DAR AL ARKAN

30 YEARS

ANNUAL REPORT 2023

King Salman
Bin Abdulaziz Al Saud

/

The Custodian of the two Holy Mosques

Crown Prince Mohammad Bin Salman
Bin Abdulaziz Al Saud

/

Prime Minister

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about Dar Al Arkan

PURPOSE

To support the urban expansion of Saudi cities and the access to homeownership 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 fulfill and add value to the social, cultural, recreational, and commercial needs of our communities, maximizing long-term financial returns for our investors

ABOUT DAR AL ARKAN

LOCATIONS

KSA

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

JEDDAH
Al Manar
Golden Coast
Shams Al Arous
Qasr Khozam
Commendatore Tower

MECCA
Dar Al Mashaer
Al Awali villas

YANBU
Al Mourjan

MEDINA
Naeem Al Jiwar

BURAIDAH
Buraidah Hills

DAMMAM
Juman Project
Seashells Project

SPAIN

MALAGA
Tierra Viva
Marea
Tabano

UK

LONDON
The 4th Floor Flat of 149 Old Park Lane
Oh So Close
8Min to Central

BOSNIA & HERZEGOVINA

SARAJEVO
Sidra

UAE

DUBAI
Urban Oasis by Missoni
Da Vinci Tower by Pagani
W Residences
DG1

OMAN

MUSCAT
Aida
Trump Villas
U Music Hotel

QATAR

DOHA
Les Vagues by Elie Saab
The Weekend
The Weekend 2

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 Irish Stock exchange and 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 Irish Stock exchange and Dubai NASDAQ

2020

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

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

2021

Relaunch of Dubai tower under Urban Oasis by Missoni

Launch of new international projects: Dar Al Arkan Pagani Tower in Dubai and Aida in Oman

Handover of 1st plots in Shams Ar Riyadh

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 Irish Stock exchange and Dubai NASDAQ

2023

Listing the shares of Dar Global PLC (indirectly wholly owned subsidiary of the Group) on the London Stock Exchange's main market for listed securities.

Launch of Etoile in partnership with Elie Sabb in Sedra integrated community in Riyadh

Issuance of 13th Sukuk in the value of $600 million in Jul 2023 and maturing in Feb 2029, listed on the London Stock Exchange and Dubai NASDAQ

ABOUT DAR AL ARKAN

AT A GLANCE

Capital Share

10.8
SAR BILLION

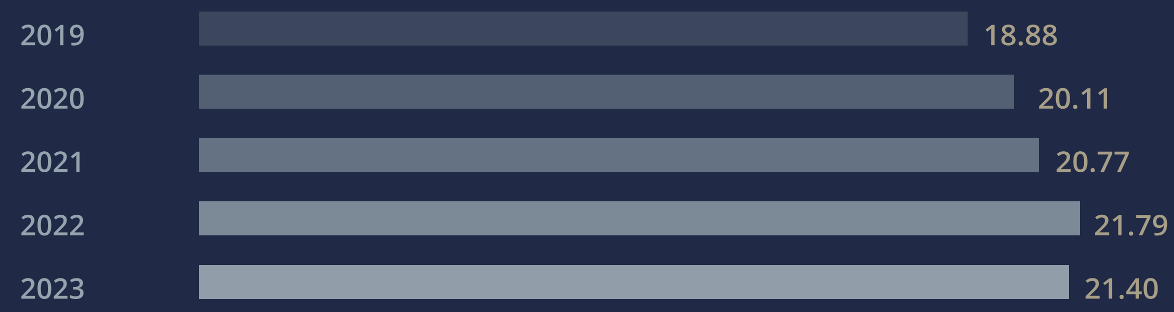
Assets

34
SAR BILLION

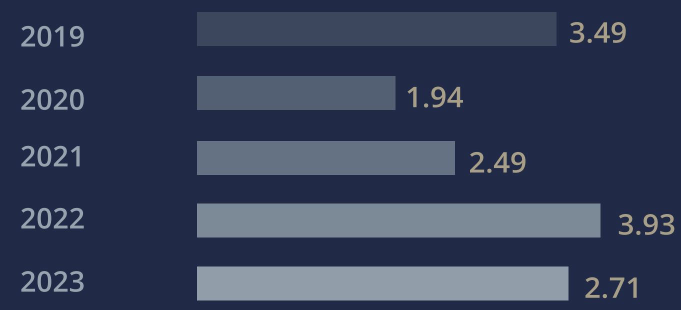
Book value per share

18.79
SAR BILLION

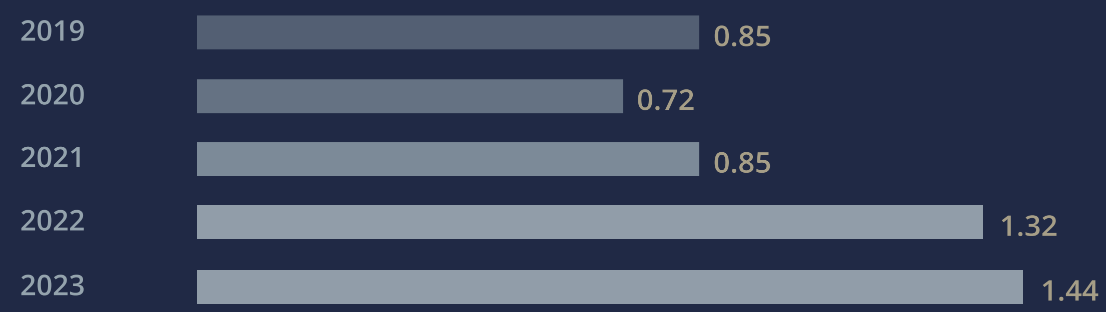
Investment and Development Properties (SAR Billion)



Revenue (SAR Billion)



EBITDA (SAR Billion)



message of the chairman

> "Dar Al Arkan has clear strategic priorities for growth, an ambitious plan and the resources, world class capability and credibility to pursue them."

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 2023. The Group maintained the positive momentum from 2022 as it moved further away from the adverse impacts of pandemic. Led by a strong management team, Dar Al Arkan continues to deliver strong performance with an enhanced focus on positioning its growth.

The result also reflects the strength of our diversified offerings and the cumulative impact of almost thirty years' worth of focused and disciplined efforts by the Dar Al Arkan team to create a high quality, resilient portfolio and development pipeline. The initial earning benefits of the strategy are evident, along with our disciplined approach to capital management. Portfolio quality and balance sheet strength come to the fore during periods of economic and market uncertainty.

As the world continues facing issues like energy shortages, and high inflation, we remain focused on proactively addressing problems before they become crises. From social unrest to economic uncertainty, we are planning resilience in every aspect of our business. As we approach 2024, we are optimistic and equipped to adapt to a quickly evolving landscape while never compromising our high standards.

Saudi Arabia's real estate market continues to show promise. This is fuelled by a growing non-oil economy, a thriving hospitality sector, and increased government investment in infrastructure. While residential property sales have slowed due to rising mortgage rates and existing property prices, there were positive signs in H2 2023 with a rise in residential sale prices. The office sector has also performed well. Government initiatives like homeownership programs and attracting multinational companies should continue to boost the market.

Looking ahead to 2024, the market outlook is generally positive. A strong non-oil economy, rising investment, and moderate inflation are tailwinds for the market. However, higher interest rates could be a challenge.

With a favourable real estate market outlook, Dar Al Arkan entered 2023 ready to build on our strong momentum. Our adaptive business model delivered another year of steady revenue generation, closing at SAR 2.7 billion for 2023 and sustained a healthy gross profit margin of 40% average during the 2023. We kicked off 2023 with massive SAR 5.9 billion in ready cash, primed for growth. By strategically expanding our land holdings, we closed the year at a strong liquidity of SAR 5.4 billion in cash reserves, reflecting a focus on long term growth and providing ample coverage for debt repayments.

During the year, the company listed $600 million in Sukuk on the London Stock Exchange and Nasdaq Dubai exchange. This issuance marks the company's 13th overall and 9th under the company's $2.5 billion Trust Certificate Programme, set to mature in 2029. With the latest listing, Dar Al Arkan has now brought the total value of their securities on Nasdaq Dubai to $2 billion across four Sukuk.

Operationally, our projects made great headway in both sales and development progress. We also launched pioneering developments, locally and internationally.

To accelerate international expansion, we were proud to officially list our subsidiary Dar Global on the London Stock Exchange standard segment in 2023. As one of the first homegrown Saudi brands on the London Stock Exchange, it marks a major milestone for our company's vision.

The company's purpose is based on long-term social and financial value; therefore, we are integrating ESG criteria in our decisions and enhancing our real estate assets to drive positive impacts. Our sustainability framework has five key pillars: conserve resources, enable communities, develop our people, deliver value, and drive technological innovation. Based on these pillars, we have defined several ESG key performance indicators, which are actively monitored and updated according to the dynamic environment.

We are actively looking to serve the communities we operate in, our supply chain, and the markets we serve. We continued our journey towards automation, adoption of latest technology and sustainability practices during 2023.

We are committed to reducing our carbon footprint and increasing resilience to climate risks across our real estate assets. Our focus is on integrating sustainability practices into all aspects of our operations, projects, and decision-making processes to create lasting value for our stakeholders. We are dedicated to contributing our part to support the Kingdom's Green Initiatives and national sustainability goals.

With innovation and sustainability at the core of every decision we make, I believe our positive impetus will continue. We have cultivated a real spirit of creativity as our curiosity pushes us to constantly improve. Our commitment is that as we grow, we will stay focused on our vision to deliver value to all our stakeholders, from customers to partners to communities. The chance to make a positive difference energizes us.

Our learnings through recent years have prepared us well for the uncertainty ahead. By prioritizing agility and innovation, we can thrive in difficult conditions and create a sustainable positive impact. I deeply appreciate all those who have contributed to our success along the way - our dedicated investors, trusted partners, loyal customers, the communities we serve, and most importantly, the talented Dar Al Arkan team members who drive our progress. We could not navigate this journey without the support and collaboration of so many stakeholders. I am confident Dar Al Arkan has the expertise and dedication needed to solve complex challenges long into the future.

strategic review

MESSAGE OF THE CHIEF EXECUTIVE OFFICER

Anand Raheja
CHIEF EXECUTIVE OFFICER

“The solid performance we delivered in 2023 provides us with clear momentum and we expect to deliver another year of meaningful growth in 2024.”

After surviving the pandemic impacts during the year 2020 and 2021 and emerging with solid performance in year 2022, Year 2023 brought hope for a new era of stability and progress. Though global headwinds remain, I am proud of our team’s resilience and how we have regained momentum initiated from last year, affirming the soundness of our strategy and vision’s foresight. We will continue building operational excellence into the culture of our organization. And we remain committed to deploying cutting-edge real estate offerings that uplift communities worldwide.

Saudi Arabia has seen a robust economic resurgence following the pandemic recovery. The Kingdom’s GDP remained more than US$ 1 trillion in 2023, as per Ministry of Finance estimates. Oil revenue declined in comparison to last year as the government reduced oil output to sustain oil prices in the global market. The real estate market also witnessed fresh tailwinds. The Saudi real estate market signed off 2023 on an upbeat note, recording a nationwide price increase of 0.7% year-over-year. According to recent official press release, average prices in residential sector rose by 1.1% driven by increase in price of land plots and apartments by 1.2% and 0.8%, respectively.

As macro conditions strengthen, the outlook remains positive for both the Kingdom and the real estate sector. Year 2023 represented a definitive rebound from the uncertainty of past few years. With prudent economic stewardship and strategic reforms, Saudi Arabia appears primed to embark on a new era of prosperity.

Reinforced by positive economic landscape, Dar Al Arkan delivered solid operational and financial performance in 2023. Although our topline revenue experienced a 31% year-over-year (YoY) decrease, closing at SAR 2.7 billion. This primarily reflects the exclusion of Dar Global PLC's results following their successful listing on the London Stock Exchange. However, on a positive note, we achieved a significant YoY growth of 38% in net profits. This robust profitability demonstrates our commitment to strong execution and delivery. We advanced major development initiatives across our asset portfolio, underscoring our commitment to accelerating Saudi Arabia's real estate transformation.

Seeking to sustain positive momentum, we introduced an array of new ventures and initiatives during the year, such as Etoile Community was launched in partnership with Elie Saab, a global fashion icon's first-ever branded residential experience now available in Saudi Arabia exclusively through Dar Al Arkan. Located within master planned SEDRA community in Riyadh, Etoile offers a sanctuary of luxury, tranquillity and style curated by the House of Elie Saab. With transformative developments like Etoile, we will continue advancing the Kingdom's most ambitious lifestyle communities. In continuation of our partnership and support with ROSHN, a Public Investment Fund backed national developer, we also managed to secure another contract before close of the year to develop residential units at a much bigger scale in the integrated residential community of SEDRA. Apart from the above, we successfully made major inroads to our ongoing projects that are nearing completion such as Dar Al Mashaer, Buraidah Hills and Shams Al Arous.

In February 2023, Dar Al Arkan reached a huge milestone of successful listing of our subsidiary, Dar Global PLC, on the London Stock Exchange at a valuation of US$ 600 million. Since then, it has achieved significant progress in terms of operations with 12 active projects at an estimated GDV of SAR 22 billion and financially with YoY growth in revenue of 351%, 12x growth in YoY EBITDA and Net Profit increased to SAR 312 million from the situation of Net Loss in 2022.

During the past year, prudent fiscal stewardship again allowed us to uphold robust liquidity while repaying all debts on schedule. Through strategic financing mix of Sukuk and bilateral bank facilities, we raised SAR 2.6 billion in new capital to fuel expansion and repaid SAR 3.3 billion. Sustained and uninterrupted access to capital enable us to act on opportunities on timely basis.

We marked another milestone year for our continued sustainability journey as we focused on integrating environmental, social, and governance (ESG) principles throughout our business operations. We acknowledge the importance of sustainability in our long-term success and improved value for our stakeholders.

This year we refreshed our materiality assessment to ensure our strategic priorities align with the ESG issues most significant to our company and stakeholders. This validates the continued importance of ethics, transparency, economic performance, talent management, and environmental stewardship. It also highlighted increasing expectations around sustainable building development and customer value creation.

Building on the foundations laid in 2022, we accelerated efforts to reduce our carbon footprint and strengthened governance practices to better evaluate and prioritize ESG initiatives. In line with KSA's Net Zero 2060 initiatives, we are also fully committed and on course to achieve that target. Through our environment related initiatives, we managed to reduce our direct and indirect emissions by almost 16%.

We will continue partnering with stakeholders, aligning with global standards like the SDGs, and positioning Dar Al Arkan as an ESG leader in KSA's real estate sector. I am confident our sustainability focus will drive innovations, efficiencies and competitive advantages that fuel our success for decades to come. We are leveraging the robustness of our business model and staying true to our values and ideals to shape a better tomorrow.

I extend profound thanks to all those who have contributed to our success. It is only the beginning, and I look forward to the next achievements we will celebrate together.

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 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 offer the premium living experience to Saudi clientele

- 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 footprint in collaboration with luxury brands

- To enhance stakeholder value, Dar Al Arkan continues to increase its 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 and/or suppliers 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.

- After the completion of the first two mock up villas in Shams Ar Riyadh Project during 2022 using 3DCP, Dar Al Arkan managed to deliver one drive through Café and four accommodation pods in 2023.

New Project Launch

- Aligned with the company's overall strategy of working closely with government initiatives and entities to help achieve VISION2030 and increase the quality of life in Saudi Arabia, Dar Al Arkan continued to strengthen its relationship with ROSHN (PIF entity) by securing a recent agreement to develop 200 luxury villas within the SEDRA flagship project in northern Riyadh. This agreement was formalized in March 2024, and the commencement of construction has followed. This is the second project of Dar Al Arkan in partnership with ROSHN.

- Commendatore Tower that is co-branded with Lamborghini located on strategic location at Jeddah Corniche was initiated last year and detailed design of the tower is currently being carried out with construction activities soon to be initiated.

This is
DAR AL ARKAN living

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

THIS IS DAR AL ARKAN LIVING - national projects

RIYADH, SAUDI ARABIA

Shams Ar Riyadh

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 four zones, over an area of 3.1 million sqm.

The remaining zones are being solad 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 2023:

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. Infra works are currently on hold due to pending approvals from regulatory authorities.

I. Mock-up Villas:
Seven Mock-up VIP villas are already constructed.

II. 3D Printed Mock-Up Villas:
Dar Al Arkan 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 VISION2030 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.

THIS IS DAR AL ARKAN LIVING - national projects

JEDDAH, SAUDI ARABIA

Shams Al Arous

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. Significant portion of the onsite construction work was completed by the end of 2023 and out of the total 876 plots in the project, 267 plots were released for sale and 244 of these were sold/booked.

JEDDAH, SAUDI ARABIA

Qasr Khozam

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 the year 2021, 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.

THIS IS DAR AL ARKAN LIVING - national projects

MAKKAH, SAUDI ARABIA

Dar Al Mashaer

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 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 started in 2021 and was completed in Q2 2023. Apartments are currently being handed over to the customers.

THIS IS DAR AL ARKAN LIVING - national projects

JEDDAH, SAUDI ARABIA

Commendatore Tower

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 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 2022. Detailed design of the tower is currently being carried out, that is forecasted to be completed by early 2024. Building permit request was submitted to Jeddah Municipality at the end of 2023. Construction phase will commence immediately at site once building permit is obtained.

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.

THIS IS DAR AL ARKAN LIVING - national projects

EASTERN PROVINCE, SAUDI ARABIA

Juman Island

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 centre 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.

As of end of 2023, the updated Concept design was submitted to the Eastern Province Development Authority and the No Objection Letters were received from Notary Public and Ministry of Industry and Mineral Resources.

BURAIDAH, SAUDI ARABIA

Buraidah Hills

A return to our roots, is how we 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 the target to be completed by the second quarter of 2024. By the end of 31 Dec 2023, the infrastructure work progress at site is estimated at 95%.

THIS IS DAR AL ARKAN LIVING - national projects

RIYADH, SAUDI ARABIA

ETOILE Villas, SEDRA Master Plan by ROSHN

Dar Al Arkan is developing three blocks of Villas in North of Riyadh as part of a bigger Master development on Serviced Plots, the Etoile Project, comprises of 163 villas to be executed on 163 plots totalling 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.

Etoile Project consists of three Zones and includes seven villas' typologies with plot sizes ranging from 200 to 350, and total Built up area of 54,992 sqm and these Villa's will be branded with Elie Saab.

Development phase was completed in 2023 and construction has also commenced in H2 2023 after site hand over to Dar Al Arkan by the Master Developer (ROSHN). Progress at site is almost 33% and is estimated to be fully complete by H1 2025.

THIS IS DAR AL ARKAN LIVING - national projects

RIYADH, SAUDI ARABIA

SEDRA Phase 1A Wave 8 by ROSHN

Dar Al Arkan have recently secured another contract to develop three blocks of Villas in North of Riyadh within ROSHN Sedra Master plan development. This Project will comprise of 200 villas to be executed on 200 plots with a net total land area of 56,280 sqm.

These Villas will be developed in a serviced master plan with all the necessary infrastructure to be provided by the master developer ROSHN. The architectural design of the subject villas shall comply with master plan guidelines and Salmani style typology. Project will include four villas' typologies with plot sizes ranging from 250 sqm to 350 sqm, and total Built up area of 67,536 sqm.

PROPERTY MANAGEMENT AND LEASING

Qasr Mall

THIS IS DAR AL ARKAN LIVING - property management and leasing

RIYADH, SAUDI ARABIA

Parisiana

Dar Al Arkan's Parisiana leasing community stands out as a significant development within the Kingdom. Located in Riyadh's Al-Swaidi district, its modern design and spacious layouts cater to the needs of middle-income families, as well as government and corporate institutions.

Strategic positioning adjacent to King Fahad Road grants convenient access to key government agencies and the central business districts. This strategic advantage, coupled with the project's appeal, has resulted in impressive leasing success, with approximately 92% occupancy achieved by December 31st, 2023.

