHL)

The Group had originally invested SR 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 bonus shares of SR 10 each to its existing shareholders in the proportion of their shareholding through capitalization of retained earnings.

During the period ended 30 June 2022, SHL has offered 30% of its paid-up capital to the public through an initial public offering and became a publicly listed company. Accordingly, as part of this IPO transaction, the Group disposed of its 4.5% holding and lost significant influence over SHL. Hence, the retained interest of 10.5% is classified as investments in financial assets and measured at FVTOCI whose fair value at the date of disposal was SR 210 million (refer Note 9a).

This transaction has resulted in a gain calculated as follows, recognised in the consolidated statement of profit or loss of the Group.

	2022
	SR 000
Proceed of disposal	87,117
Add: fair value of residual interest (10.5%)	210,000
Less: carrying amount of investment	(256,739)
Gain recognised during the year	40,378

The gain recognised during the year comprises of a realised gain of SAR 10.08 million (being the proceeds of SAR 87.11 million, less carrying amount of SAR 77.03 million of the interest disposed) and an unrealised gain of SAR 30.3 million (being the fair value less the carrying amount of the 10.5% interest retained).

Apart from the disposal of 67% of Wasalt shares and 4.5% of SHL equity shares as disclosed in note 8, no other shares have been disposed off during the year.

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Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

9. Investments In Financial Assets

a) Fair value through other comprehensive (FVTOCI)

This financial asset represents equity shares held in Saudi Home Loans (SHL), a publicly listed entity for medium to long-term strategic purposes and are not held for trading, hence classified as fair value through other comprehensive income. The gains/(losses) arising on these financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income.

The movement during the year are detailed below:

	2022	2021
	SR 000	SR 000
Transferred from investment in an associate (note 8)	210,000	-
Unrealised fair value gain recognised in other comprehensive income during the year	5,040	-
Balance, end of the year	215,040	-

The fair value of quoted securities is based on published market price and is categorised under Level 1 in the fair value hierarchy.

b) Details of investments in financial assets

Equity Investments at FVTOCI- Listed Securities	Percentage ownership	2022	2021
		SR 000	SR 000
Saudi Home Loans (SHL)	10.5%	215,040	-
Balance, end of the year		215,040	-

10. Trade Receivables and Others

	2022	2021
	SR 000	SR 000
Trade receivables – net of allowances for expected credit loss of SR 27.99 million (31 December 2021: SR 27.99 million)	3,550,561	4,586,883
Prepayments and others	505,378	376,303
Advance payments to purchase land	381,555	803,020
Accrued revenue	17,556	3,868
Total	4,455,050	5,770,074

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

a) Ageing of trade receivables that are not impaired

	2022	2021
	SR 000	SR 000
0-60 days	804,971	690,093
61-120 days	249,360	487,438
121-180 days	225,976	411,037
Above 180 days	2,270,254	2,998,315
Total	3,550,561	4,586,883

Ageing are from the date of invoice and the trade receivables include about 99% (31 December 2021: 99%) receivables against land and project sales which are fully secured against such land and project parcels.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

10. Trade Receivables and Others (continued)

b) Expected Credit Loss evaluation of Account receivables

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has recognised expected credit loss in full against all receivables where the analysis has indicated that these receivables are generally not recoverable. The Group has not made any expected credit loss 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 expected credit loss methodology or significant assumptions during the current reporting year.

Movement in the expected credit loss

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	27,988	23,535
Allowance for the year	-	4,453
Balance, end of the year	27,988	27,988

11. Cash and Cash Equivalents

	2022	2021
	SR 000	SR 000
Cash in hand	203	232
Cash with bank	5,928,654	4,153,194
Total	5,928,857	4,153,426

12. Borrowings

	2022	2021
	SR 000	SR 000
Islamic Sukuk	7,125,000	7,500,000
Islamic Murabaha	3,715,302	1,967,988
	10,840,302	9,467,988
Less: Un-amortised transaction costs (note 12 b)	(66,523)	(54,565)
Borrowings end of the year	10,773,779	9,413,423
Less: Borrowings - current portion	(2,959,484)	(2,374,182)
Borrowings - non-current portion	7,814,295	7,039,241

a) Repayable as follows:

	2022	2021
	SR 000	SR 000
Within one year	2,964,205	2,375,812
In the second year	879,998	2,319,562
In the third to fifth years inclusive	6,673,499	2,965,114
Above five years	322,600	1,807,500
Total	10,840,302	9,467,988

b) Islamic borrowings transaction costs:

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	54,565	86,597
Additions during the year	36,755	-
Amortisation charge for the year (note 20)	(24,797)	(32,032)
Balance, end of the year	66,523	54,565

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

12. Long-Term Borrowings (continued)

c) Analysis of borrowings:

ISLAMIC SUKUK

This represents SR 7.125 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 2023.
- 2) 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.
- 3) 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.
- 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 7.75% and maturing in 2026.