THIS IS DAR AL ARKAN LIVING - property management and leasing

RIYADH, SAUDI ARABIA

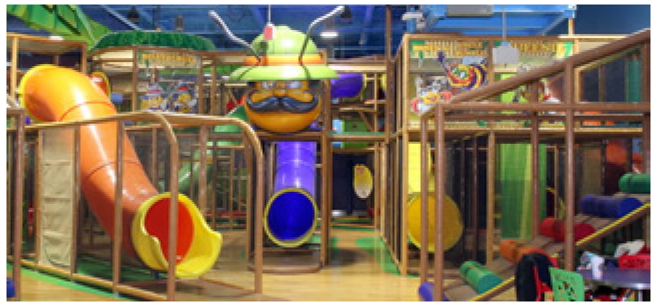
Qasr Mall

Al Qasr Mall serves as a prominent retail and entertainment hub for residents in central, southern, and western Riyadh. Spanning over 235,000 square meters, it offers a comprehensive tenant mix, including family entertainment options, diverse food and beverage outlets, a 15-screen Vox Cinema, and a Yalla! Bowling alley.

The mall prioritizes a modern and spacious environment, catering to the needs of shoppers, social gatherings, and family leisure activities. Its success is reflected in the impressive 88% occupancy rate achieved by December 31st, 2023. It witnessed the addition of several notable brands during 2023 such as KFC, Fun Land, Brands For Less, and more.

Further enriching the visitor experience, the largest Billy Beez venue in the region was introduced in 2022, offering 3,188 sqm of entertainment space. Additionally, an ice-skating rink and a ninja obstacle course were also launched at the end of 2022, providing unique experiences for children.

Al Qasr Mall's popularity is evident in its strong footfall, exceeding 6.5 million visitors in 2023, representing an 8% increase compared to 2022.



Major Brands in Qasr Mall

DARGLOBAL

Invest in Luxury

Dar Global was Dar Al Arkans international foray established in 2017 to diversify its asset class by capitalising niche opportunity available in the international real estate development business; the initiative was originally an indirect subsidiary with couple of projects, which now grown to a well-positioned, publicly listed Company with a portfolio of twelve projects boasting an estimated Gross Development Value of SAR 22 billion.

Post listing Dar Group retained its investment in the entity to harvest the growing benefits of expanding international operations.

Dar Global is a highly differentiated international real estate business. The Company focus predominantly on developing second homes for affluent global citizens, collaborating with iconic brands to deliver breathtaking living experiences in some of the most desirable locations across the Gulf Cooperation Council (GCC), UK and Europe.

On 28th February 2023, Dar Global PLC, an indirectly wholly owned subsidiary of the Dar Al Arkan, listed its shares on the London Stock Exchange's main market for listed securities. Following a private placement of new shares by Dar Global PLC, the Dar Al Arkan's ownership interest was diluted from 100% to 88%. Consequently, the Dar Al Arkan no longer holds controlling interest in the Dar Global PLC according to listing requirements. However, it still retains significant influence. Therefore, the investment in Dar Global PLC has been reclassified as an associate and accounted for under the equity method.

The below are the summarised update on the current ongoing projects.

Aida, Muscat

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PORTFOLIO OVERVIEW

DUBAI, UAE

Urban Oasis

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 in collaboration with Missoni, the Italian luxury fashion designer. 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.

The Urban Oasis tower is designed to cater to middle to high-income market segment and comprises 467 modern apartments. This project was relaunched in Q4 2021 and with forecasted project completion of March 2024.

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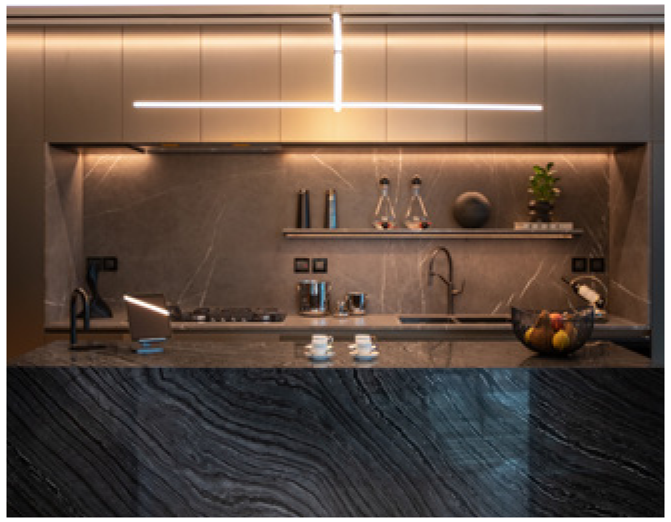
DUBAI, UAE

Da Vinci Tower by Pagani

Da Vinci Tower is a residential building in Downtown Dubai featuring interiors designed by Pagani, an internationally known high-end Italian automotive and design house. The original asset was acquired in Q4 2021 and a full interior refurbishment to a luxury standard is underway.

It is the world's first tower furnished by Pagani Arte Collection. A prestigious collection of Pagani Arte-furnished residences is strategically located along the canal part of Business Bay district in Downtown Dubai. It overlooks the world's tallest building Burj Khalifa and is a stone's throw away from Marasi Business Bay. The tower is a true geometric symphony of perfection comprised of 3 basement levels, a ground floor and 19 floors of residential masterpieces offering 85 luxury apartments.

The Da Vinci Tower is designed to cater to the high-income market segment. The refurbishment stage of the Da Vinci Tower project is expected to be fully completed by Q4 2024.



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DUBAI, UAE

W Residences Dubai - Downtown

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

This luxurious development boasts 383 units and offers a comprehensive suite of high-end amenities, including a club house, fitness center, guest suites, an infinity outdoor pool, a private cinema and business offices.

The W Residences project was launched in early 2022 and the projected completion date is estimated to be Q2 2026.

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DUBAI, UAE

DG1

DG 1 (Dar Global 1) is a 20 storey tower that is situated in the premium location by the canal in Downtown Dubai. The architecture of DG1 fully reflects its dynamic attitude. Like a haute couture creation, its distinctive twisting profile opens the doors of imagination.

DG1 stands out from the cluttered panorama since it recalls a piece of art rather than a conventional tower. Crafted by Gensler Architects, the most avant-garde designers of our time, this tower embodies a shape that reshapes the city around it. It consists of 223 units, featuring the infinity pool with outstanding views of the Dubai Canal and city landmarks and fully equipped Gym.

Launch of the project was made in Q1 2023. Construction on the project commenced in Q4 2023 and the estimated completion date is by the end of 2026.

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SARAJEVO, BOSNIA

Sidra

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.

This beautiful, gated community in the heart of Bosnia is equipped with private residential plots, a range of exceptional holiday activities, and first-class amenities. The lot areas at Sidra range from 350 to 6,767 square meters, each one meticulously designed and overlooking breathtaking landscapes all year long.

Total project land area of Sidra project is 539k sqm. Infrastructure works are currently underway.

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DOHA, QATAR

Les Vagues

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. It is launched in partnership with Qetaifan Projects, a leading Qatari real estate development company fully owned by Katara Hospitality, 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 and project was branded as "Les Vagues".

Les Vagues is the first ever residential project in Qatar with interiors designed by world renowned fashion icon, Elie Saab.

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 and floor-to ceiling windows for residents to enjoy uninterrupted panoramic views of the sea. Construction of this project commenced in Q1 2024 and is expected to be completed by Q1 2027

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YITI AND YENKIT, OMAN

AIDA

AIDA sits in the heart of Muscat, 130m above the shores. Surrounded by nature, outdoor activities and 5-star landmark destinations. This site is on the coastline approximately 25 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 3.5 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 in partnership with Trump International Organization.

The Aida project is expected to be phased over 10 years with a plan to launch one phase per year. The first phase of the project consisting of 616 units was launched in Q1 2023 and generated significant interest from customers worldwide. Infrastructure works is expected to commence in Q1 2024 with phase one expected to complete in Q1 2027 and the entire project to complete in December 2034.

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MALAGA, SPAIN

Tierra Viva

Tierra Viva is our first project in continental Europe. 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.

Tierra Viva in Behanavís – Costa del Sol is an exclusive residential community of 53 exclusive luxury grand villas, overlooking the Mediterranean Sea with design inspired by the legendary Automobili Lamborghini. 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 project was launched in Q2 2023 and currently it's under construction that is expected to be completed by end of 2026.

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CORTISIN, SPAIN

Marea

Marea, our second project in Spain was unveiled in August 2023, with interiors designed by Missoni. 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 Andalucia coast, not far from the Finca Cortesin resort which has an 18-hole championship golf course rated among Spain's best golf courses.

Marea by Missoni is an exclusive residential community thoughtfully crafted to harmonize with the captivating scenery of Costa Del Sol. The total land area of project is 16,467 sqm. Dar Benahavis intends to build 64 residential units on this land, with the residents getting access to the private golf course of the Finca Cortesin resort and 24/7 concierge home services.

Marea project is currently in the pre-construction phase. Construction is expected to commence in Q2 2024, and the project is expected to be completed in Q2 2027.

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MALAGA, SPAIN

Tabano

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. Consultants have been appointed for the development of the concept master plan and associated infrastructure plan.

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LONDON, UK

Old Park Lane

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 its near to Hyde Park, The Ritz, Harrods and Knightsbridge. This property is a single apartment on one floor of the building. 149 Old Park Lane is a sophisticated landmark building with an important role in London's architectural heritage. The shareholders of the joint venture planned to reconfigure and improve the existing layouts and undertake a full refurbishment of the flat, with an expected completion of the refurbishment in Q1 2024.

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LONDON, UK

8min-to-Central

Experience the finest in contemporary living in the exclusive 8min-to-Central residential building that is nestled in the highly sought-after area of Ealing Broadway, this prestigious property offers the perfect blend of quaint urban living and proximity to central London.

8min-to-Central boasts an exceptional positioning, just a 2-minute walk from the tube and Crossrail station. It provides access to the heart of the city in just 8 minutes via the Elizabeth line. This exclusive development offers 9 meticulously designed units of 1, 2 and 3 bedrooms, each thoughtfully crafted to provide a haven of elegance and comfort. From spacious living areas to designer finishes, every detail has been carefully considered to create a truly exceptional living experience.

This project is currently under development and is estimated to be ready by Q2 2024.

THIS IS DAR AL ARKAN LIVING - DAR GLOBAL | Invest in Luxury

LONDON, UK

Oh So Close

Oh So Close offers an extraordinary residential setting, where modern design seamlessly blends with the peaceful beauty of nature.

Positioned just steps away from the picturesque Walpole Park and serene Lammas Park, this prestigious property offers the perfect combination of tranquillity and convenience. It is located with the convenience of being a mere 10-minute stroll from West Ealing Station, the heart of Central London can be reached effortlessly within minutes using the recently inaugurated Elizabeth line.

This project comprises of two 3-storey houses divided into 17 luxury flats, including spacious duplexes and remarkable lower ground apartments. This project is under development and is estimated to be ready in Q2 2024.

Saudi real estate

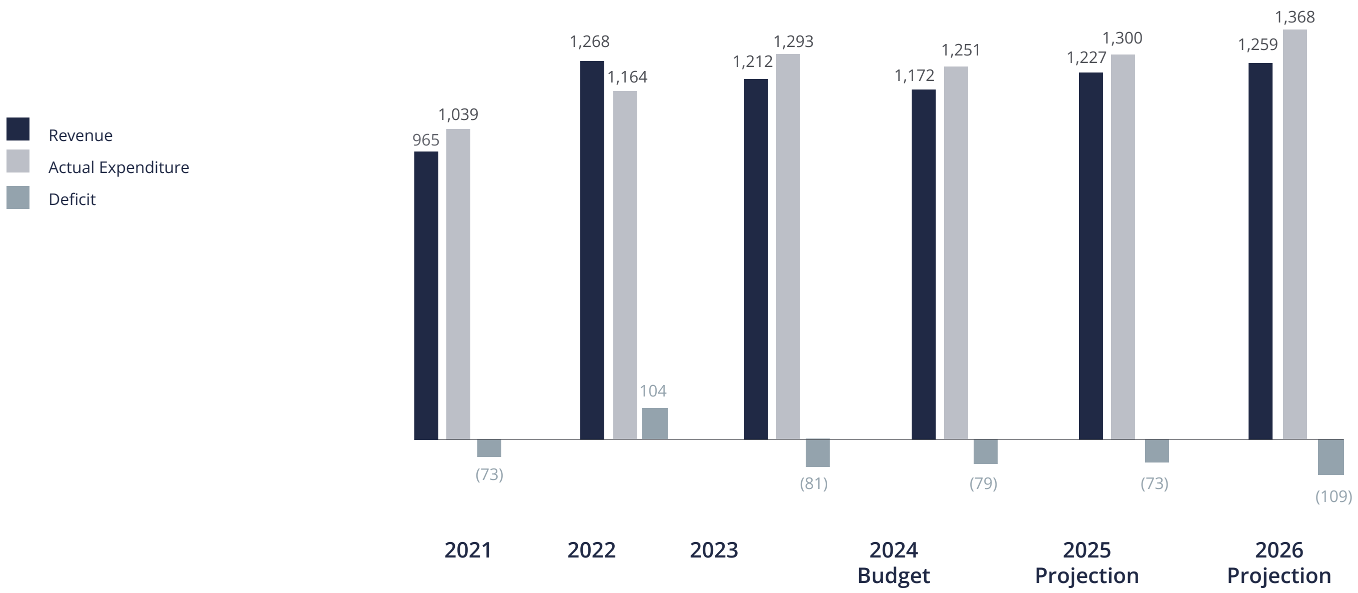
As we enter 2023, global economic challenges such as lingering pandemic impacts, supply chain issues, inflation and other factors remain a source of hindrance for the growth outlooks across sectors. However, through proactive reforms, Saudi Arabia continues demonstrating resilience and upside potential despite external uncertainty.

Since the implementation of Strategic VISION2030 measures, the Kingdom delivered notable GDP growth for two consecutive years 2021 and 2022. However, growth was neutralised in 2023 mainly due to retreat in oil related activities though still managed to increase the government reserves and maintained the inflation rate in check below 2.6%. In 2023, the Kingdom recorded a budget deficit of SAR 81 billion reversed from the budget surplus in 2022.

Despite the anticipation of budget deficit during next three years, the Saudi government is committed to continue the expansionary spending policies towards Giga projects and its support to social protection programs. Saudi Arabia is expected to tap the international debt markets to finance a projected budget deficit in upcoming years. It is also seeking to attract more foreign direct investment while positioning itself as a regional financial and logistics hub.

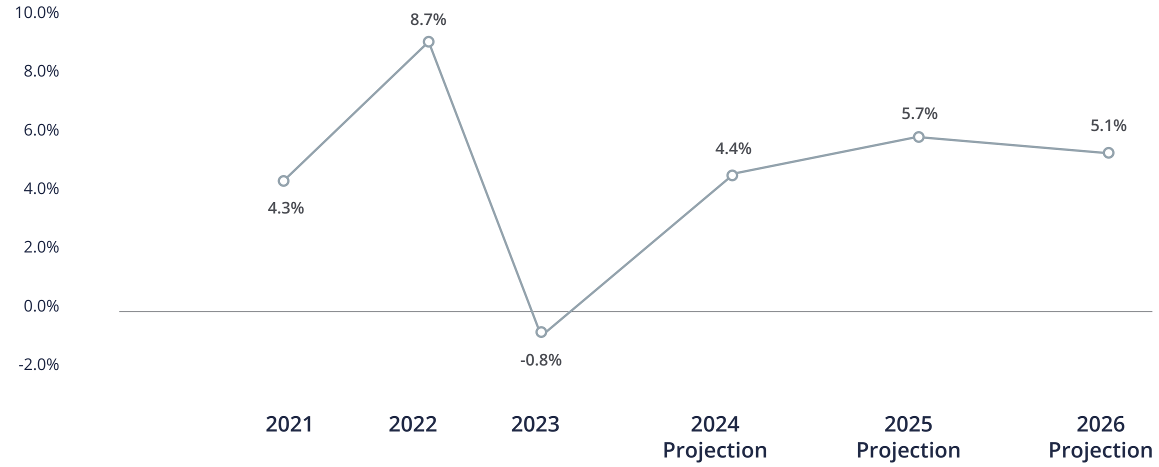
FISCAL PERFORMANCE

(SAR Billion)



Source: Ministry of Finance

GDP GROWTH



Actual Source: General Authority for Statistics

Projection Source: Ministry of Finance

SAUDI REAL ESTATE

Residential development enjoys favourable long-term prospects due to the sector's robust fundamentals.

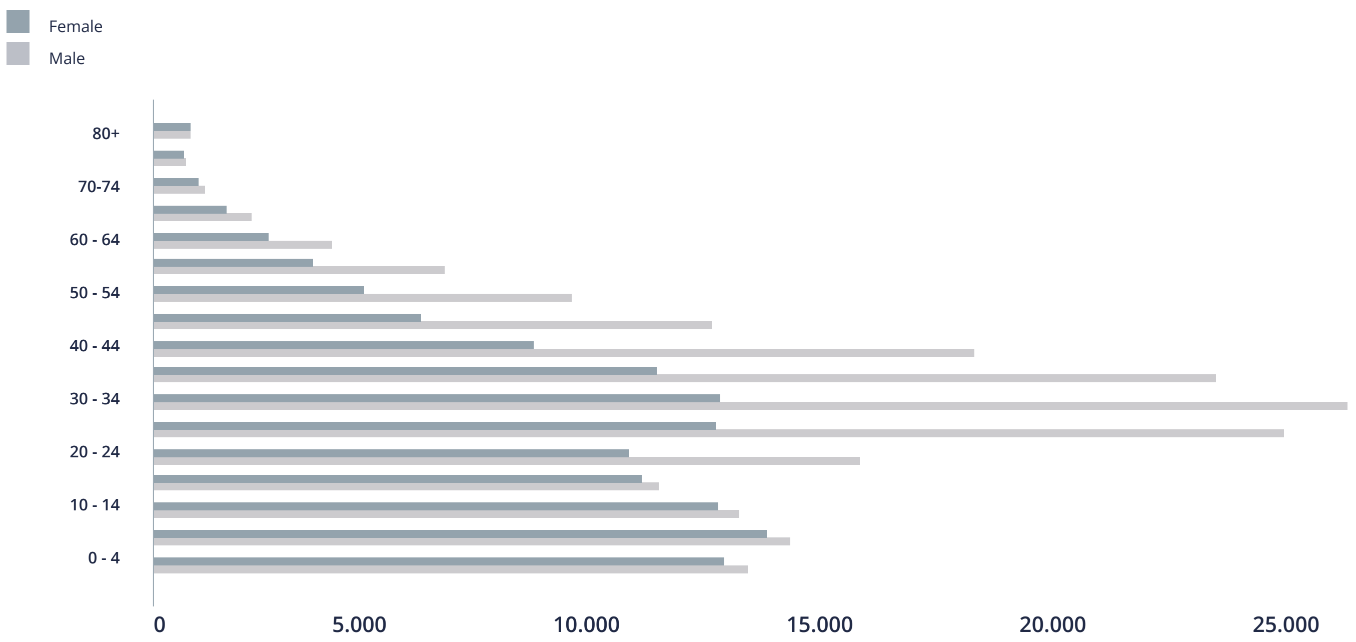
This growth is driven by four key factors:

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

POSITIVE DEMOGRAPHIC TRENDS

A young and growing population with circa 63% of below the age of 30 and a total population expected to reach 36.2 million by 2028. A shift in societal norms and the growing trend of flexible work arrangements are fuelling demand for housing among young professionals and families starting out .

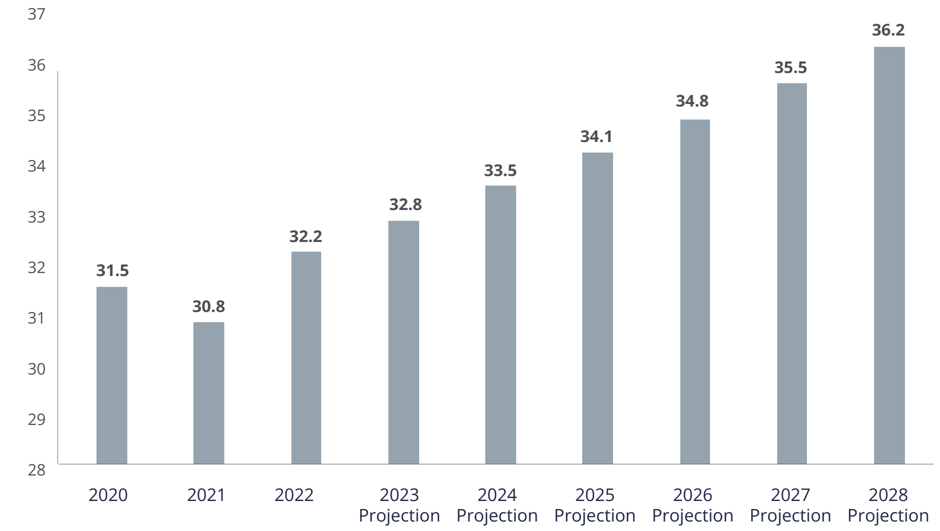
TOTAL POPULATION (AGE/GENDER)



Source: General Authority of statistics 2022

POPULATION (MN)

The population of Saudi Arabia has reached to 32.2 million with an average annual population growth of 2.5% since 2010 as per 2022 Saudi Census report. 42% of total population consists of foreign nationals.