Islamic Sukuks listed above are denominated in US dollars. Since the Saudi Arabian Riyal is exposed to limited fluctuations against the US Dollar, hence the Group is not exposed to significant foreign exchange risk. The investment profit is payable to Saudi SPVs, through which the Sukuk was issued, generated from the sale of properties owned by the Group. The beneficial rights of the related properties are with Dar Al Arkan Real Estate Development Company and its subsidiaries with the option to buy back upon the settlement of the Sukuk in full. 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 2022.

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 maturities ranging from 6 months to 9 years with periodic repayment as detailed below.

Maturity date	Outstanding Balance	Short-term	Long-term
	SR 000	SR 000	SR 000
2023	16,793	16,793	-
2024	257,143	171,429	85,714
2025	1,833,333	758,333	1,075,000
2027	882,183	62,000	820,183
2032	725,850	80,650	645,200
Total	3,715,302	1,089,205	2,626,097

The weighted average effective annual commission rate for the year ended 31 December 2022 is 6.47% (31 December 2021: 6.38%). The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2022.

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:

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	22,550	21,323
Charged to expenses during the year	6,485	4,557
Re-measurement loss/ (gain)	2,262	(930)
Paid during the year	(4,386)	(2,400)
Balance, end of the year	26,911	22,550

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

a) Significant actuarial assumptions:

	2022	2021
	%	%
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

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	19,976	20,497
Net period benefit cost	3,932	3,741
Re-measurement loss/ (gain)	2,262	(930)
Paid during the year	(2,711)	(3,332)
Balance, end of the year	23,459	19,976

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

13. End of Service Indemnities (continued)

c) Analysis of present value of obligation

	2022	2021
	SR 000	SR 000
Benefit obligation accumulated to the date of financial position	22,371	18,763
Benefits attributed to future salary increase	1,088	1,213
Total	23,459	19,976

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 valuation of employee benefit obligation, remained unchanged. The vale impact in the obligation with a change in an assumption as follows:

	2022	2021
	SR 000	SR 000
Discount rate + 0.5%	22,817	19,340
Discount rate - 0.5%	24,131	20,651
Long term salary increase + 0.5%	23,967	20,692
Long term salary increase - 0.5%	22,967	19,295

e) Effect of defined benefit plan on entity’s future cash flows

The weighted average duration of the employee benefit obligation is 5.6 years for the year ended December 31, 2022 (31 December 2021: 6.55 years). The expected maturity analysis of discounted defined benefit obligation is as follows:

	2022	2021
	SR 000	SR 000
Within one year	2,520	2,341
In the second year	5,260	3,340
Between third and fifth years	4,615	6,503
Above five years	11,064	7,792
Total	23,459	19,976

14. Trade Payables and Others

	2022	2021
	SR 000	SR 000
Contract liabilities (note 14a)	1,393,797	1,888,257
Accruals	509,971	292,224
Trade payables	305,679	532,654
Unearned revenue	272,017	86,258
Due to related parties (note 24a)	186,936	186,435
Dividend payable	35,309	35,376
Lease liability (note 23b)	17,874	8,240
Total	2,721,583	3,029,444

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 satisfied.

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	1,888,257	518,539
Advance collected during the year	539,784	1,369,718
Transfers to revenue during the year	(1,034,244)	-
Balance, end of the year	1,393,797	1,888,257

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

15. Zakat Provisions

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

	2022	2021
	SR 000	SR 000
ZAKAT BASE		
Equity	19,159,630	19,026,180
Provisions and other adjustments	6,001,826	7,859,421
Total Zakat base	25,161,456	26,885,601
Deductions:		
Total deduction after adjustment	(25,161,456)	(26,885,601)
Zakat base	-	-

b) Adjusted net income for the year:

	2022	2021
	SR 000	SR 000
ADJUSTED NET INCOME:		
Adjusted net income, net	578,563	116,865
Adjusted net income	578,563	116,865
Estimated Zakat provision for the year		
	14,464	2,922
Donations of residential units	(1,637)	-
Estimated Zakat provision for the year, net	12,827	2,922

c) Movement in provision for Zakat:

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

	2022	2021
	SR 000	SR 000
Balance beginning of the year	336,633	437,194
Charge for the year	12,827	2,922
Zakat charge as per final assessments from 2009 to 2014	133,839	-
Paid during the year	(96,847)	(103,483)
Estimated Zakat provision, end of the year	386,452	336,633

d) The zakat liability of the Company and its subsidiaries is calculated on a consolidated basis as part of the consolidated zakat return. The Company has received the assessments from ZATCA for the years 2003 to 2014 which have been finalised. Consolidated zakat returns for all remaining years until 2021 have been filed with ZATCA. The consolidated return for the year 2022 is under preparation.

16. Share Capital

	2022	2021
	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 Company has one class of ordinary shares.

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

17. Revenue

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

The Group has conservatively recognised its revenue for the projects that are substantially completed, however the Group is still waiting to get the clearance for the obligations completed from respective regulatory authorities. As and when the confirmation received based on the completed obligations, the respective revenue will be recognised.

Disaggregation of revenue	Basis of Recognition	2022	2021
		SR 000	SR 000
Sale of development properties	At a point in time	2,671,915	2,261,135
Sale of development properties	Over the time –IFRS 15	727,742	-
Sale of residential properties	At a point in time	103,457	118,321
Sale of residential properties	Over the time- IFRS 15	306,502	-
Leasing of properties	Over the time -IFRS 16	115,883	113,622
Total		3,925,499	2,493,078

18. Cost of Revenue

	2022	2021
	SR 000	SR 000
Development properties – cost	2,159,766	1,462,187
Residential properties – cost	273,822	97,136
Direct cost on leasing – depreciation (refer note 5)	34,324	37,027
Total	2,467,912	1,596,350

19. General and Administrative Expenses

	2022	2021
	SR 000	SR 000
General and administrative expenses	340,439	200,559
Depreciation (refer note 7 & 23a)	15,858	11,386
Donations	1,637	-
Total	357,934	211,945

20. Finance Costs

	2022	2021
	SR 000	SR 000
Charges on Sukuk	475,222	512,857
Charges on Islamic Murabaha	180,668	117,969
Charges on lease liability (note 23b)	950	119
Amortisation of transaction costs (note 12b)	24,797	32,032
Total	681,637	662,977

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

21. Other Income, Net

	2022	2021
	SR 000	SR 000
Dividend income from investments in financial assets	8,127	-
Other income, net	145,830	93,888
Total	153,957	93,888

22. Earnings Per Share

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

	2022	2021
	SR 000	SR 000
EARNINGS		
For the purpose of basic earnings per share (Net profit for the year)	441,720	132,520
Number of shares	number	number
Weighted average number of ordinary shares For the purposes of basic earnings per share		
Total	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.

23. 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 these assets are summarised as follows, and the depreciation charged to this asset is included in depreciation expenses.

	2022	2021
	SR 000	SR 000
COST		
At beginning of the year	14,234	3,962
Additions for the year	14,617	10,272
At end of the year	28,851	14,234
ACCUMULATED DEPRECIATION		
At beginning of the year	5,728	3,856
Charged during the year	5,448	1,872
At end of the year	11,176	5,728
Net book value at the end of the year	17,675	8,506

The balance in right of use assets are included within the property plant and equipment on the consolidated statement of financial position.

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

23. Lease Arrangements (Continued)

b) Lease liability

Lease liability represents unexpired lease qualified for accounting under IFRS 16 requirements. Details of the movement of this lease liability is as below. The interest cost accrued is included in the finance costs.

	2022	2021
	SR 000	SR 000
LIABILITY		
At beginning of the year	14,307	4,791
Additions for the year	14,617	9,397
Finance cost for the year (note 20)	950	119
At end of the year	29,874	14,307
PAYMENTS		
At beginning of the year	6,067	4,548
Paid during the year	5,933	1,519
At end of the year	12,000	6,067
BALANCE AT THE END OF THE YEAR	17,874	8,240

The balance in lease liability is included within trade payables and others on the consolidated statement of financial position.

c) Minimum lease payments

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

	2022	2021
	SR 000	SR 000
AMOUNTS DUE		
Within one year	6,749	2,876
Between one and five years	11,646	6,727
Above five years	873	-
Total	19,268	9,603

B. Group as Lessor

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

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

	2022	2021
	SR 000	SR 000
AMOUNTS RECEIVABLE:		
Within one year	84,523	78,281
Between one and five years	160,744	144,722
After five years	62,987	70,140
Total	308,254	293,143

24. Related Party Transactions

a) Due to related parties

Khozam Real Estate Development Company (KDC) is a jointly-controlled entity (note 8). KDC management has invested excess cash balance of KDC with the Group at a nominal profit rate. The balance is classified under trade payables and others (note14) and repayable on demand. The movement of the related balance is as follows:

	2022	2021
	SR 000	SR 000
Balance, beginning of the year	186,435	189,741
Repayment of advances for the year	(459)	(4,266)
Finance cost charged for the year	960	960
Balance, end of the year	186,936	186,435