Source: International Monetary Fund

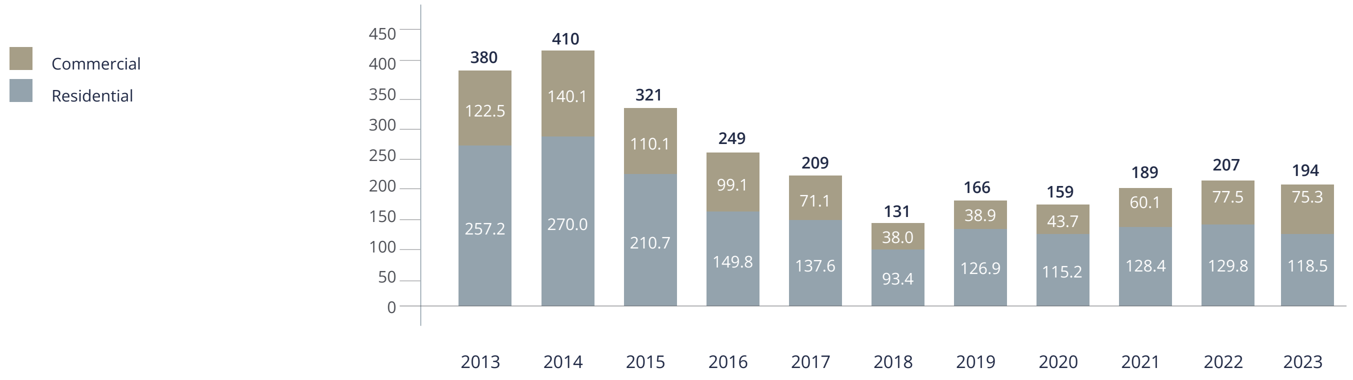
WIDENING SUPPLY DEFICIT

A shortage of housing supply has emerged in Saudi Arabia, creating a widening gap between the strong demand for homes and the limited availability. 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. As per the 2022 Saudi Census, the number of dwellings in the Kingdom reached more than 8 million, of which 51% are apartments.

In 2023, the value of residential and commercial real estate transactions in KSA reached to SAR 194 billion, a slight decrease of around 6% as compared to the year 2022.

VALUE OF REAL ESTATE TRANSACTIONS IN KSA

(SAR Billion)



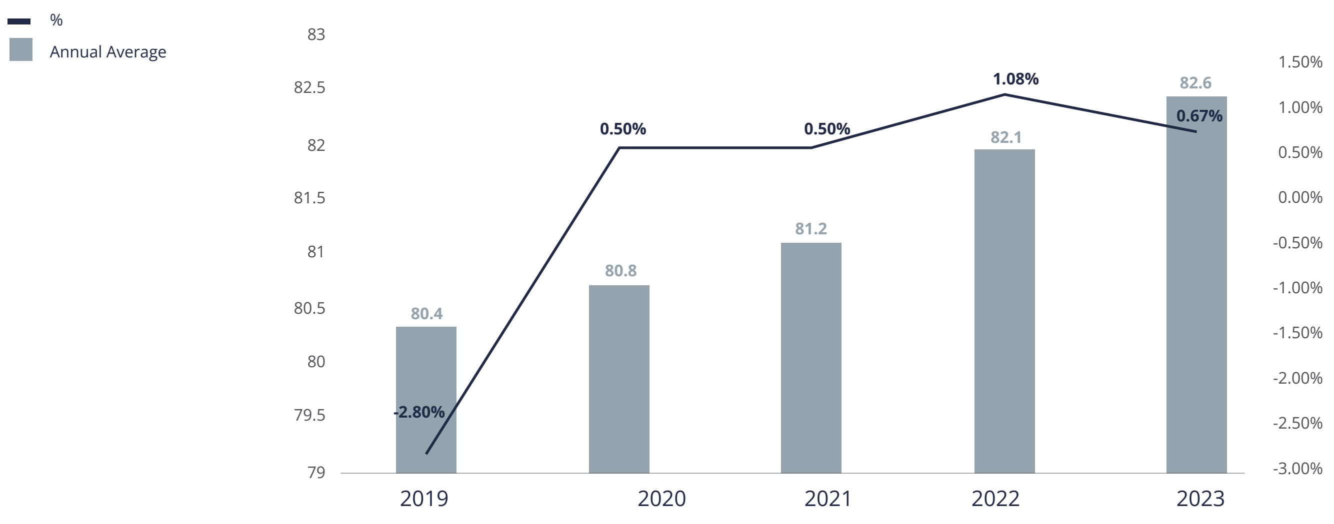
Source: Ministry of Justice

SAUDI REAL ESTATE

Widening Supply Deficit (continued)

Although the region's economies are affected by several factors; including the continued increase of interest rates at a rapid pace, the impact of global supply chains due to geopolitical conflicts, and the rise in global inflations, the effect of these factors on the Saudi real estate market remained limited during the past year. As Saudi Arabia's housing sector gathers further momentum, the total real estate market opportunity continues to broaden. Saudi Arabia's real estate price index witnessed a 0.7 percent increase in 2023, primarily attributed to a surge in residential sector prices.

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 VISION2030, has set a target of 70% to be achieved by the end of the decade. Further emphasizing the growing demand, His Royal Highness, The Crown Prince, recently announced that housing needs over the next decade are expected to exceed 4 million units.

GOVERNMENT FOCUS AND SUPPORT

The Saudi government is actively driving growth in the housing sector through initiatives of Ministry of Housing and the VISION2030 program, which has Housing as one of the 7 key pillars. 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.

Total amount deposited in the accounts of residential beneficiaries from 2017 until the end of 2023 exceeded SAR 55 billion under REDF program. Furthermore, Sakani Program announced that 101,230 families benefited from the program in 2023, during which a total of 98,480 Saudi households moved to their first homes.

Moreover, Direct investment initiatives are further fuelling the sector's growth. A prime example is the ambitious redevelopment plans for Riyadh. These plans aim to transform the city into a leading industrial and economic hub, not just for Saudi Arabia, but for the entire region. With a projected population of 15 million inhabitants, Riyadh's future demands a robust housing market.

Sustainability

1. INTRODUCTION

At Dar Al Arkan (the "Company"), 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 maximizing shareholder returns. As part of this mission, we have implemented comprehensive ESG policies and programs that touch every area of our company, from green building certifications to community engagement initiatives, ethical sourcing requirements and governance best practices.

This ESG Statement exemplifies our commitment to doing our part to make our operations and the world a more sustainable place. It is through these principles that we choose to run our business.

ESG AT DAR AL ARKAN

2. SUSTAINABILITY HIGHLIGHTS

Representation of female workers in senior management improved
55% in 2023

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

Delivered 4 Accommodation Pods and One Drive Through Café in 2023 using 3D Printing Technology

Protection and Preservation of greenery and other plantation

Spending on local suppliers
96% in 2023

Formation of a Sustainable Management Committee chaired by the CFO

Reducing waste and improving efficiency through
3D Printing

Safety Related Issues
zero

Implementation of LED lighting with sensors for energy conservation

Cyber Security Training
3 in 2023

Continuing a
paperless system
to reduce paper waste

Data Breach
zero

Solid Waste Generated lessened by
21% in 2023

Indirect GHG emissions decreased by
16% in 2023

Non-Hazardous Waste reduced by
16% in 2023

People returned after taking parental leave
100% in 2023

Fresh Water Consumption decreased by
9% in 2023

New Hire between the age of 18 to 30
56% in 2023

Direct GHG emissions reduced by
16% in 2023

Our suppliers assessed for sustainability risk assessment
100% in 2023

Independent Directors
33% in 2023

Identification of critical suppliers
26% in 2023

ESG AT DAR AL ARKAN

3. SUSTAINABILITY FRAMEWORK

At Dar Al Arkan, sustainability guides everything we do. Our Sustainability Framework integrates environmental, social, and governance responsibility across all the operations, built on pillars like Responsible Operations, Talent Empowerment, Environmental Commitment and more. We use this Framework to set goals across 15 priority areas and track progress through targeted programs. Our vision is clear: **conserve resources, enable communities, develop our people, deliver value and drive technological innovation**. These strategies allow us to future-proof success while driving positive change. We believe embedding sustainability company-wide is essential for achieving our business and responsible citizenship ambitions over the long term.

OPERATED RESPONSIBLY

Dar Al Arkan upholds stringent ethical business practices and legal compliance. We have implemented robust policies that govern all facets of operations - from anti-money laundering to whistleblowing to conflicts of interest. These regularly updated policies enable oversight of business activities, support product and service quality, and promote corporate responsibility towards stakeholders.

ENRICHED IN VALUE

We are committed to responsible value creation for all stakeholders. We strive to surpass customer expectations by developing best-in-class properties and providing attentive service. Understanding community needs is core to our operations; we engage deeply to uphold community rights, health, and safety and deploy innovative technologies for sustainable growth.

POWERED BY TECHNOLOGY

Technology and innovation fuel company's delivery of superior quality across our real estate developments. We integrate cutting-edge digital solutions to broaden market reach while upholding brand excellence. Furthermore, sustainability governs our architectural designs and project execution. By optimizing energy usage, materials selection, and waste management, we target enhanced environmental performance for our property portfolio.

FUELLED BY TALENT

At Dar Al Arkan, we prioritize nurturing talent and enabling people to achieve their utmost potential. We partner with world-class leaders to co-create unparalleled living spaces while providing meaningful opportunities for our employees to excel and grow. We are building an inspired community of professionals by promoting diversity and purposeful career development.

COMMITTED TO THE ENVIRONMENT

We support environmental stewardship across property development and business operations. We pursue holistic efficiency optimizations, progressive climate action and integration of innovative sustainability solutions. These initiatives enable us to minimize our environmental footprint while contributing to sustainable urbanization.

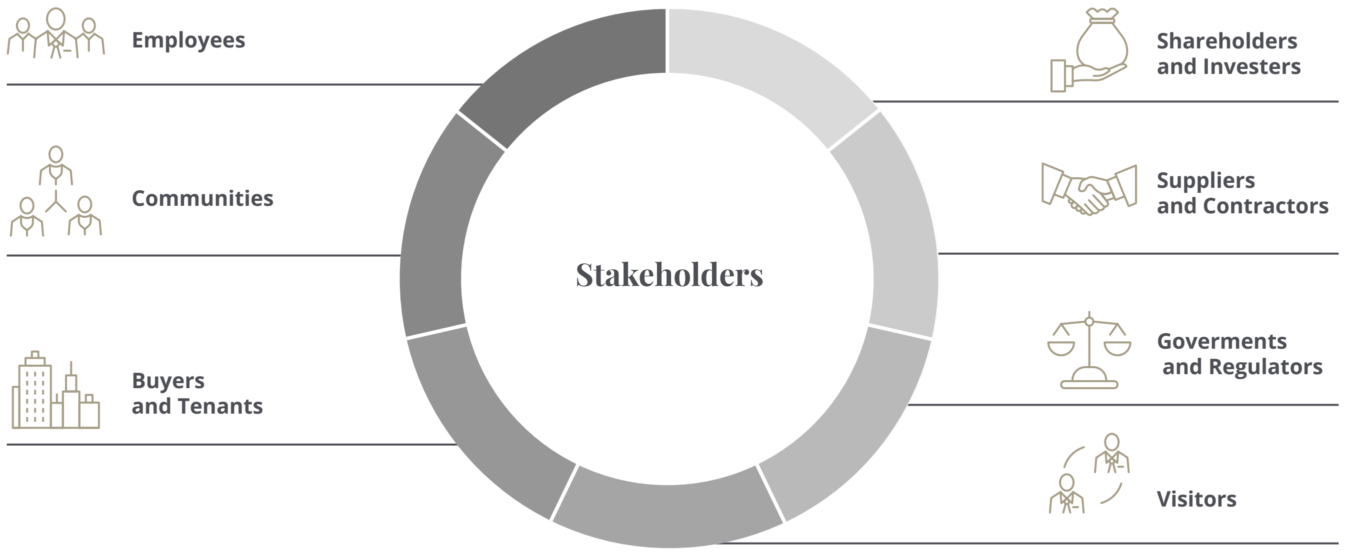
ESG AT DAR AL ARKAN

4. ALIGNMENT WITH SDGS AND NATIONAL VISION

Dar Al Arkan has aligned its sustainability strategy and material topics to the UN Sustainable Development Goals - SDGs - and Saudi VISION2030. The company's ESG framework comprises economic, environmental, social and governance priorities set out in the various SDGs, which the company is committed to achieving. This demonstrates the company's comprehensive sustainability approach and its support of national and global sustainable development commitments.

Dar Al Arkan Pillars					Alignment with Saudi VISION2030	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** • Provide access to transparent information for employees and stakeholders at all levels. • Promote employee training and development. • Conduct regular Risk assessments. • Monitor targets focused on reducing emissions, energy and water intensity. • Promote biodiversity by integrating local flora in landscape design.	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY	√ We ensure the well-being of our employees by providing a healthy working environment. √ We provide regular training and development for our employees. We support our employees for higher education. √ We promote gender equality: 25% of our employees are female. Our inclusiveness outlook encourages the employment of local Saudi nationals who represent more than 45% of our workforce.
●	●	●	●	●	**Thriving Economy** • Adopt best practices in corporate governance to enhance the trust and support of the local and global investment community. • Hire fresh Saudi national graduates from esteemed universities. • Conduct training sessions for employees. • Encourage female employees to progress into senior management roles in the company. Currently, six female employees are in senior management positions. • Promote diversity and inclusion by employing talents from diverse sources	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	√ Ensure the health and safety of all staff, prevent occupational injuries, and ensure employee wellbeing. √ We have an equal opportunity and antidiscrimination policy for our workforce. We provide facilities at our workplace for persons with disabilities. √ Our strategy supports the development of sustainable buildings and communities. √ We have zero incidents of fatalities, occupational serious injuries for the past five years (2019-2023)
●	●	●	●	●	**Ambitious Nation** • Endorse the practice of recycling and re-usage of waste. • Monitor the targets to increase material effectiveness. • Implement environmental solutions in building design. • Implement water conservation strategies and target the optimization of water usage.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	√ We have reduced our freshwater consumption by 9%. √ Direct and indirect greenhouse gas emissions have decreased by 16%. √ We have created a goal to reduce energy consumption using renewable energy.

5. STAKEHOLDER ENGAGEMENT

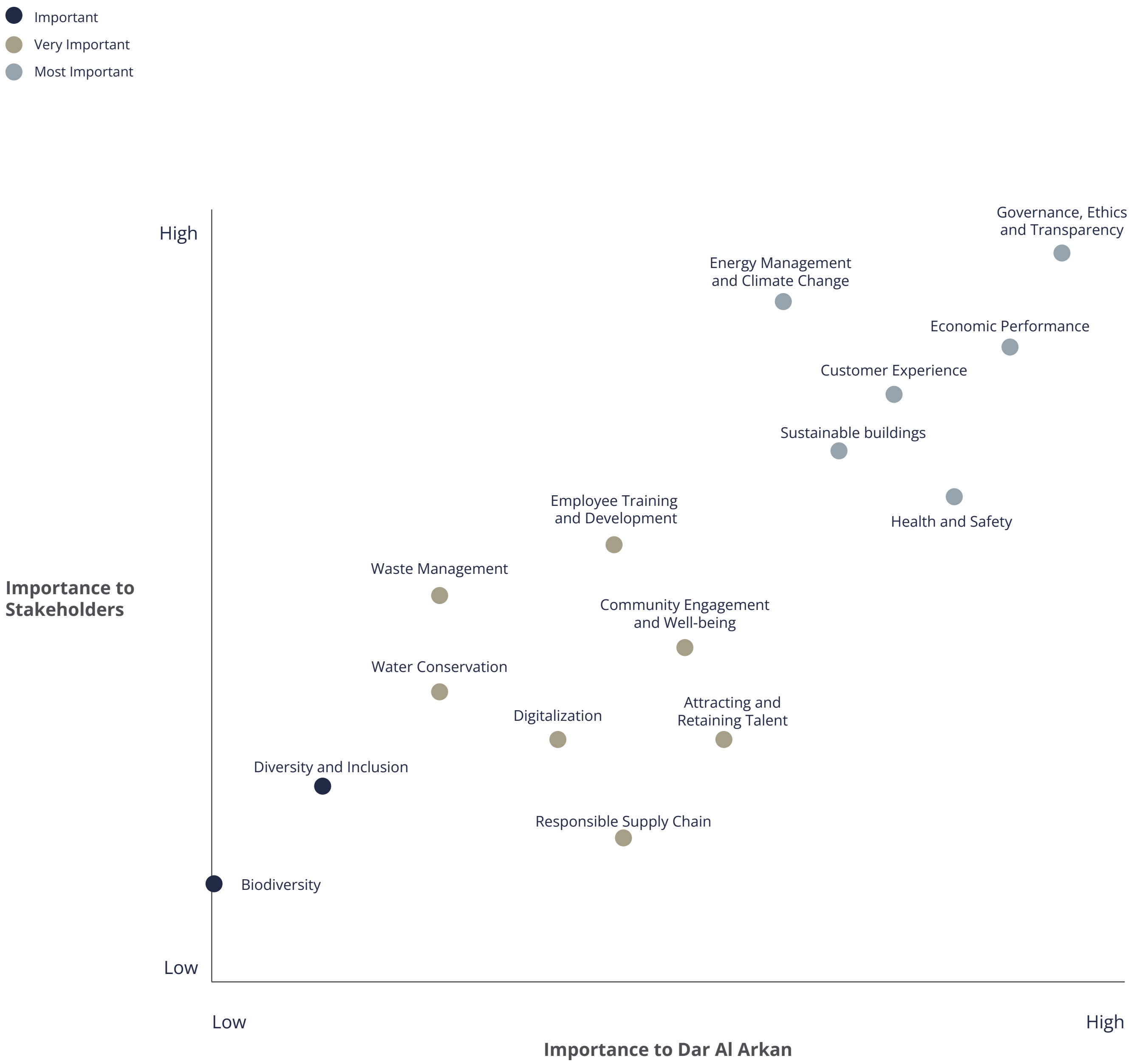


Shareholders and Investors	Active engagement with our shareholders and investors is a priority. By maintaining an open dialogue, we ensure our sustainability plans align with and serve their interests. These engagements provide us with valuable feedback for shaping policies and initiatives that responsibly grow shareholder value.
Suppliers and Contractors	We focus on cultivating win-win relationships with partners like suppliers and contractors. Our robust supply chain strategy aligns with achieving both operational excellence and strategic goals. Regular supplier assessments allow us to evaluate their offerings-from products to services, research to innovation.
Government and Regulators	We prioritize ethical conduct and regulatory compliance across all operations. Our government relations and compliance team engages policymakers and regulators in regular discussions. This open dialogue bolsters our commitment to governance, ethics and positive impact.
Visitors	We believe first impressions matter in building strong customer relationships. Our courteous, well-trained business development team offers personalized experiences to visitors. This mindful approach kicks off meaningful partnerships with potential buyers and tenants.
Buyers and Tenants	Our aim is to actively engage with buyers and tenants through varied communication, channels such as community events. Our focus is providing sustainable, eco-friendly building solutions that deliver premium quality experiences. This approach allows us to build meaningful relationships with those we serve.
Communities	Our ESG strategy aims to create environments benefiting communities. Work closely with them by providing charities and sponsorships tailored to deserving groups. The collaborative approach focuses on collectively empowering societies.
Employees	Dar Al Arkan believes employees drive our success; therefore, the company is committed to fostering an inclusive culture across genders and races and focused on creating a safe, welcoming workplace where all personnel feel valued and productive.

ESG AT DAR AL ARKAN

6. MATERIALITY MATRIX

In 2023, we refreshed our materiality analysis to validate and update the sustainability issues most critical and relevant to our operations. This process involved re-assessing the topics to understand evolving priorities for the business and our stakeholders. While governance, ethics, transparency and other focus areas remained important, we captured changes over the past two years.



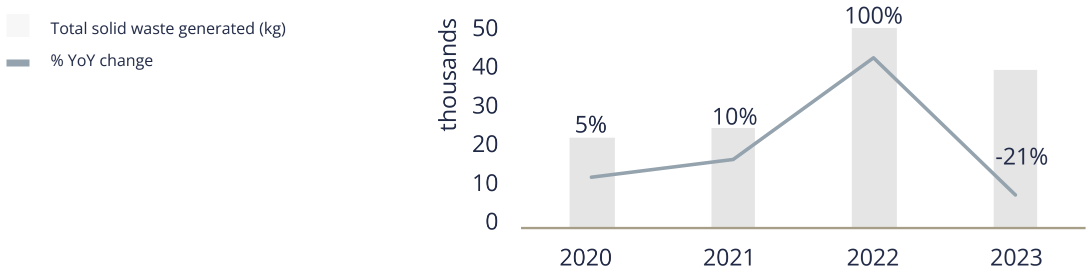
7. ENVIRONMENT

Climate change is one of the most significant risks to our world. At Dar Al Arkan, we aim to embed environmental stewardship in everything we do, implementing best practices and responsibly managing environmental risks. Our environmental policy sets the basis for our goals and activities in this field. The purpose is to ensure environmentally sound and sustainable short and long-term development and minimize negative environmental impacts.

WASTE MANAGEMENT

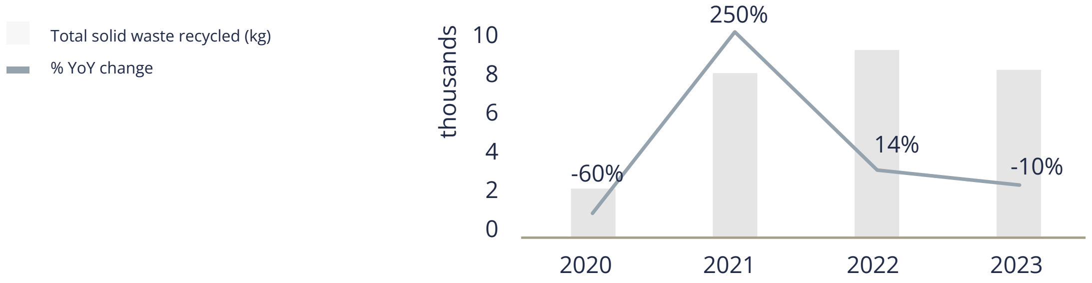
Solid waste generated

Our commitment to the implementation of waste management has led to a significant reduction in total solid waste. As a result of this initiative, we have reduced solid waste by 21% in 2023 compared to the previous year.



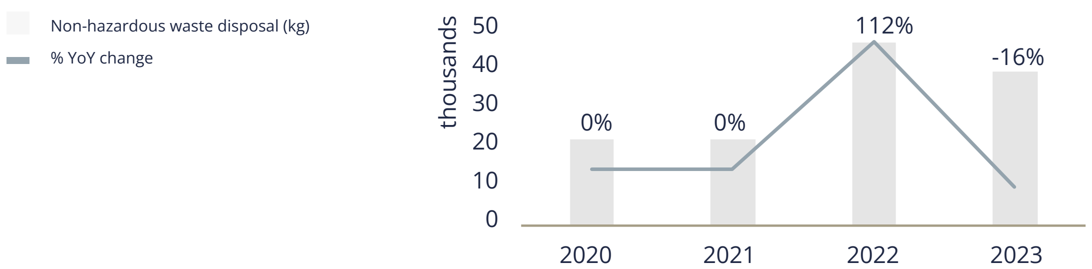
Solid waste recycled

We are boosting solid waste recycling efforts, actively contributing to a greener environment and a higher rate of material reuse. As a result of our initiatives, solid waste recycled was reduced by 10% in 2023.



Non-hazardous waste

Dar Al Arkan is managing waste and saving resources. As a result of these initiatives, company achieved a significant reduction of 16% in 2023.



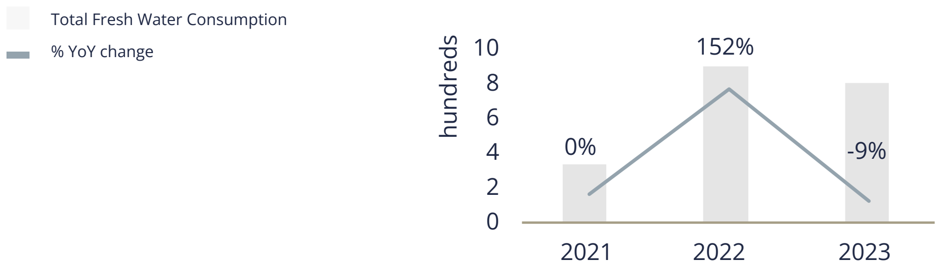
ESG AT DAR AL ARKAN

Environment (continued)

WATER CONSUMPTION

Fresh Water Consumption

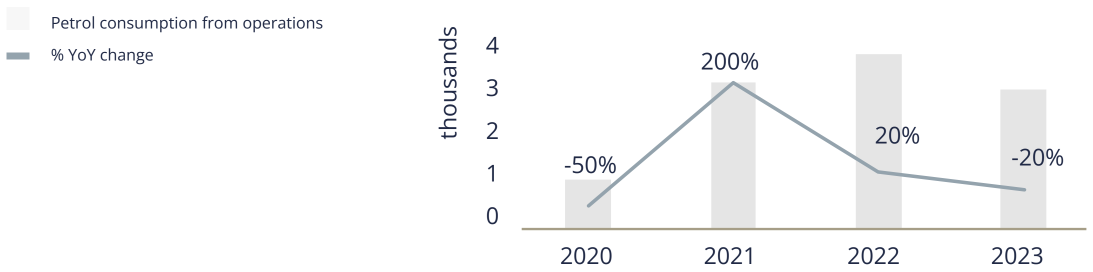
Dar Al Arkan is dedicated to the sustainable use of water resources in all operations. Through water efficiency initiatives and employee awareness programs, our conservation efforts have yielded a 9% reduction in freshwater consumption in 2023 compared to the previous year. Our continual improvement in responsible water use underscores our commitment to environmental stewardship.



ENERGY CONSUMPTION

Petrol consumption from operations (generators)

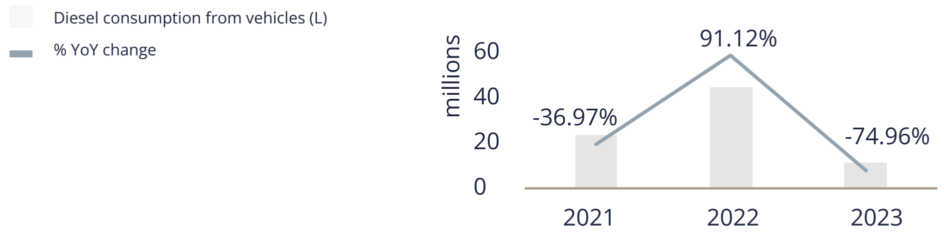
The company is promoting sustainability through a fossil fuels-led approach by reducing petrol usage and adopting eco-friendly alternatives. As a result of these initiatives, we have successfully reduced petrol consumption by 20% in 2023 from 3,586 liters to 2,870 liters.



ENERGY CONSUMPTION

Diesel consumption from vehicles

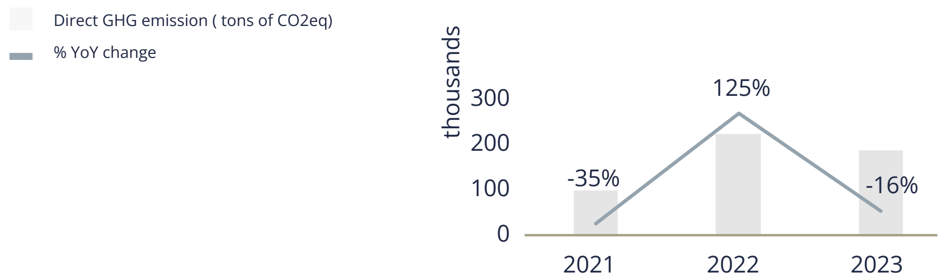
Dar Al Arkan's long-term targets towards the elimination of fossil fuels started with the reduction of diesel usage across our fleet. We focused our attention on eco-friendly alternatives for a greener future. As a result of fleet upgrades and fuel efficiency initiatives, we have successfully reduced diesel consumption in vehicles by 74.96% in 2023.



CARBON EMISSIONS

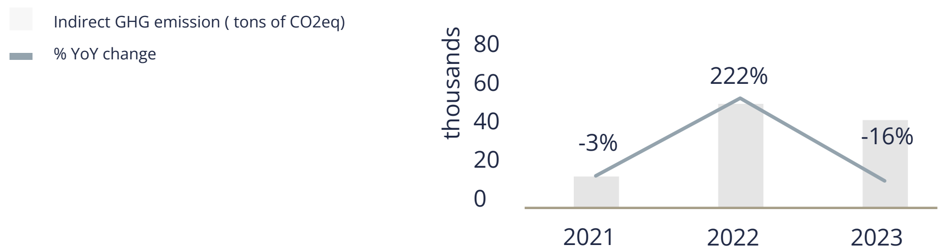
Direct GHG emissions

Dar Al Arkan is focused on initiatives to manage direct greenhouse gas (GHG) emissions as part of environmental sustainability. In 2023, the carbon emissions reduced by 16% in comparison to the last year.



Indirect GHG emissions

Dar Al Arkan is dedicated to implementing initiatives aimed at effectively reducing indirect greenhouse gas (GHG) emissions, aligning with its goal of environmental sustainability. Despite the sharp increase in 2022 of 222%, the company has managed to decrease the carbon emissions by 16% in 2023.



ESG AT DAR AL ARKAN

8. SOCIAL

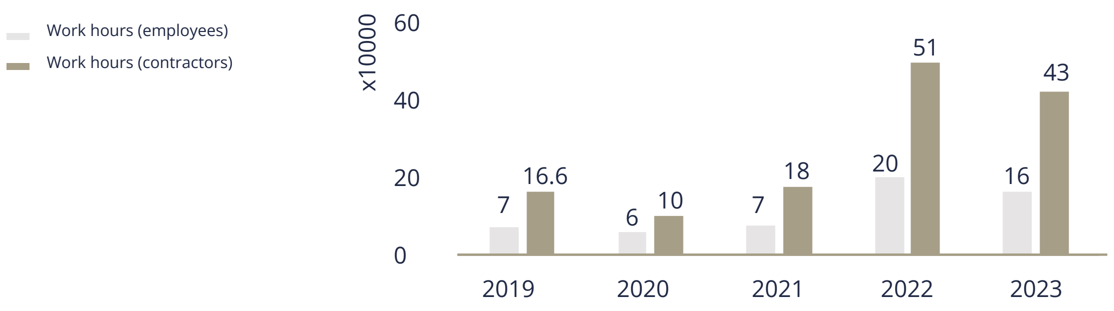
At Dar Al Arkan, we strive to foster an inclusive and supportive workplace that enables our employees to thrive. We are committed to upholding high standards for employee well-being, diversity and inclusion, health and safety, and human rights. Our social initiatives and policies aim to promote equal opportunities, prevent discrimination and harassment, support work-life balance for our staff, and contribute positively towards the local communities.

HEALTH AND SAFETY

Safety at Workplace
The zero incidents across all these workplace health and safety reflect Dar Al Arkan's unwavering commitment to ensuring a secure work environment. Through protective protocols, training, hazard identification and risk mitigation, we have eliminated on-the-job casualties or illnesses involving our employees and contract workers. We continue to invest in training as evidenced by continued increase in HSE training hours since last three years.

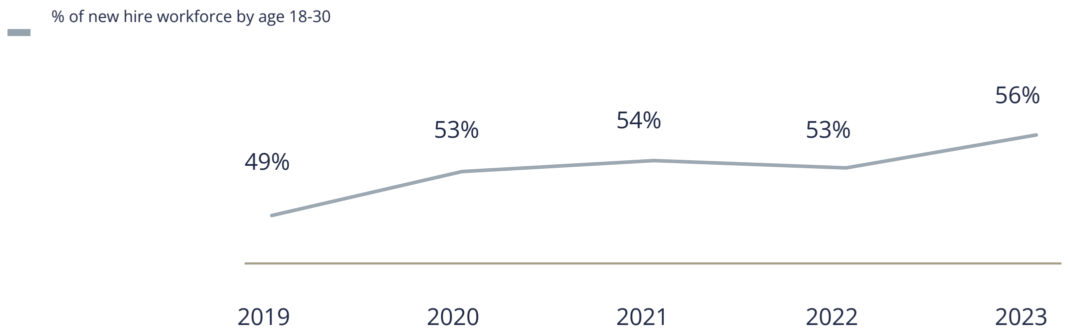
Work Hours (employees)
We are committed to fostering a balanced and responsive approach to workforce capacity and workload management, contributing to optimized organizational efficiency. In comparison to 2022, the company has reduced the number of hours worked by 19.2% in 2023.

Work hours (contractors)
We closely monitor contractor work hours, adjusting as needed to align with business requirements and workload demands.



WORKFORCE PROFILE

New Hire
Employees, especially the younger generation, are increasingly drawn to organizations that share their values and prioritize societal and environmental impact. From 2019 to 2023, the percentage of new hires between the age bracket of 18 – 30 years has increased from 49% in 2019 to 56% in 2023.

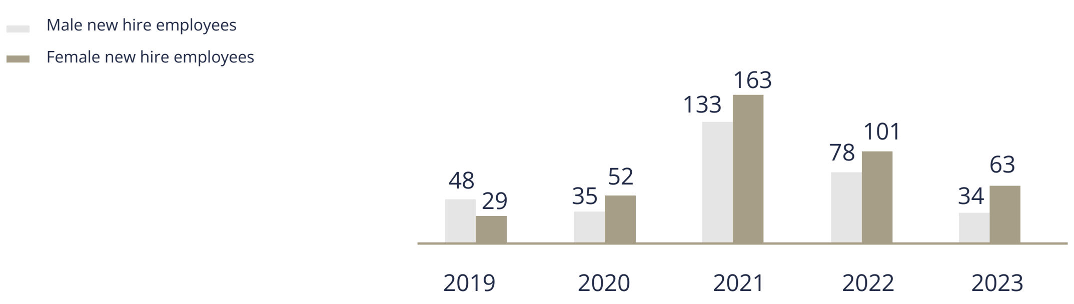


Workforce by age
Our recruitment strategies and workforce dynamics have changed over the years to align with the company’s strategy of engaging with the younger generation for enhanced impact. The proportion of young people in our workforce is increasing, reaching 36.8% in 2023.

Number of Nationalities
At Dar Al Arkan, team diversity is crucial as it enhances and drives critical thinking. The company strives to attract, nurture, and retain talented staff from diverse backgrounds; currently, there are over 15 nationalities among nearly 247 employees.

GENDER PROFILE

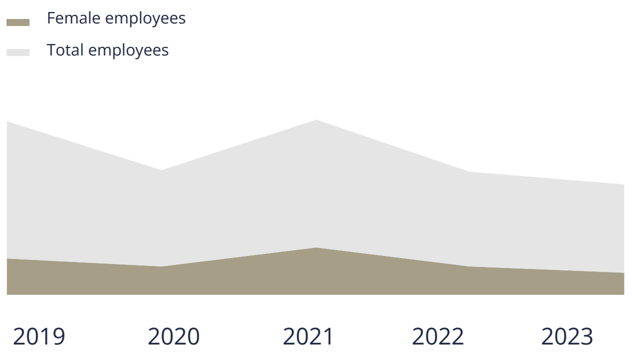
New Hire
The company is hiring female workers to create a more balanced work environment. Since 2021, the company has hired more females. The company hired more than 56% females in 2022 and more than 65% in 2023.

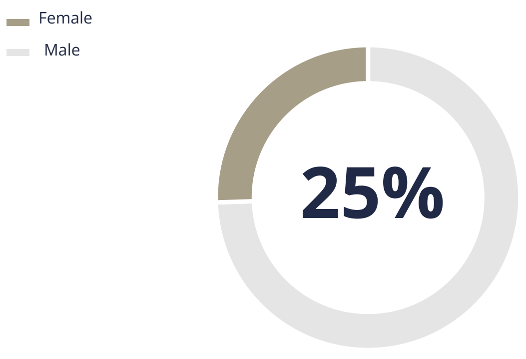


ESG AT DAR AL ARKAN

Gender Profile (continued)

Full Time Employee Count
The participation rate of female workers in the workforce is around 25%.

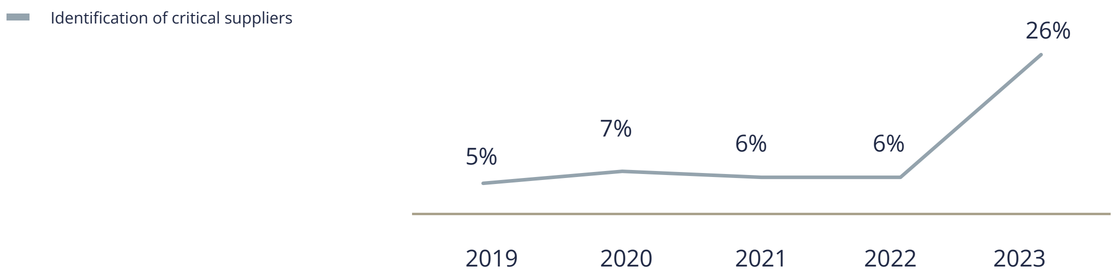




SUPPLY CHAIN

Supplier code of conduct
We ensure that 100% of our suppliers are selected by our supplier code of conduct.

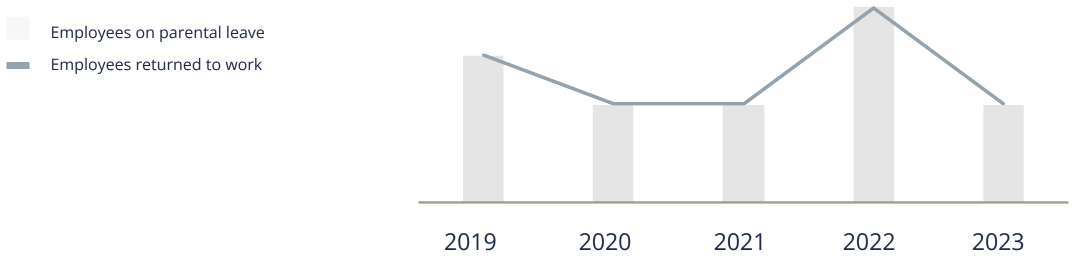
Identification of critical suppliers
The number of critical suppliers increased from 6% in 2022 to 26% in 2023, indicating a growing awareness and management's focus on choosing key suppliers for strategic considerations and risk mitigation. Since the implementation of a formal critical supplier identification program in 2022, the company has witnessed a considerable increase in recognized strategic supply chain partnerships over a single year.



EMPLOYEE ENGAGEMENT & WELLBEING

PARENTAL LEAVE
Number of female employees that took parental leave and returned to work
The female employees taking parental leave are joining back after the leave. The company's culture provides a favorable working environment without gender discrimination. The company has maintained support and flexibility for female employees in managing parental responsibilities.

Return to Work
Dar Al Arkan boasts an impressive 100% return to work rate for employees returning from parental leave, demonstrating our successful support systems for new parents. Our tailored approach towards enhancing post-leave transitions underscores our commitment to providing an inclusive work environment and equal opportunities regardless of gender or parental status.



GRIEVANCE MECHANISM

Harassment Cases
The company is committed to maintaining a work environment that demands respect for the dignity of individual regardless of age, race, religion, gender, handicap, or national or ethnic origin. Harassment of any nature is considered unacceptable and intolerable. Hence, our commitment to a safe and respectful workplace has resulted in zero incidents of harassment.

Incidents of discrimination
Dar Al Arkan is committed to upholding a fair, ethical and inclusive work environment where discrimination has no place. Through regular training and awareness programs, as well as clear misconduct reporting channels, we strive to achieve zero incidents of workplace discrimination.