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

24. Related Party Transactions (Continued)

b) Compensation of key management personnel

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

	2022	2021
	SR 000	SR 000
Short-term benefits	10,922	12,437
End-of-service benefits	861	1,036
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
Total	11,783	13,473

c) Other related party transactions

(i) Saudi Home Loans (SHL):

During the year, the Group sold residential homes to individuals who sought financing from SHL. In these instances, SHL pays the consideration in respect of the residential property sale to the Group on behalf of the individual buyer of the property. There is no recourse to the Group if buyer of the property defaults against financing obtained from SHL. The details of the transactions, included in trade receivables (note 10), are as follows:

	2022	2021
	SR 000	SR 000
Sales to third party customer during the year	3,803	20,394
Collections from SHL	(3,803)	(20,394)
Balance, end of the year	-	-

For the year ended 31 December 2022 and the year ended 31 December 2021, no other transactions are entered into with entities that have common Board Members or Shareholders to the Group.

25. Retirement Benefit Plans

The Group makes payments to defined contribution retirement benefit plans in the form of contribution to 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 other comprehensive income for the year ended 31 December 2022 was SR 6.49 million (31 December 2021: SR 4.56 million), and the outstanding contribution as at 31 December 2022 is SR 380 thousand (31 December 2021: SR 501 thousand).

26. 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 shareholders 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 financial institutions 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:

	2022	2021
	SR 000	SR 000
Islamic borrowings	10,773,779	9,413,423
Cash and cash equivalents	(5,928,857)	(4,153,426)
	4,844,922	5,259,997
Shareholders' equity	19,604,128	19,159,630
Net debt to equity ratio	25%	27%

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT

Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

27. Financial Risk Management

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

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

The Group’s financial operations are subject to the following risks:

- 1. Credit Risk
- 2. Commission Rate Risk
- 3. Liquidity Risk
- 4. Foreign Currency Risk

Credit Risk

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

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

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

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

	2022	2021
	SR 000	SR 000
Cash and cash equivalents	5,928,857	4,153,426
Trade receivable, net	3,550,561	4,586,883
Other assets	904,489	1,183,191
Total	10,383,907	9,923,500

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 rate 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 year, the average rate of 3 months LIBOR varied between 3.74% and 4.78% (0.12% and 0.22% for 2021) and SAIBOR varied between 4.27% and 5.89% (0.81% and 0.91% for 2021).

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

	2022	2021
	SR 000	SR 000
+ 25 basis points	9,288	4,920
- 25 basis points	(9,288)	(4,920)

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 2022 is 6.47% (31 December 2021: 6.38%).

See notes 12 and 14 for further details.

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Dar Al Arkan Real Estate Development Company (Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

27. 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 2022 and 31 December 2021 are as follows:

31 December 2022							
	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	2,468,249	1,067,341	1,354,179	7,326,714	352,543	-	12,569,026
End of service indemnities	-	-	-	-	-	26,911	26,911
Trade payables and others	124,181	1,709,660	526,640	127,940	46,225	186,936	2,721,582
Total	2,592,430	2,777,001	1,880,819	7,454,654	398,768	213,847	15,317,519

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

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.

Price Risk

Price Risk is associated to the fair value or future cash flows of a financial assets/securities that will fluctuate because of changes in market prices. It primarily stems from investments in securities’ trading. The Group has limited exposure to price risk with such risk arising from investments in securities carried at fair value. However, the position in investments in securities, considering current and expected future economic trends, is regularly reviewed.

28. 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. The estimated uncompleted contracts outstanding as at 31 December 2022 amounts to SR 210 million (31 December 2021: SR 168 million) and performance commitment through a bank guarantee for SR 74 million against receivable collected (31 December 2021: 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 2022, there were no significant claims notified (31 December 2021: None).

29. Events After The Reporting Period

Subsequent to the date of the consolidated financial statements, on 28 February 2023, Dar Global PLC, an indirectly wholly owned subsidiary of the Group, had direct listing to the London Stock Exchange’s main market for listed securities. Dar Global PLC offered 21,621,612 ordinary shares for subscription through a private placement at a price of USD 3.33 per share with a total value of USD 72 million. The Group, post listing, retained 88% of shares in Dar Global PLC.

The management is still assessing the impact of this transaction in the consolidated financial statements of the subsequent period.

30. Approval Of The Consolidated Financial Statements

The consolidated financial statements were approved by the board of directors and authorized for issue on 29 Shaaban 1444H (21 March 2023).







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As Suwaidi

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Salbukh Road

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Al-Khalidiya, 23422,
Prince Saud Al Faisal Road

Medina
Prince Sultan Road – Al Hijra,
Al Madinah Al Munawarah

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