Policy for Human Rights
Our commitment to a robust Human Rights Policy reflects the company's unwavering dedication to ethical practices and transparency. We are striving to respect human rights through our Human Rights Policy.

ESG AT DAR AL ARKAN

9. GOVERNANCE

Implementing robust governance practices and policies is fundamental to ensuring transparency, accountability and integrity across Dar Al Arkan's operations and business dealings. Our board of directors upholds rigorous governance standards that align with global best practices in areas such as executive compensation, auditing procedures, risk management, cybersecurity, ethical conduct and compliance. We are dedicated to embedding a culture of strong governance to build trust with investors and stakeholders as well as safeguard the interests of our shareholders.

BOARD OF DIRECTORS

Independent members of the Board of Directors
Dar Al Arkan's board comprises 33.33% independent directors who offer objective oversight and guidance, untied by relationships or dealings that may lead to conflicts. They lend external expertise across strategic, fiscal and risk matters while serving shareholder interests.

Executive members of the Board of Directors
In line with best governance practices, Dar Al Arkan does not currently have any executive board members. We believe in entrusting daily management control to our qualified executive team, while our board retains crucial oversight duties including accountability, strategic consulting, and risk management.

Non-Executive members of the Board of Directors
Our board consists entirely of competent non-executive members with expertise spanning real estate, finance, sustainability and regulatory areas. Their independence allows them to objectively assess executive performance, provide strategic guidance, and oversee operations in the best interests of shareholders.

CYBER SECURITY

Zero Data breaches
Keeping stakeholder information safe is a top priority. Through our cybersecurity policies and robust systems, Dar Al Arkan has ensured zero data breaches to date - providing confidence and assurance that sensitive data remains secure.

Customer information
Customer privacy is one of the foundation pillars at Dar Al Arkan. Alongside our cybersecurity efforts to prevent data breaches, we have implemented stringent policies and processes focused exclusively on safeguarding the personal information of our valued customers.

Cybersecurity Training
In 2023, Dar Al Arkan conducted three cybersecurity training sessions attended by 336 employees. These comprehensive trainings equipped our staff with the knowledge and skills to identify and respond to potential cyber risks and threats. By investing in regular cybersecurity awareness programs, we are working diligently to embed a culture of data safety across the company.

WHAT NEXT IN OUR ESG JOURNEY

ENVIRONMENT

Net Zero Emissions
- The company aims to set targets and develop plans to achieve net zero carbon emissions across its business operations. Therefore, Dar Al Arkan is focused on exploring renewable energy solutions for its real estate portfolio.

Resource Conservation
- Goals around reducing operational waste intensity, water consumption, and protecting biodiversity demonstrate a commitment to environmental conservation and stewardship.

Data Collection and Tracking
- There is a focus on improving energy data tracking and reporting to enable setting informed emissions goals. Establishing rigorous measurement and tracking will allow assessing progress over time on key metrics like emissions, waste, water and biodiversity impact.

Deforestation commitment
- The company's target is to adopt and communicate a clear deforestation policy to align with evolving environmental expectations and industry standards.

SOCIAL

Due diligence process
- Dar Al Arkan is working towards developing a robust due diligence process to proactively identify and assess potential human rights impacts and risks. Though documentation of formal procedures is in progress, we understand the importance of these diligence efforts for upholding our social responsibilities and committed to establishing appropriate mechanisms to safeguard human rights.

Assessment of potential Human Rights issues
- Dar Al Arkan is conducting assessments across all business activities to identify potential human rights risks and issues. These efforts highlight our commitment to regularly examining human rights considerations and implementing measures to uphold ethical standards.

Publicly disclosure of the Human Rights mitigation and remedial measures:
- Dar Al Arkan is developing more robust public disclosure practices around human rights mitigation. We recognize the importance of transparency regarding our efforts to address human rights considerations across operations.

Total number of emergency response drills conducted
- The company is actively prioritizing the implementation of comprehensive emergency response drills as part of its ongoing commitment to ensure and enhance safety measures.

GOVERNANCE

Female members of the Board of Directors
- We are actively working towards creating opportunities and fostering an inclusive environment to encourage female representation at the Board of Directors level in the future.

financial review

MESSAGE OF THE CHIEF FINANCIAL OFFICER

"Dar Al Arkan continued the strong execution of our strategy in 2023 while delivering resilient financial results. This was enabled by the quality of our portfolio, our focus on customer value and innovation which will support the Group's future growth."

PHILIP ANTONY
CHIEF FINANCIAL OFFICER

As Dar Al Arkan's CFO, I am pleased to reflect on another year of resilient financial performance in 2023. After navigating the uncertainty of the last few years, we reaffirmed our sound strategy execution. Despite that Revenues shrink 31% YoY to SAR 2.7 billion, still our proven business model generated an impressive 40% gross margins. Furthermore, we reported a major improvement in net income of SAR 611 million representing 38% YoY growth. Prudent liquidity management remains paramount with this year's cash position maintained to strong levels of SAR 5.4 billion.

Revenue generation in 2023 was comparatively lower as assets were strategically retained with an anticipation of potential upside in the growing market as this also reinstate our core objective not to compromise profitability at the cost of inflating the topline. Moreover, our topline was also impacted by the exclusion of Dar Global PLC results that is no longer consolidated subsequent to its listing to the London Stock Exchange main's market.

Our significant investment stake in Dar Global PLC that was successfully listed during 2023 on London Stock Exchange made a tremendous turnaround both operationally and financially. Its revenue jumped manifold by 351% compared to previous year and generated significant profits compared to situation of loss in prior year.

During 2023, We made strong progress on our ongoing projects and officially launched the Etoile by Elie Saab Project for the development of residential villas in SEDRA, an integrated community project being developed in northern Riyadh by ROSHN. Furthermore, refurbishment work on Dar Al Mashaer was fully completed and the units are being handed over to the customers and accordingly revenue is being recognized. Our expanding portfolio of new local and global developments ensures the adequate project backlog with a high margin potential enabling continued acceleration in the upcoming years.

Dar Al Arkan upholds a balanced funding strategy aligning project lifecycles to debt maturities. We diversify sources to mitigate risk while minimizing costs. In conformity of our funding strategy to ensure adequate liquidity in order to seize on any potential opportunity of growth and expansion, we raised an additional total funding of SAR 2.59 billion in 2023 featured by an issuance of our 13th Sukuk amounting to SAR 2.25 billion that is simultaneously listed on London Stock Exchange and Nasdaq Dubai. Additionally, our strong banking relationships provide pivotal project and corporate financing. SAR 0.34 billion were raised in 2023 through bilateral bank facilities at competitive terms. During the same period, we successfully redeemed a Sukuk of SAR 1.87 billion due in March 2023 and repaid the due instalments of bilateral facilities amounting to SAR 1.39 billion on their respective due dates. Prudent fiscal governance and access to varied global capital sources bolster our financial footing. This enables briskly responding to market shifts while fulfilling stakeholder commitments.

At Dar Al Arkan, ongoing investor engagement remains a priority. Over the past year, we held over 553 touchpoints through an array of formats; from earning calls to individual meetings in person or over the phone to active participation in global conferences. This consistent outreach offers transparency while gathering invaluable feedback to refine our strategy. We appreciate all institutional and retail shareholders for their trust and conviction in our vision.

During the year 2023, the company showcased its commitment to ESG by focusing on waste management, water consumption, energy consumption and carbon emissions. The company has shifted its focus to renewable energy to ensure a reduction in the carbon footprint of the environment. As a result, we observed a significant improvement in our key indicators for our ESG tracking such as a decline in solid waste generated, non-hazardous waste, and freshwater usage.

Moving forward to 2024 and beyond, we will continue to work sustainably in our day-to-day operations. We ensure that every strategy we formulate and every decision we take in the future are sustainability oriented. At the same time, we are committed to redefining and reimagining our offerings to tackle the future needs of our customers by introducing innovative solutions.

I also want to thank our customers, partners, advisors and financing partners. Your collaboration enables our ambition. With the strength of our ecosystem, I am confident we can continue converting opportunities into stakeholder value.

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.

Operating primarily within the Kingdom of Saudi Arabia (KSA), Dar Al Arkan is regarded as leader in real estate development. To broaden its investment portfolio and secure a wider range of revenue sources, the Company has strategically established a network of limited liability companies.

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**	500,000	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	Limited Liability 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	**Compass Project Contracting Company (Previously 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	**Dar Global PLC**	6,750,810	Real estate activities i.e. development, buying and selling of own real estate	United Kingdom	88%	14388348	Public Liability Company

FINANCIAL REVIEW

4. DESCRIPTION OF COMPANY'S ACTIVITIES AND CONTRIBUTION TO REVENUES

Prior to fiscal year 2023, Dar Al Arkan's operations included its international subsidiary, Dar Global PLC, which managed the company's international development projects. Following Dar Global's successful listing on the London Stock Exchange in February 2023, the international operations previously associated with Dar Global have been deconsolidated. As a result, our reported operations for the year 2023 primarily focus on activities within the Kingdom of Saudi Arabia. Dar Al Arkan mainly operates as three distinct divisions, as follows:

4.1 PROPERTIES DEVELOPMENT

Our Property Development activities include:

- Land Projects: We focus on the initial development of raw land, including essential infrastructure such as roads, utilities, and drainage systems. This prepares the land for further construction projects
- Residential and Commercial Projects: We develop both residential and commercial properties. This encompasses the entire process from initial planning and construction to the final sale of individual units within these projects.

During the fiscal year 2023 this division accounted for SAR 2,571 million, representing 94.98% of the Company's total revenues, as compared to SAR 3,810 million, or 97.05% in 2022.

Off-plan sales of the properties are in progress. For the year 2023, the Company recognize SAR 91 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 2023, revenues generated in Asset Management amounted to SAR 133 million and represented 4.92% of Group revenues as compared to SAR 116 million and 2.95% of total revenues in 2022.

Small revenue of SAR 2.6 million representing 0.10% of total Group revenues in 2023 was also generated from the retail sales of luxury furniture.

4.3 INVESTMENTS

These represent strategic investments in companies that the management believes are complementary to the Group's real estate development operations. This also includes investment in Dar Global PLC that is classified as associate and accounted for under equity method from the year 2023 upon successful listing to London Stock Exchange. During 2023, the Company earned SAR 312 million as share of net profits from associates and joint ventures.

During 2023, the Company also earned Other Income of SAR 214 million mainly representing profit from short term Islamic Deposits.

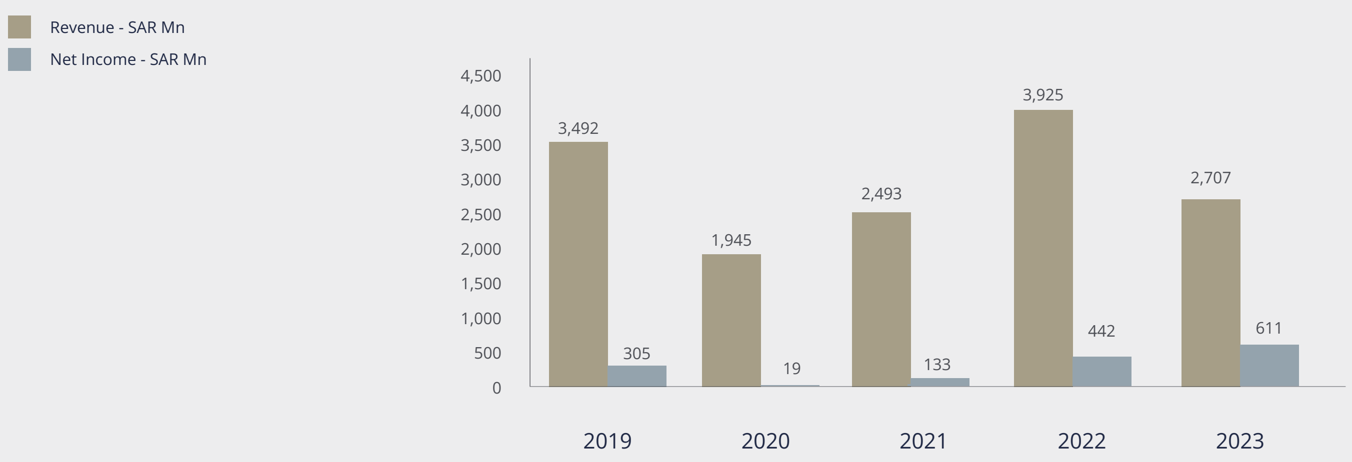
5. FINANCIAL HIGHLIGHTS

5.1 INCOME STATEMENT FOR THE FISCAL YEARS 2019 TO 2023

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)	2019	2020	2021	2022	2023
Revenues	3,491,856	1,944,854	2,493,078	3,925,499	2,707,100
Cost of revenue	(2,667,416)	(1,270,204)	(1,596,350)	(2,467,912)	(1,636,694)
Gross profit	824,440	674,650	896,728	1,457,587	1,070,406
Principal activities expenses	(174,787)	(171,332)	(211,945)	(357,934)	(205,096)
Net income from principal activities	649,653	503,318	684,783	1,099,653	865,310
Financing expense	(478,418)	(645,883)	(662,977)	(681,637)	(764,459)
Net other Income	141,154	161,944	113,636	170,370	525,567
Net income before Zakat provisions	312,389	19,379	135,442	588,386	626,418
Zakat provisions	(7,799)	(585)	(2,922)	(146,666)	(15,660)
Net income	304,590	18,794	132,520	441,720	610,758
Earnings per share	0.28	0.02	0.12	0.41	0.57

TOTAL REVENUE AND NET INCOME CHANGES FROM 2019 TO 2023



FINANCIAL REVIEW

Financial Highlights (continued)

5.2 THE BALANCE SHEET FOR THE FISCAL YEARS 2019 TO 2023

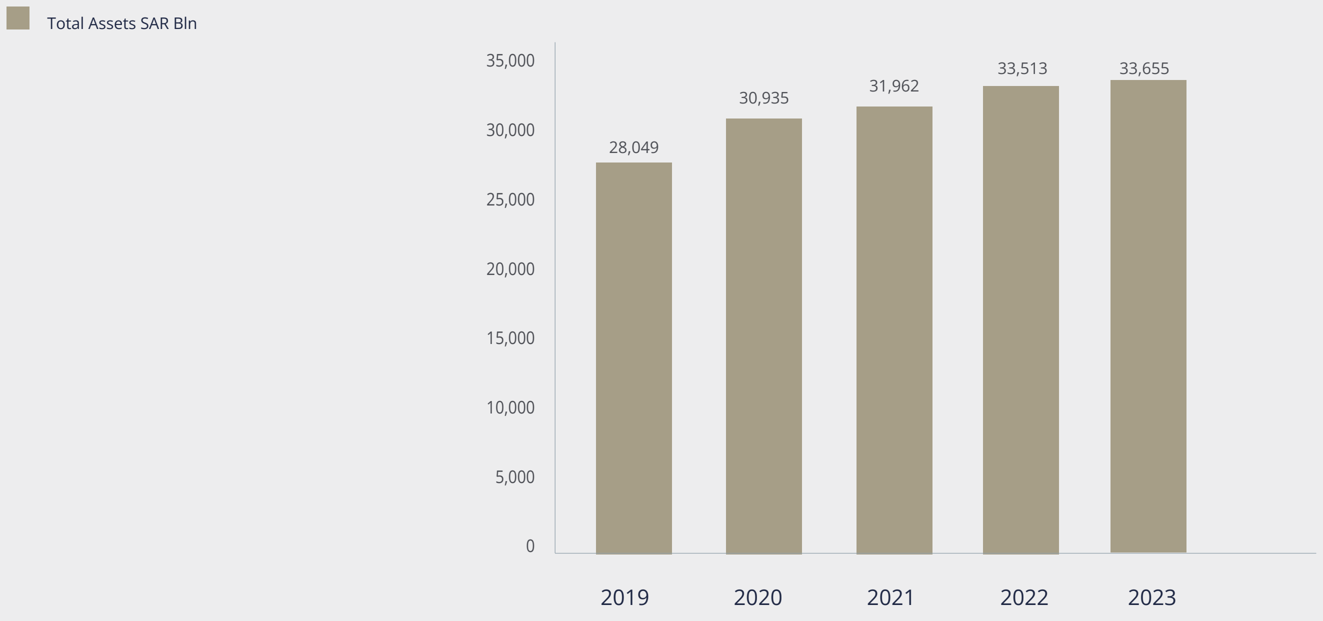
The following table illustrates the main balance sheet items for the last five years. This should be read in conjunction with the audited consolidated financial statements and accompanying notes.

Item (in SAR '000s)	2019	2020	2021	2022	2023
Current Asset	8,266,496	9,922,698	10,293,182	10,540,261	9,466,538
Non-current Asset	19,702,968	20,939,738	21,590,845	22,886,536	24,084,997
Fixed Asset	79,765	72,180	77,653	86,056	103,769
Total Asset	28,049,229	30,934,616	31,961,680	33,512,853	33,655,304
Current Liabilities	1,691,387	2,105,722	5,740,259	6,067,519	4,299,431
Non-Current Liabilities	7,348,354	9,802,714	7,061,791	7,841,206	9,063,992
Total Liabilities	9,039,741	11,908,436	12,802,050	13,908,725	13,363,423
Capital	10,800,000	10,800,000	10,800,000	10,800,000	10,800,000
Statutory and Other reserve	1,140,016	1,141,895	1,155,147	1,204,359	1,345,419
Retained earnings	7,069,472	7,084,285	7,204,483	7,599,769	8,146,462
Total shareholders' Equity*	19,009,488	19,026,180	19,159,630	19,604,128	20,291,881
Total Liabilities and Shareholders' Equity	28,049,229	30,934,616	31,961,680	33,512,853	33,655,304
Book value per share*	17.60	17.62	17.74	18.15	18.79

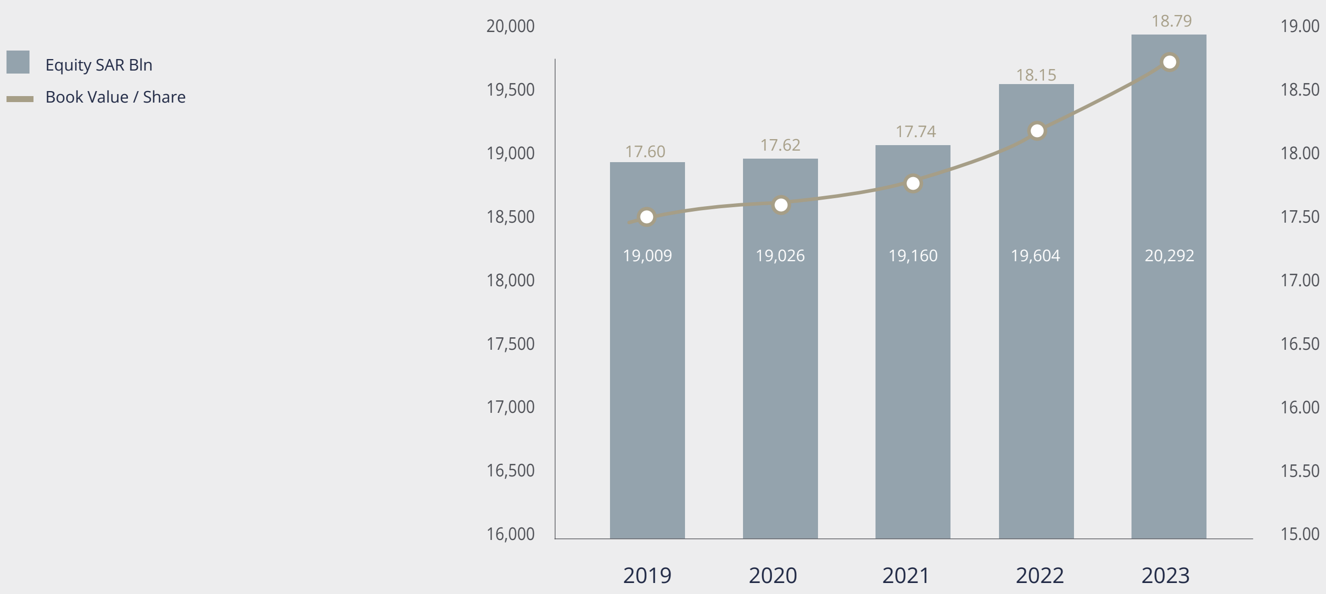
*Book value per share is calculated by dividing the total shareholders' equity by total number of outstanding shares at the end of each fiscal year.

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 2019 TO 2023



SHAREHOLDERS' EQUITY AND SHARE BOOK VALUE CHANGES FROM 2019 TO 2023



FINANCIAL REVIEW

Financial Highlights (continued)

5.3 GEOGRAPHICAL ANALYSIS OF COMPANY REVENUE FOR THE YEAR 2023

Location (in SAR '000s)	Development properties	Lease	Residential developments	Total	Total
Western region – KSA	-	-	58,654	-	**58,654**
Central Region - KSA	90,968	133,204	48,670	2,633	**275,475**
Eastern - KSA	-	-	-	-	**-**
Investment	2,372,971	-	-	-	2,372,971
Total	**2,463,939**	**133,204**	**107,324**	**2,633**	**2,707,100**

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

5.4 RESULTS OF OPERATIONS

The following table compares the results of operations for 2023 and 2022:

Item (in SAR '000s)	2023	2022	Change	Change %
Revenues	2,707,100	3,925,499	(1,218,398)	-31.04%
Cost of revenue	(1,636,694)	(2,467,912)	(831,218)	-33.68%
Gross Profit	1,070,406	1,457,587	(387,181)	-26.56%
Principal activities expenses	(205,096)	(357,934)	(152,838)	-42.70%
Net income from principal activities	865,310	1,099,653	(234,343)	-21.31%
Financing expense	(764,459)	(681,637)	82,822	12.15%
Net other Income	525,567	170,370	355,197	208.49%
Net Income before Zakat provisions	626,418	588,386	38,032	6.46%
Zakat provision	(15,660)	(146,666)	(131,006)	-89.32%
Net income	610,758	441,720	169,038	38.27%
Earnings Per Share	0.57	0.41	0.16	39.02%

FINANCIAL REVIEW

Financial Highlights (continued)

REVENUES

Our total revenues for 2023 close in at SAR 2,707 million, reflecting a decrease of 31.04% compared to SAR 3,925 million in 2022. This shift in revenue can be attributed to strategic adjustments in our sales approach.

BULK LAND SALES: We observed a measured decrease of 11.19% in this category, with revenues reaching SAR 2,373 million in 2023 compared to SAR 2,672 million in the previous year. This decision was primarily driven by a strategic focus on asset retention. We anticipate favourable market conditions and strong growth potential in the coming years. By holding onto these assets, we are well-positioned to capitalize on this anticipated upside.

OFF-PLAN SALES: Recognition of revenue from off-plan sales projects saw a significant reduction of 91.20% in 2023, reaching SAR 91 million against SAR 1,034 million in 2022.

OTHER RESIDENTIAL PROPERTIES: Positively, sales of other residential properties exhibited a modest increase of 3.74%, with revenues reaching SAR 107 million in 2023 compared to SAR 103 million in 2022.

RENTAL REVENUES: increased by 14.95% to reach 133 million during 2023 compared to SAR 116 million in 2022.

COST OF REVENUE

Cost of revenue accounted for SAR 1,637 million in 2023 representing 60.46% of total revenues compared to SAR 2,468 million in 2022 representing 62.87% of total revenues. This decrease is in accordance with decreased revenue in 2023 compared to 2022.

SELLING AND GENERAL ADMINISTRATIVE EXPENSES

Selling and general administrative expenses were SAR 205 million in 2023 compared to SAR 358 million in 2022, representing a significant decrease of 42.70%. This decrease is primarily attributable to deconsolidation of international operations upon successful listing of Dar Global PLC to the main securities market of London Stock Exchange.

FINANCING CHARGES

Net financing charges were SAR 764 million in 2023 as compared to SAR 682 million in 2022, representing an increase of 12.10%. This increase can be attributed to the rising interest rates in Saudi Arabia and globally throughout the year.

NET OTHER INCOME

Net other income was SAR 526 million in 2023 compared to SAR 170 million in 2022. The substantial rise in net other income is mainly attributable to a significant increase in our share of net profit from associates. This increase is a direct result of inclusion of share of net profits from Dar Global PLC in 2023, following its successful listing on the London Stock Exchange. There was also an improvement in profit from short term Islamic Deposits resulting from increase in deposit rates.

NET INCOME

Net income in 2023 was SAR 611 million compared to SAR 442 million in 2022. Earnings per share were SAR 0.57 in 2023 as compared to SAR 0.41 in 2022. In conclusion, our net income experienced a significant increase primarily driven by a higher share of net profit from associates, including contributions from Dar Global PLC following its listing, and other income sources. This growth was partially offset by a decrease in revenue from the sale of development properties.

LIQUIDITY AND CAPITAL RESOURCES

As of 31 December 2023, the Company had cash and cash equivalents of SAR 5,450 million as compared to SAR 5,929 million as of 31 December 2022.

CASH FLOW

The following table sets out the Company’s cash flows for the financial periods 2022 to 2023:

(millions SAR)	2021	2022	2023
Funds from /(used in) Operating Activities	67	460	1,416
Funds (used in)/from Investing Activities	(9)	(14)	(1,164)
Funds from//(used in) Financing Activities	(836)	1,329	(732)

Net cash from operations was SAR 1,416 million in 2023 compared to net cash of SAR 460 million in 2022. The increase in operating cash out flow is mainly due to less cash utilization in replenishment of development properties as compared to prior year.

Inclusion of Dar Global PLC to investment in associates has primarily led to an overall net outflow of cash in investing activities of SAR 1,164 million in 2023 as compared to SAR 14 million in 2022.

Net cash used in financing activities of SAR 732 million was mainly due to redemption of Sukuk of SAR 1,875 million, repayment of Murabaha of SAR 1,390 million and payment of transaction costs and lease rentals of SAR 45 million and SAR 9 million respectively during the year. This was partially offset by the issuance of Sukuk of SAR 2,250 million and new Murabaha facilities of SAR 338 million.

PROJECTS AND INVESTMENT EXPENDITURES

The Company’s priorities for expenditure on projects include building integrated residential developments and developing of existing lands. During 2023, the Company spent SAR 2,222 million primarily on replenishing the investment in land and developing projects for retail sales.

FINANCIAL REVIEW

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 thirteen Sukuks.

Total funds raised from Sukuk amounted to SAR 24.0 billion of which SAR 16.5 billion has already been repaid by the end of 2023, whereas the remaining SAR 7.5 billion maturity is spread till 2029. 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 through Islamic Murabaha facilities for general corporate purposes. The total outstanding amount at the end of 2023 was SAR 2.7 billion under the related bank facilities.

The ratio of International Islamic Sukuks to total financing amount at the end of 2023 was approximately 74%, whereas the Murabahas with local and regional banks were 26%. 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 2023.

6.2.1 INDEBTEDNESS DETAILS & INCREASE IN FINANCING AT THE END OF 2023

During 2023, the Company raised new Sukuk financing of SAR 2,250 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 338 million and repaid some of the local bilateral Murabaha facilities amounting to SAR 1.4 billion.

SAR millions

Bilateral Islamic Facilities	Settlement	Original Amount	Starting Date	Opening Balance	Addition During 2023	Paid During 2023	Closing Balance	Maturity
Murabaha: Local Bank Alinma	Yearly settlement	300	Q2 2015	188	0	188	0	Q2 2027
Murabaha: Local Bank Saudi National Bank	Quarterly settlement	600	Q2 2020	257	0	171	86	Q2 2024
Murabaha: Local Bank Saudi National Bank	Quarterly settlement	600	Q3 2020	333	0	133	200	Q2 2025
Murabaha: Local Bank Saudi Arab Investment Bank	Bullet	150	Q2 2022	150	0	0	150	Q4 2027
Murabaha: Local Bank Qatar National Bank	Half yearly settlement	188	Q1 2023	0	188	0	188	Q3 2024
Murabaha: Local Bank Saudi Arab Investment Bank	Half yearly settlement	800	Q2 2019	726	0	81	645	Q2 2032
Murabaha: Local Bank Saudi National Bank	Quarterly settlement	1,500	Q3 2022	1,500	0	625	1,000	Q3 2025
Murabaha: SICO (Escan Muscat)	Half yearly settlement	300	Q2 2022	300	0	45	255	Q4 2027
Murabaha: Local Bank Muscat	Half yearly settlement	150	Q2 2023	0	150	11	139	Q2 2030
*** Commercial Loan: International Bank ADCB**	Quarterly settlement	244	Q4 2022	244	0	244 *	0	Q4 2027
*** Commercial Loan: International Bank Spain**	Quarterly settlement	17	Q4 2022	17	0	17 *	0	Q4 2023
Gross Total		**4,849**		**3,715**	**338**	**1,390**	**2,663**	

* Related to financing obtained by Dar Global PLC, hence excluded from the above table due to deconsolidation of Dar Global PLC in 2023 upon successful listing to the main market of listed securities of London Stock Exchange

The ratio of gross debt to capitalization stood at 33.4% at the end of 2023.The closing cash balance reduced to SAR 5.45 billion at the end of 2023 compared to SAR 5.93 billion at the end of 2022. The reduction was mainly due to net decrease in borrowings and reduction in collection from customers.

FINANCIAL REVIEW

Debt Program (continued)

SUMMARY OF THE MURABAHA AND SUKUK DUE MATURITIES

	SAR millions		
Maturity	Outstanding balance	Murabaha	Sukuk
2024	1,051	1,051	0
2025	2,876	626	2,250
2026	1,685	185	1,500
2027	1,887	387	1,500
2027 onwards	2,664	414	2,250
Total	**10,163**	**2,663**	**7,500**

STATEMENT OF PAYMENTS DUE

	2021	2022	2023
Item	(Thousands)	(Thousands)	(Thousands)
Payables	532,654	305,679	647,874
Accrued expenses	292,224	509,971	510,270
Indemnity	22,550	26,911	31,627
Dividend payable	35,376	35,309	8,307
Others	1,982,755	1,683,688	1,588,417
Total	**2,865,559**	**2,561,558**	**2,786,495**

7. RELATED PARTY TRANSACTIONS

During 2023, the company entered 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 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 2023, there were sales of SAR 3,802 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 20, 2023.

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 2023 amounted to SAR 186.94 million with Dar Al Arkan at a nominal interest repayable on demand to facilitate its working capital needs. During 2023 the company repaid SAR 0.06 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 2023 was SAR 187.83 million. This transaction was approved during the AGM on June 20, 2023 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).

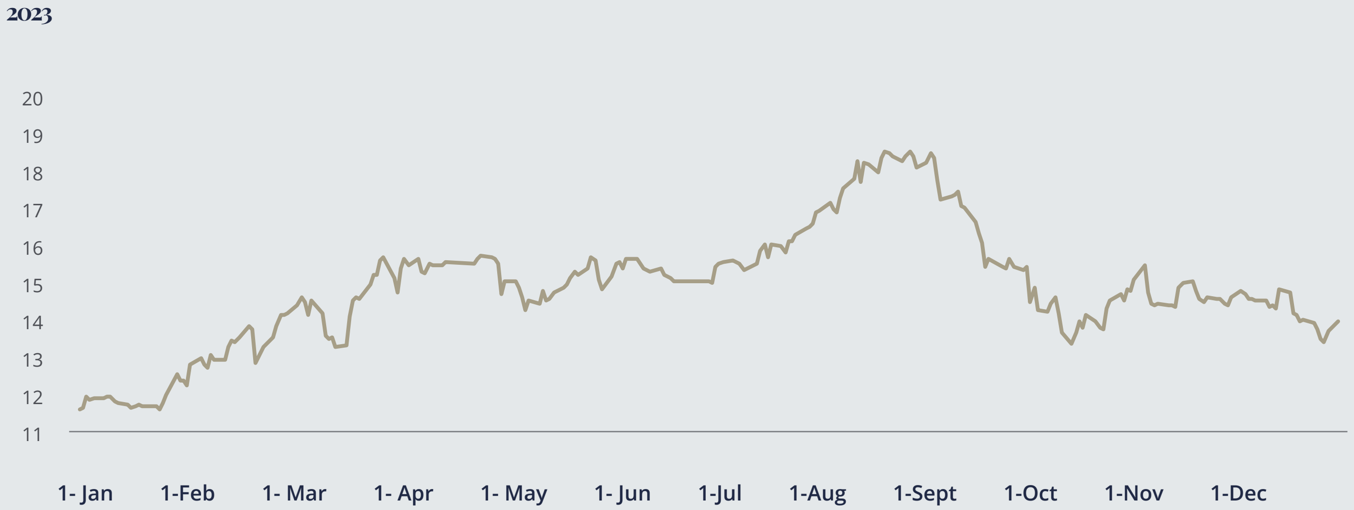
As at 31 Dec 2023, Dar Al Arkan had SAR 10,800 million in authorized capital and issued 1,080 million shares.

SHARE DATA PERFORMANCE (SAR)

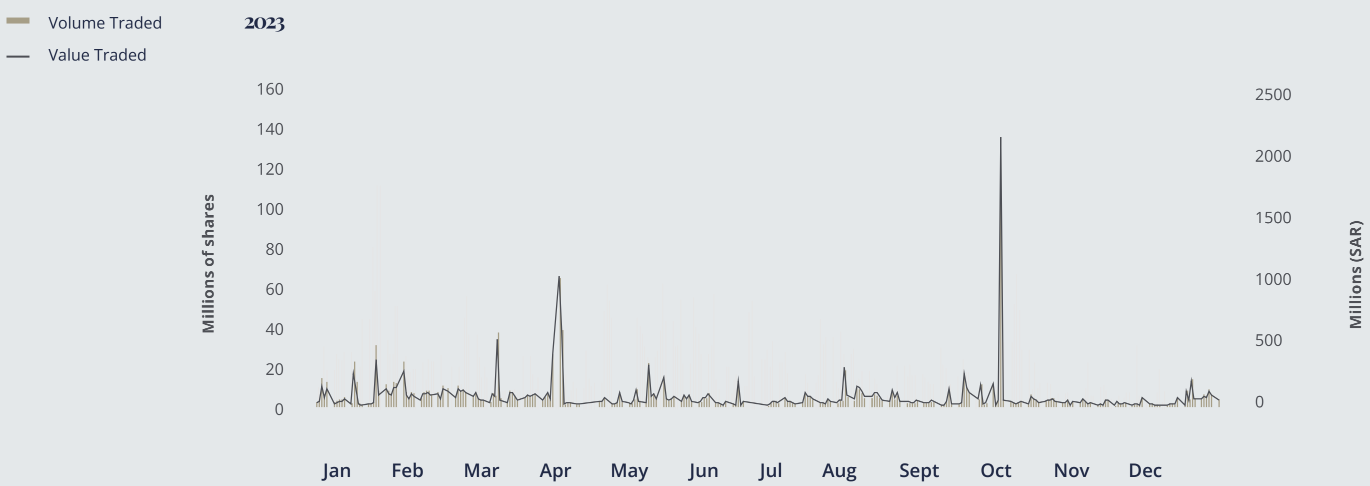
End of the Year (31 Dec 2023)	14.20
Year Ago 2022	11.62
3 Year Ago 2020	8.66
52 Weeks High (23 Aug 2023)	19.48
52 Weeks Low (2 Jan 2023)	11.50

Absolute annual performance	19.79%
Annual Relative performance vs TASI	5.92%

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 7 investor conferences and earnings calls, 4 roadshows, met with 155 different institutions and had a total of 553 investor touch points both retail and institutional. Furthermore, we conducted 1 site visits of our assets in Riyadh.

Investors Interactions

Category	Number
Conferences and Earning Calls	7
Roadshow	4
Site visit	1
Institutions met	155

Investor Touch Points

Category	Number
Retail Investors	242
Institutional Investors	311
Total	**553**

In addition, the IR Department organized our fourth online General Assembly meeting, in compliance with the regulatory instructions given the global pandemic, which was held on Jun 20, 2023.

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 2023:

TYPE OF INVESTORS

Nationality	No of investors	Shares	%
Institutions	490	867,362,014	80.31%
Retail	77,899	212,637,986	19.69%
Total	**78,389**	**1,080,000,000**	**100%**

NATIONALITY OF INVESTORS

Nationality	No of investors	Shares	% of Total
Saudis	76,004	940,177,800	87.05%
GCC	153	5,598,855	0.52%
Foreign	2,232	134,223,345	12.43%
Total	**78,389**	**1,080,000,000**	**100%**

INVESTOR RELATIONS AND SHAREHOLDER INFORMATION REVIEW

SHAREHOLDER REGISTER REQUESTS

Number of requests for shareholder register from Tadawul

Number	Date of requests received	Request's reason
1	02/Jan/2023	Company procedures
2	2/May/2023	Company procedures
3	20/Jun/2023	The General Assembly Meeting
4	26/Oct/2023	Company procedures
5	21/Nov/2023	Company procedures
6	31/Dec/2023	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

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.

BOARD OF DIRECTORS

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.

CORPORATE GOVERNANCE

Board of Directors (continued)

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.

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.

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

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 31 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 17 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 has been with Dar Al Arkan since 2021 and is the Chief Business Development Officer. He is a passionate executive offering more than 21 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.

Rasha Al Othaim

SALES DIRECTOR

Ms. Al Othaim has been with Dar Al Arkan since 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 8 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 SENIOR MANAGER

Mr. Alsaeed has been with Dar Al Arkan since 2018 and is the Senior Manager of the Investor Relations department. He offers 13 years of experience in Investor Relations and Finance. 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.

CORPORATE GOVERNANCE

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	Hethloul Bin Saleh Al Hethloul	Member	Non-executive
5	Dr. Abdulaziz Bin Ibrahim Al Mana	Member	Independent
6	Abdulrahman Saleh Alsawi	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 2023.

Name	Capacity	No. of Shares at the beginning of the year	Ownership at the beginning of the year (%)	Change in the No. of shares during the year	Total Shares at the end of the year	Ownership at the end of the year (%)	Nature of Ownership
Yousef Bin Abdullah Al Shelash	Chairman	-	-	-	-	-	Direct
Majed Bin Abdulrahman Al Qasem	Vice Chairman	639,154	0.06%	-	-	-	Direct owned by direct relative
Tariq Bin Mohamed Al Jarallah	Board Member	3,000	0.00%	-	-	-	Direct
Hethloul Bin Saleh Al Hethloul	Board Member	1,368	0.00%	-	-	-	Direct
Dr. Abdulaziz Bin Ibrahim Al Mana	Board Member	2,000	0.00%	-	-	-	Direct
Abdulrahman Saleh Alsawi	Board Member	-	0.00%	-	-	-	Direct
TOTAL		**645,522**	**0.06%**		645,522	**0.06%**	

CORPORATE GOVERNANCE

MEETINGS ATTENDANCE

BOARD MEETINGS REGISTER

#	Name	Meeting Register				Total
		21 March	24 May	13 August	14 December	
1	Yousef Bin Abdullah Al Shelash	√	√	√	√	4
2	Majed Bin Abdulrahman Al Qasem	√	√	√	√	4
3	Hethloul Bin Saleh Al Hethloul	√	√	√	√	4
4	Tariq Bin Mohamed Al Jarallah	√	√	√	√	4
5	Dr. Abdulaziz Bin Ibrahim Al Mana	√	√	√	√	4
6	Abdulrahman Saleh Alsawi	√	√	√	√	4

BOARD MEMBERS GENERAL ASSEMBLY MEETINGS REGISTER 2023

#	Name	20 June
1	Yousef Bin Abdullah Al Shelash	√
2	Majed Bin Abdulrahman Al Qasem	√
3	Tariq Bin Mohamed Al Jarallah	√
4	Hethloul Bin Saleh Al Hethloul	√
5	Dr. Abdulaziz Bin Ibrahim Al Mana	√
6	Abdulrahman Saleh Alsawi	√

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
			21 March	24 May	13 August	21 August	
1	Yousef Bin Abdullah Al Shelash	Chaiman	√	√	√	√	4
2	Tariq Bin Mohamed Al Jarallah	Member	√	√	√	√	4
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	√	4

COMMITTEE'S RESPONSIBILITIES AND MEETINGS

The committee monitors the implementation of the company strategy by overseeing the preparation of the operational plan and its execution; reviews and recommends 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; provides advice in relation to investments including engagement in mergers and/or joint ventures and/or obtaining project financing; ensures the proper allocation of resources for the implementation of the Company's strategies such as funding and human resources; develops criteria for selecting the CEO and senior executive staff and to supervising its implementation; reviews and evaluates the performance of the executive management in achieving the goals of the set strategy and monitors and addresses any deviations; reviews and evaluates strategic plans in order to evaluate and modify them when necessary according to market information and internal requirements; reviews 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; approves the recommendations of the human resources policies and regulations; reviews and evaluates 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 2023.

CORPORATE GOVERNANCE

Board Committees (continued)

THE AUDIT COMMITTEE

The Audit Committee formation and meetings register:

#	Name	Capacity	Meeting Register				Total
			20 March	21 May	10 August	2 November	
1	Tariq Bin Mohamed Al Jarallah	Chaiman	√	√	√	√	4
2	Hethloul Bin Saleh Al Hethloul	Member	√	√	√	√	4
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	√	4
4	Abdulrahman Saleh Alsawi	Member	√	√	√	√	4

THE COMMITTEE'S RESPONSIBILITIES AND MEETINGS

The Audit Committee has 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 performs 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 studies 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 four meetings during 2023. The committee discussed and reviewed the quarterly and annual financial statements for the year 2023 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
			21 march	24 May	2 November	
1	Dr. Abdulaziz Bin Ibrahim Al Mana	Chaiman	√	√	√	3
2	Yousef Bin Abdullah Al Shelash	Member	√	√	√	3
3	Majed Bin Abdulrahman Al Qasem	Member	√	√	√	3

THE COMMITTEE'S RESPONSIBILITIES AND MEETINGS

The committee provides recommendation to the Board of Directors to nominate for Board membership; annual review of the appropriate skills needed for Board membership and provides a description of the capabilities and qualifications required for membership; reviews the structure of the Board of Directors and recommends necessary changes identifying weaknesses and strengths; confirms periodically the independence of members and absence of any conflict of interests in the event of another Company Board membership; develops clear policies and criteria for Board members and senior executive remuneration according to performance criteria. The Committee held three meetings during 2023.

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.
- There is no competing business for the company or for any of the branches of the activity that it practices, which is practiced or was practiced by any member of the board of directors.

risk factors

RISK MANAGEMENT POLICIES

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

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

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

PRICE FLUCTUATION

The company cannot control the market prices of its real estate products, and the market fluctuations in product prices may directly affect revenues. This effect can be positive in times of rising product prices, or can be negative when product prices decline, leading to a significant impact on profitability and cash flows.

In general, the Company seeks to mitigate this risk by providing cost-effective products and to satisfy the requirements of tenants and / or buyers. The excess supply of real estate products in the market, with low prices, might lead high-cost real estate developers to exit the market, while cost balanced companies could maintain their position in the market as they continue to operate with a positive cash margin.

COUNTRY RISK

Country risk refers to the risk of investing in a foreign country, arising from possible changes in the business environment that may adversely affect operating profits or the value of assets in that country. This risk is the result of a drastic change in local policies, laws and regulations in foreign countries, which could adversely affect the expected returns from investment in real estate or projects.

The company frequently undertakes adequate investment studies of foreign investment opportunities and invests in the most stable countries in line with the objectives and strategy of the company's growth, provided that these investments/projects are implemented in accordance with adequate control procedures.

CYBER SECURITY

Cyber-attacks and security breaches may threaten the integrity of our intellectual property and other sensitive information, disrupt operations and activities, and result in material damage, reputational harm and other negative consequences that could have material adverse impact on our financial condition and the results of operations.

The company has expert IT staff and contracts specialist consultants that specialize in protecting and securing information, constantly reviewing security threats and looking for opportunities to enhance information security.

PROJECT DEVELOPMENT AND EXECUTION

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

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

RISK FACTORS

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 an 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.

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.

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:

- 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:
    - 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.
    - The remuneration should be based on a recommendation from the Remuneration and Nomination committee. The remuneration should commensurate with the company's activity and the skill needed to manage it.
    - Taking into consideration the sector in which the company operates, its scale and the experience of the members of the Board of Directors.
    - The remuneration is reasonably sufficient to attract, motivate and retain Board members with appropriate competence and experience.

- 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.
- 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.
- 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.
- 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.
- 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.
- 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:

- 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.

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

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

- 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:

- 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.

- 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.

- 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.

- 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.

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

- 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 2023.

Description (in '000 Saudi Riyal)	Executive Board members	Non-executive/independent Board members	Senior executives (including CEO and CFO)
Salaries and compensation	-	-	6,719
Allowances	-	-	2,456
Periodic and annual bonuses	-	-	547
Incentive plans	-	-	-
Any other compensations or incentives paid monthly or annually	-	-	-
End of service contribution			765

GOVERNANCE AND REGULATION

PENALTIES AND FINES

Fine	Fine reasons	Amount (SAR)	Signed by	Ways to treat it and avoid its occurrence in the future
At the Qasr Mall	Placing advertising board without permission at Qasr Mall	16,000	Riyadh Region Municipality	The department will comply with the advertisement code
Dar Al Arkan Company	Traffic violation	1,500	Muroor	Drivers will comply with the traffic code

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 2023, 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;

- 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.

- 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.

- During the year 2023, the Internal Audit Department performed periodic reviews according to the approved annual plan. The Internal Audit Department carried out the planned audits for 2023, in addition to the management's involvement in the implementation of some special assignments.

- Scope of work: The scope of internal audit work in 2023 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 2023, 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

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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 2023

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اللحيد واليحيى
Alluhaid & Alyahya
محاسبون قانونيون
Chartered Accountants

Alluhaid & Alyahya Chartered Accountants
A Limited Liability Company
Paid up capital SR 100,000 - CR: 1010468314
Kingdom of Saudi Arabia Riyadh King Fahd Road,
Muhammadiyah District, Grand 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 31 December, 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December, 2023, 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 that are endorsed by the 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code") 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 that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

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 our audit addressed the Key Audit Matter
IMPAIRMENT OF DEVELOPMENT PROPERTIES	
The Group maintains development properties for the purpose of development and sale in its ordinary course of business. As at 31 December 2023, the carrying amount of such development properties is SR 20.4 billion (31 December 2022: SR 20.7 billion). All development properties (held for development or sale) are initially recognized at acquisition cost and subsequently re-measured at the lower of cost and net realizable value. 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 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. *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.*	• We assessed the appropriateness of valuation methods and assumptions, and estimates used by management in the internal evaluation process; • We assessed the competence and capability of management personnel in the evaluation process; • 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; • 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 our audit addressed the Key Audit Matter
IMPAIRMENT OF INVESTMENT PROPERTIES	

Investment properties are stated in the Group's consolidated financial position at cost less depreciation and impairment (if any).
 	
As at 31 December 2023, the carrying amount of such investment properties is SR 1.0 billion (2022: SR 1.1 billion). The fair value of the investment properties amounting to SR 1.5 billion (2022: SR 1.5 billion) is disclosed in the notes to the consolidated financial statements.
 	
The Group's management has estimated the fair value of its investment properties on 31 December 2023, through an independent valuation expert with a recognized professional qualification and experience in the real estate sector.
 	
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.
 	
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.
 	
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.
	• We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report;
	
	• 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:
	
	  ◦ We assessed the appropriateness of valuation methods and assumptions, and estimates used by management in the investment properties valuation process;
	
	  ◦ 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;
	
	• 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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

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 2023 ANNUAL REPORT

Management is responsible for the other information. The other information comprises the information included in the Group’s 2023 annual report but does not include in the consolidated financial statements and our auditor’s report thereon. The Group’s 2023 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 2023 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.

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

Saleh A. Al-Yahya
Certified Public Accountant
License No. 473

Riyadh: 9 Ramadan 1445H
(19 March 2024G)

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DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 SR 000	2022 SR 000
ASSETS			
Non-Current Assets			
Investment properties, net	5	**1,028,213**	1,077,808
Long-term development properties	6	**20,261,809**	20,563,563
Property and equipment, net	7&23a	**103,769**	86,056
Investments in associates and joint ventures	8	**2,603,245**	1,030,125
Investments in financial assets	9	**191,730**	215,040
Total non-current assets		**24,188,766**	**22,972,592**
Current Assets			
Short-term development properties	6	**111,478**	144,332
Trade receivables and others	10	**3,882,659**	4,455,050
Inventories		**22,568**	12,022
Cash and cash equivalents	11	**5,449,833**	5,928,857
Total current assets		**9,466,538**	10,540,261
TOTAL ASSETS		**33,655,304**	**33,512,853**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Borrowings-non-current portion	12	**9,032,365**	7,814,295
End of service indemnities	13	**31,627**	26,911
Total non-current liabilities		**9,063,992**	**7,841,206**
Current Liabilities			
Borrowings-current portion	12	**1,047,940**	2,959,484
Trade payables and others	14	**2,942,702**	2,721,583
Zakat provision	15a	**308,789**	386,452
Total current liabilities		**4,299,431**	**6,067,519**
TOTAL LIABILITIES		**13,363,423**	**13,908,725**
Shareholders' equity			
Share capital	16	**10,800,000**	10,800,000
Statutory reserve		**1,260,395**	1,199,319
Other reserves		**85,024**	5,040
Retained earnings		**8,146,462**	7,599,769
Total Shareholders' Equity		**20,291,881**	19,604,128
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**33,655,304**	**33,512,853**

Authorised Board of Directors Member   Chief Executive Officer   Chief Financial Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 SR 000	2022 SR 000
Revenue	17	**2,707,100**	3,925,499
Cost of revenue	18	**(1,636,694)**	(2,467,912)
GROSS PROFIT		**1,070,406**	**1,457,587**
Operating expenses:			
General and administrative expenses	19	**(205,096)**	(357,934)
OPERATING PROFIT		**865,310**	**1,099,653**
Finance costs	20	**(764,459)**	(681,637)
Other income, net	21	**213,534**	153,957
Share of net profits from associates and joint ventures	8a	**312,033**	16,413
PROFIT BEFORE ZAKAT		**626,418**	**588,386**
Zakat provisions	15a	**(15,660)**	(146,666)
NET PROFIT FOR THE YEAR		**610,758**	**441,720**
Other comprehensive income			
Re-measurement (loss)/ gain on end of service indemnities	13	**(2,989)**	(2,262)
Share of other comprehensive income from associate	8a	**4,727**	-
Net (loss)/gain on equity instrument designated at FVOCI	9	**(23,310)**	5,040
Total comprehensive income for the year		**589,186**	**444,498**
Total comprehensive income attributable to:			
Dar Al Arkan shareholders		**589,186**	**444,498**
Earnings per share (in Saudi Riyal):			
Basic and diluted	22	**0.57**	**0.41**

Authorised Board of Directors Member   Chief Executive Officer   Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Statutory reserve	Other Reserves	Retained earnings	Total equity
	SR 000	SR 000	SR 000	SR 000	SR 000
2023					
Balance as at 1 January 2023	10,800,000	1,199,319	5,040	7,599,769	19,604,128
Net profit for the year	-	-	-	610,758	610,758
Other comprehensive income					
Re-measurement loss on end of service indemnities	-	-	-	(2,989)	(2,989)
Other comprehensive income	-	-	(18,583)	-	(18,583)
Total comprehensive income for the year	-	-	(18,583)	607,769	589,186
Share of other changes in equity of an associate (note 8)	-	-	98,567	-	98,567
Transfer to statutory reserve	-	61,076	-	(61,076)	-
Balance as at 31 December 2023	10,800,000	1,260,395	85,024	8,146,462	20,291,881
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)
Other comprehensive income	-	-	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

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
		SR 000	SR 000
OPERATING ACTIVITIES			
Profit before Zakat		626,418	588,386
Adjustment for:			
Depreciation	5,7 &23a	50,247	50,182
Donations		-	1,637
Provisions for end of service indemnities	13	5,111	6,485
Finance costs	20	764,459	681,637
Gain on disposal of property and equipment		-	(8)
Gain on disposal of investment in associates	8	-	(40,378)
Share of profit from associates and joint ventures	8	(312,033)	(16,413)
Operating cash flows before movements in working capital		1,134,202	1,271,528
Development properties, net		350,498	(1,039,884)
Trade receivables and others		572,391	1,315,058
Inventories		(10,546)	(12,022)
Trade payables and others		202,434	(316,545)
Cash from operations		2,248,979	1,218,135
Finance costs paid		(735,839)	(656,840)
Zakat paid	15a	(93,323)	(96,847)
End-of-service indemnities paid	13	(3,384)	(4,386)
Net cash from operating activities		1,416,433	460,062
INVESTING ACTIVITIES			
Additions to investment in associates	8	(1,157,793)	(75,341)
Proceeds from disposal of investment in associates	8	-	87,117
Purchase of property and equipment	7	(19,323)	(21,237)
Proceeds from disposal of property and equipment	7&23a	13,661	798
Additions to investment properties	5	(427)	(5,594)
Net cash flows used in investing activities		(1,163,882)	(14,257)
FINANCING ACTIVITIES			
Movement in long-term borrowings		(722,094)	1,335,559
Payment of principal portion of lease liabilities	23b	(9,481)	(5,933)
Net cash flows (used in) / from financing activities		(731,575)	1,329,626
(Decrease) / Increase in cash and cash equivalents		(479,024)	1,775,431
Cash and cash equivalents, beginning of the year		5,928,857	4,153,426
Cash and cash equivalents, end of the year	11	5,449,833	5,928,857
Non-cash transactions			
Additions to right-of-use assets and lease liabilities	23a	28,166	14,617
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	15,890	3,876
Transfer of properties & equipment to development properties	7,6	-	10,803
Disposal of share in investments in associates	8	-	34
Share in other equity changes of associate	8	98,567	-
Share of other comprehensive income from associate	8	4,727	-
Net (loss)/gain on equity instrument designated at FVOCI	9	(23,310)	5,040

Authorised Board of Directors Member

Chief Executive Officer

Chief Financial Officer

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

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 limited liability company (previously 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, 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.

COMPASS PROJECT CONTRACTING COMPANY

– is a limited liability company (previously known as Dar Al Arkan Construction Technology 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, 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 15/2/2022 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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

2. 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).

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 2023 and are applicable to the Group.

IAS 1	Amendment	• 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.
IAS 8	Amendment	• Amendments regarding the definition of accounting estimates applicable annual periods beginning on or after 1 January 2023.
IAS 12	Amendment	• Deferred tax amendment related to assets and liabilities arising from a single transaction, applicable annual periods beginning on or after 1 January 2023. • Amendments regarding international Tax Reform-Pillar Two Model Rules applicable annual periods beginning on or after 1 January 2023.

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	• Applicable annual periods beginning on or after 1 January 2024: The amendments in Non-current Liabilities with Covenants (Amendments to IAS 1) modify the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.
IFRS 10 and IAS 28	Amendment	• Amendments related to the sale or contribution of assets between an investor and its associate or joint venture.
IFRS 16	Amendment	• Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions applicable annual periods beginning on or after 1 January 2024.
IAS 7 and IFRS 7	Amendment	• Amendments to add disclosure requirements, and 'signposts' within existing disclosure requirements, to provide qualitative and quantitative information about supplier finance arrangements applicable annual periods beginning on or after 1 January 2024.
IFRS S1	New Standard	• This standard includes the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1), which is the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. Applicable annual periods beginning on or after 1 January 2024.
IFRS S2	New Standard	• It includes Climate-related Disclosures, which is the first thematic standard, and sets out requirements for entities to disclose information about climate-related risks and opportunities. Applicable annual periods beginning on or after 1 January 2024
IAS 21	Amendment	• Amendment to assess whether a currency is exchangeable and the determination of spot exchange rate when exchangeability is lacking. Applicable annual periods beginning on or after 1 January 2025.

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 following are the material accounting policies applied by the Group in preparing its consolidated financial statements. These policies have been consistently applied to the periods presented, unless otherwise stated.

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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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.

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.

DAR AL ARKAN REAL ESTATE DEVELOPMENT COMPANY (SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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%

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.

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.

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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.

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 profit or loss and other comprehensive 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 profit or loss and other comprehensive 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 sale
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.

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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.

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 bylaws of the Company, 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.

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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 year.

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 earning rentals or investment potential and not for sale in the ordinary course of business. Management assesses the intended use of its real estate properties on continuous basis and summarises the portfolio at every reporting period. When the periodic management assessment identifies any change in the use of a property previously classified as investment properties, their carrying cost is transferred to development properties for further development and final transfer under ordinary course of business. While re-assessing the intended use, management considers the holding period, possibility of further appreciations, related economic activities around such properties and need for further development to make the property ready for sale.
Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with the intent to sale.

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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 2023 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:

	2023 Range	2022 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 are disclosed in note 5.

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 investment properties:

	2023 Range	2022 Range
Estimated capitalisation of yields- investment properties	6-8%	6-8%

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.

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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 of Properties – Under this segment, the Group categorises all its real estate properties under development which are acquired, developed and sold. It includes:
  1. Residential and commercial properties whether completed or under development ("Residential and Commercial Projects")
  2. Land and investment in land properties which are undeveloped, developed with or without infrastructure and the sale of such properties ("Land Projects").

- Leasing 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.

All Other segments- the sale of furniture items is not a reportable segment, as it is not separately included in the report provided to CODM. The result of its operations is included in the "Other" column.

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 2023 and 31 December 2022 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 2023			
		Development Properties	Leasing of Properties	Other	Group Total
SEGMENT WISE PROFIT & LOSS		**SR 000**	**SR 000**	**SR 000**	**SR 000**
Revenue	17	2,571,263	133,204	2,633	2,707,100
Cost of revenue	18	(1,602,073)	(34,132)	(489)	(1,636,694)
GROSS PROFIT	-	**969,190**	**99,072**	**2,144**	**1,070,406**
Operating expenses:					
General and administrative expenses	19	-	-	-	(205,096)
OPERATING PROFIT					**865,310**
Finance costs	20	-	-	-	(764,459)
Other income, net		-	-	-	213,534
Share of net profit from associates and joint ventures	8a	-	-	-	312,033
PROFIT BEFORE ZAKAT					**626,418**
SEGMENT WISE ASSETS & LIABILITIES					
TOTAL ASSETS		**32,473,501**	**1,119,719**	**62,084**	**33,655,304**
TOTAL LIABILITIES		**12,609,206**	**692,183**	**62,034**	**13,363,423**

	Notes	For the year ended 31 December 2022		
		Development Properties	Leasing of Properties	Group Total
SEGMENT WISE PROFIT & LOSS		**SR 000**	**SR 000**	**SR 000**
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 & 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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5. INVESTMENT PROPERTIES, NET

The movement in investment properties is as follows:

	2023	2022
	SR 000	SR 000
COST		
At beginning of the year	1,414,507	1,413,506
Transfer to development properties (note 6)	(22,002)	(4,593)
Additions	427	5,594
At end of the year	1,392,932	1,414,507
ACCUMULATED DEPRECIATION		
At beginning of the year	336,699	303,092
Transfer to development properties (note 6)	(6,112)	(717)
Charged during the year (note 18)	34,132	34,324
At end of the year	364,719	336,699
CARRYING AMOUNT AT THE END OF THE YEAR	**1,028,213**	**1,077,808**

Included within investment properties is land with an original cost of SR 270 million (31 December 2022: 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 2023. 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% (2022: 6-8%) between residential and commercial leased properties to arrive the fair value estimated as below:

	2023	2022
	SR 000	SR 000
CARRYING AMOUNT	1,028,213	1,077,808
ESTIMATED FAIR VALUE		
Estimated on annual rent yield on investment properties	1,488,000	1,489,000

Sensitivity in fair value estimation:

	Increase in rate	Decrease in rate
	SR 000	SR 000
Change in fair value of investment properties		
50 basis points change in capitalisation rate	(69,000)	77,000
Sensitivity impact on estimated fair value	(69,000)	77,000

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 2023				
	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	2,407	141,925	2,002,503	18,561,060	20,707,895
Additions, net during the year	-	(4,847)	64,935	2,162,003	2,222,091
Deemed disposal (note b)	-	-	(961,838)	(8,678)	(970,516)
Transfer, net (note a)	-	-	15,890	-	15,890
Charged to cost of sales during the year (note 4)	-	(28,007)	(75,307)	(1,498,759)	(1,602,073)
CARRYING AMOUNT AT THE END OF THE YEAR	**2,407**	**109,071**	**1,046,183**	**19,215,626**	**20,373,287**
Short-term development properties					**111,478**
Long-term development properties					**20,261,809**

	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**

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 15.83 billion (31 December 2022: SR 15.28 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 2023 the Group has not capitalised borrowing costs on qualifying assets (31 December 2022: SR 955 thousand).

Note (a) – During the year ended 31 December 2023, Investment properties and Properties & Equipment with a net book value of SR 15,890 thousand and SR nil respectively were transferred to Development Properties (31 December 2022: SR 3,876 thousand and SR 10,803 thousand respectively) (Notes 5&7).

Note (b) – During the year ended 31 December 2023, Development Properties with a book value of SR 970,516 thousand were derecognised due to loss of control (Note 29).

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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 year demonstrated an estimated market value indicating an average uplift of 20% (31 December 2022: 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% (2022: 3-5%) for development properties to arrive at the estimated values.

	Year ended 31 December 2023				
	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	**2,407**	**109,071**	**1,046,183**	**19,215,626**	**20,373,287**
ESTIMATED VALUE					
Estimated value @ 20% margins on cost	3,000	131,000	1,255,000	23,060,000	24,449,000
Estimated value @ 3-5 % ARR	3,000	133,000	1,229,000	21,974,000	23,339,000
Average value of land	3,000	132,000	1,242,000	22,517,000	23,894,000
Estimated Value	3,000	130,000	1,238,000	22,500,000	23,871,000

	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	**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

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 margins	2,037,000	(2,037,000)
1% change in ARR	830,000	(790,000)
Average change in value of development properties	1,433,500	(1,413,500)

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.

7. PROPERTY AND EQUIPMENT, NET

31 DECEMBER 2023	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 2023	92,125	20,690	8,018	27,088	69,921	217,842
Additions for the year	-	18,185	280	-	858	19,323
Deemed disposal (Note a)	-	(1,660)	-	-	(5,069)	(6,729)
Disposal	-	(286)	(334)	-	(1,255)	(1,875)
Balance at 31 December 2023	92,125	36,929	7,964	27,088	64,455	228,561
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	51,852	11,012	8,015	18,573	60,009	149,461
Depreciation for the year	2,505	4,445	9	868	2,560	10,387
Deemed disposal (Note a)	-	(922)	-	-	(2,563)	(3,485)
Disposal	-	-	(334)	-	(1,026)	(1,360)
Balance at 31 December 2023	54,357	14,535	7,690	19,441	58,980	155,003
CARRYING AMOUNT AT 31 DECEMBER 2023	**37,768**	**22,394**	**274**	**7,647**	**5,475**	**73,558**

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	-	(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
Additions 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 2023	**40,273**	**9,678**	**3**	**8,515**	**9,912**	**68,381**

Note (a): During the year ended 31 December 2023, Properties and Equipment with a net book value of SR 3,244 thousand were derecognised due to loss of control (Note 29).

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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 Group's ownership in these investee companies ranges from 18% to 88%. For entities where the equity interest is less or more than 20%, management believes that it is able to exert significant influence due to contractual arrangement and its involvement and representation at board level. Movement in investments in associates and joint ventures is as follows:

a. Investments in associates and joint ventures:

	2023 SR 000	2022 SR 000
Investments, beginning of the year	1,030,125	1,195,144
Additions (note iii)	1,255,123	75,341
Transfer/disposal, net (note vii)	1,237	(256,773)
Share of profits during the year	312,033	16,413
Other comprehensive income during the year	4,727	-
Investments, end of the year	**2,603,245**	**1,030,125**

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

	2023		2022	
	Amount	Holding	Amount	Holding
	SR 000	%	SR 000	%
Name of the entity				
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%
Dar Global PLC (DG PLC) (iii)	1,255,123	88%	-	-
Other associates and joint venture	71,474		71,477	
Accumulated share of profits & other comprehensive income	329,101		11,101	
Balance, end of the year	**2,603,245**		**1,030,125**	

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

AS AT 31 DECEMBER 2023

	KDC SR 000	ACS SR 000	DG PLC SR 000	OTHERS SR 000	TOTAL SR 000
Total assets	543,059	1,156,162	2,874,441	310,675	4,884,337
Total liabilities	(36,635)	(22,622)	(1,131,032)	(76,914)	(1,267,203)
Net assets	506,424	1,133,540	1,743,409	233,761	3,617,134
Others - notes a & b	171,603	-	-	18,579	190,182
Group's share of net assets	**508,375**	**478,354**	**1,534,200**	**82,316**	**2,603,245**

For the year ended 31 December 2023

	KDC SR 000	ACS SR 000	DG PLC SR 000	OTHERS SR 000	TOTAL SR 000
Total revenue for the year	-	161,060	1,350,699	163,206	1,674,965
Total profit for the year	893	72,964	311,761	12,947	398,565
Other adjustments – note c	-	87	-	(670)	(583)
Other comprehensive income	-	-	5,372	-	5,372
Total comprehensive income for the year	893	73,051	317,133	12,277	403,354
Group's share of profit & other comprehensive income for the year, net	**594**	**30,828**	**279,077**	**6,261**	**316,760**

AS AT 31 DECEMBER 2022

	KDC SR 000	ACS SR 000	OTHERS SR 000	TOTAL 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**

For the year ended 31 December 2022

	KDC	ACS	OTHERS	TOTAL
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 profit for the year, net	**128**	**15,058**	**1,227**	**16,413**

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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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 investment's initial cost was SR 422 million which represents 42.2% equity 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.

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.

(iii) Dar Global PLC (DGPLC): On 28 February 2023, Dar Global PLC, an indirectly wholly owned subsidiary of the Group, had listed its shares on 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. Due to issuance of new 21,621,612 shares by Dar Global PLC through private placement at the time of listing, the Group's equity interest diluted from 100% to 88%. Furthermore, due to listing requirements, the Group has lost control of the entity but exercise significant influence, hence the investment has been classified as associate and accounted for under equity method. The Group has recognised the initial investment in associate amounting to SR 1,255 million including SR 98.6 million which represents its share of other changes in equity of associate related to its share premium. The fair value of the Group's investment in DG PLC based on its trading price at 31 December 2023 is SR 2,148 million.

OTHER ASSOCIATES THAT ARE NOT INDIVIDUALLY MATERIAL:

(iv) Eastern Juman Company (Juman): During 2016, the Group had invested in Eastern Juman Company, a Limited Liability Company established mainly for the development of Juman project located between Dammam and Ras Tanura. The Company is registered in Riyadh under the Commercial Registration No. 1010462791 dated 15/10/1437H, (corresponding to 20/07/2016) with a 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.

(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.

(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. During the first quarter of 2023, the Group disposed of all its shares in 149OPL at SR 3.4 thousand where the investment has the carrying value of SR (1,237) thousand.

(viii) SHL Finance Company (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 year 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 initial public offering, the Group disposed of its 4.5% equity interest and lost significant influence over SHL. Hence, the retained interest of 10.5% is classified as investments in financial assets and measured at FVOCI 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 during the year 2022, 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 the 2022	**40,378**

The gain recognised during the year 2022 comprises of a realised gain of SR 10.08 million (being the proceeds of SR 87.11 million, less carrying amount of SR 77.03 million of the interest disposed) and an unrealised gain of SR 30.3 million (being the fair value less the carrying amount of the 10.5% interest retained).

9. INVESTMENTS IN FINANCIAL ASSETS

a) Fair value through other comprehensive (FVOCI)

This financial asset represents equity shares held in SHL Finance Company, 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 other comprehensive income.

The movement during the year are detailed below:

	2023 SR 000	2022 SR 000
Investments, beginning of the year	215,040	-
Transferred from investment in an associate (note 8)	-	210,000
Unrealised fair value gain recognised in other comprehensive income during the year	(23,310)	5,040
Balance, end of the year	**191,730**	**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.

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b) The movement during the year are detailed below:

Equity Investments at FVTOCI - Listed Securities	PERCENTAGE OWNERSHIP	2022	2022
		SR 000	SR 000
SHL Finance Company	10.5%	191,730	215,040
Balance, end of the year	**191,730**	**191,730**	**215,040**

10. TRADE RECEIVABLES AND OTHERS

	2023	2022
	SR 000	SR 000
Trade receivables – net of allowances for expected credit loss of SR 27.99 million (31 December 2022: SR 27.99 million)	3,337,054	3,550,561
Prepayments and others	272,479	505,378
Advance payments to purchase land	253,895	381,555
Accrued revenue	19,231	17,556
Total	**3,882,659**	**4,455,050**

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

a) Ageing of trade receivables

	2023	2022
	SR 000	SR 000
0-60 days	341,485	804,971
61-120 days	494,244	249,360
121-180 days	643,781	225,976
Above 180 days	1,857,544	2,270,254
Total	**3,337,054**	**3,550,561**

Ageing are from the date of invoice and the trade receivables include about 99% (31 December 2022: 99%) receivables against land and project sales which are fully secured against such land and project parcels.

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

	2023	2022
	SR 000	SR 000
Balance, beginning of the year	27,988	27,988
Allowance for the year	-	-
Balance, end of the year	**27,988**	**27,988**

11. CASH AND CASH EQUIVALENTS

	2023	2022
	SR 000	SR 000
Cash in hand	99	203
Cash with bank	5,449,734	5,928,654
Total	**5,449,833**	**5,928,857**

12. BORROWINGS

	2023	2022
	SR 000	SR 000
Islamic Sukuk	7,500,000	7,125,000
Islamic Murabaha	2,663,200	3,715,302
	10,163,200	10,840,302
Less: Un-amortised transaction costs (note 12 b)	**(82,895)**	**(66,523)**
Borrowings end of the year	10,080,305	10,773,779
Less: Borrowings - current portion	**(1,047,940)**	**(2,959,484)**
Borrowings - non-current portion	**9,032,365**	**7,814,295**

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a) Repayable as follows:

	2023 SR 000	2022 SR 000
Within one year	1,051,227	2,964,205
In the second year	2,876,345	879,998
In the third to fifth years inclusive	3,711,537	6,673,499
Above five years	2,524,091	322,600
Total	**10,163,200**	**10,840,302**

b) Islamic borrowings transaction costs::

	2023 SR 000	2022 SR 000
Balance, beginning of the year	66,523	54,565
Additions during the year	44,992	36,755
Amortisation charge for the year (note 20)	(28,620)	(24,797)
Balance, end of the year	**82,895**	**66,523**

c) Analysis of borrowings:

Islamic Sukuk
This represents SR 7.5 billion of Islamic Sukuk comprising:

1. 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.
2. 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.
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 7.75% and maturing in 2026.
4. 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 8.00% and maturing in 2029.

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 that are owned by the Group, specifically Shams Ar Riyadh. 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 2023.

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 8 years with periodic repayment as detailed below.

Summary of the Murabahas:

Maturity date	Outstanding Balance SR 000	Short-term SR 000	Long-term SR 000
2024	85,714	85,714	-
2025	1,200,000	758,333	441,667
2027	405,000	67,500	337,500
2028	188,000	37,600	150,400
2030	139,286	21,429	117,857
2031	645,200	80,650	564,550
TOTAL	**2,663,200**	**1,051,226**	**1,611,974**

The weighted average effective annual commission rate for the year ended 31 December 2023 is 7% (31 December 2022: 6.47%).

The facility agreements include certain financial covenants, which the Group was in compliance with as at 31 December 2023.

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 based on Saudi Labor Law is as follows:

	2023 SR 000	2022 SR 000
Balance, beginning of the year	26,911	22,550
Charged to expenses during the year	5,111	6,485
Re-measurement loss/ (gain)	2,989	2,262
Paid during the year	(3,384)	(4,386)
Balance, end of the year	**31,627**	**26,911**

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

a) Significant actuarial assumptions:

	2023 SR 000	2022 SR 000
Discount rate	4.60%	3.0%
Long term salary increase rate	4.60%	3.0%
Employee attritions	Moderate	Moderate

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b) Movement in present value of employee benefit obligation

	2023 SR 000	2022 SR 000
Balance, beginning of the year	23,459	19,976
Net period benefit cost	3,850	3,932
Re-measurement loss/ (gain)	2,989	2,262
Paid during the year	(1,315)	(2,711)
Balance, end of the year	**28,983**	**23,459**

c) Analysis of present value of obligation

	2023 SR 000	2022 SR 000
Benefit obligation accumulated to the date of financial position	28,166	22,371
Benefits attributed to future salary increase	817	1,088
Total	**28,983**	**23,459**

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:

	2023 SR 000	2022 SR 000
Discount rate + 0.5%	28,238	22,817
Discount rate - 0.5%	29,762	24,131
Long term salary increase + 0.5%	29,564	23,967
Long term salary increase - 0.5%	28,420	22,967

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

The weighted average duration of the employee benefit obligation is 5.26 years for the year ended December 31, 2023 (31 December 2022: 5.6 years). The expected maturity analysis of discounted defined benefit obligation is as follows:

	2023 SR 000	2022 SR 000
Within one year	3,909	2,520
In the second year	5,977	5,260
Between third and fifth years	8,604	4,615
Above five years	10,493	11,064
Total	**28,983**	**23,459**

14. TRADE PAYABLES AND OTHERS

	2023 SR 000	2022 SR 000
Contract liabilities (note 14a)	1,100,404	1,393,797
Trade payables	647,874	305,679
Accruals and others	510,270	509,971
Unearned revenue	460,749	272,017
Due to related parties (note 24a)	187,834	186,936
Lease liability (note 23b)	27,264	17,874
Dividend payable	8,307	35,309
Total	**2,942,702**	**2,721,583**

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.

	2023 SR 000	2022 SR 000
Balance, beginning of the year	1,393,797	1,888,257
Collections / (refunds) during the year	12,176	539,784
Derecognition on deemed disposal (Note a)	(214,601)	-
Transfer to revenue during the year (Note 17)	(90,968)	(1,034,244)
Balance, end of the year	**1,100,404**	**1,393,797**

(Note a): During the year ended 31 December 2023, contract liabilities with a book value of SR 214,601 thousand were derecognised due to loss of control (Note 29).

15. ZAKAT PROVISIONS

a) Movement in provision for Zakat:

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

	2023 SR 000	2022 SR 000
Balance beginning of the year	386,452	336,633
Charge for the year	15,660	12,827
Zakat charge as per final assessments from 2009 to 2014	-	133,839
Paid during the year	(93,323)	(96,847)
Estimated Zakat provision, end of the year	**308,789**	**386,452**

b) 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 2022 have been filed with ZATCA. The consolidated return for the year 2023 is under preparation.

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16. SHARE CAPITAL

	2023 SR 000	2022 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**

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 (see note 4).

The Group signed contract for the significant portion of the project for SAR 6.7 billion and is waiting for final approval from respective regulatory authorities. Once confirmation is received based on the completed obligations, the respective revenue will be recognised in full.

DISAGGREGATION OF REVENUE	BASIS OF RECOGNITION	2023 SR 000	2022 SR 000
Sale of development properties	At a point in time -	2,372,971	2,671,915
Sale of development properties	Over the time -	90,968	727,742
Sale of residential properties	At a point in time -	107,324	103,457
Sale of residential properties	Over the time -	-	306,502
Sale of furniture	At a point in time -	2,633	-
Leasing of properties	Straight-line basis -	133,204	115,883
Total		**2,707,100**	**3,925,499**

18. COST OF REVENUE

DISAGGREGATION OF REVENUE	2023 SR 000	2022 SR 000
Development properties – cost	1,526,766	2,159,766
Residential properties – cost	75,307	273,822
Furniture - cost	489	-
Direct cost on leasing – depreciation (refer note 5)	34,132	34,324
Total	**1,636,694**	**2,467,912**

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR 000	2022 SR 000
General and administrative expenses	188,981	340,439
Depreciation (refer note 7 & 23a)	16,115	15,858
Donations	-	1,637
Total	**205,096**	**357,934**

20. FINANCE COSTS

	2023 SR 000	2022 SR 000
Finance charges on Sukuk	477,601	475,222
Finance charges on Islamic Murabaha	257,255	180,668
Finance charges on lease liability (note 23b)	983	950
Amortisation of transaction costs (note 12b)	28,620	24,797
Total	**764,459**	**681,637**

21. OTHER INCOME, NET

	2023 SR 000	2022 SR 000
Dividend income from investments in financial assets	-	8,127
Finance income	199,613	-
Other income, net	13,921	145,830
Total	**213,534**	**153,957**

22. EARNINGS PER SHARE

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

	2023 SR 000	2022 SR 000
Earnings		
For the purpose of basic earnings per share (Net profit for the year)	610,758	441,720
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.

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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.

	2023 SR 000	2022 SR 000
COST		
At beginning of the year	28,851	14,234
Deemed disposal (Note a)	(14,701)	-
Additions for the year	28,166	14,617
At end of the year	**42,316**	**28,851**
ACCUMULATED DEPRECIATION		
At beginning of the year	11,176	5,728
Deemed disposal (Note a)	(4,799)	-
Charged during the year	5,728	5,448
At end of the year	**12,105**	**11,176**
NET BOOK VALUE AT THE END OF THE YEAR	**30,211**	**17,675**

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

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.

	2023 SR 000	2022 SR 000
LIABILITY		
At beginning of the year	29,874	14,307
Deemed disposal (Note a)	(13,756)	-
Additions for the year	28,166	14,617
Finance cost for the year (note 20)	983	950
At end of the year	**45,267**	**29,874**
PAYMENTS		
At beginning of the year	12,000	6,067
Deemed disposal (Note a)	(3,478)	-
Paid during the year	9,481	5,933
At end of the year	**18,003**	**12,000**
BALANCE AT THE END OF THE YEAR	**27,264**	**17,874**

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

(Note a): During the year ended 31 December 2023, Right of use assets and lease liability with a net carrying amount for SR 9,902 thousand and SR 10,278 thousand, respectively, were derecognised due to loss of control (Note 29).

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

	2023 SR 000	2022 SR 000
AMOUNTS DUE:		
Within one year	9,957	6,749
Between one and five years	20,487	11,646
Above five years	-	873
Total	**30,444**	**19,268**

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 year, 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:

	2023 SR 000	2022 SR 000
Within one year	116,352	84,523
Between one and five years	216,325	160,744
After five years	98,096	62,987
Total	**430,773**	**308,254**

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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 (note 14) and repayable on demand. The movement of the related balance is as follows:

	2023 SR 000	2022 SR 000
Balance, beginning of the year	186,936	186,435
Repayment of advances for the year	(62)	(459)
Finance/other cost charged for the year	960	960
Balance, end of the year	**187,834**	**186,936**

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

	2023 SR 000	2022 SR 000
Short-term benefits	9,722	10,922
End-of-service benefits	765	861
Remunerations and attendance fees to Board of Directors and Executive Committee	-	-
Total	**10,487**	**11,783**

c) Other related party transactions
(i) SHL Finance Company:
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:

	2023 SR 000	2022 SR 000
Sales to third party customer during the year	3,802	3,803
Collections from SHL	(3,802)	(3,803)
Balance, end of the year	**-**	**-**

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 2023 was SR 5.11 million (31 December 2022: SR 6.49 million), and the outstanding contribution as at 31 December 2023 is SR 165 thousand (31 December 2022: SR 380 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:

	2023 SR 000	2022 SR 000
Islamic borrowings	10,080,305	10,773,779
Cash and cash equivalents	(5,449,833)	(5,928,857)
	4,630,472	4,844,922
Shareholders' equity	20,291,881	19,604,128
Net debt to equity ratio	**23%**	**25%**

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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
5. Price 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:

	2023 SR 000	2022 SR 000
Cash and cash equivalents	5,449,833	5,928,857
Trade receivable, net	3,337,054	3,550,561
Total	**8,786,887**	**9,479,418**

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'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 5.59% and 5.69% (3.74% and 4.78% for 2022) and SAIBOR varied between 6.16% and 6.38% (4.27% and 5.89% for 2022).

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

	2023 SR 000	2022 SR 000
+ 25 basis points	6,658	9,288
- 25 basis points	(6,658)	(9,288)

The net profit of the Group for the reported year 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 year 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 2023 is 7% (31 December 2022: 6.47%).

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 2023 and 31 December 2022 are as follows:

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31 DECEMBER 2023	Within 3 Months	3 months to 1 year	One year to 2 years	3 year to 5 years	Above 5 yearst	No Fixed Maturity	Total
	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000	SR 000
FINANCIAL LIABILITIES							
Islamic borrowings	640,144	1,108,591	3,424,818	4,607,169	2,574,320	-	12,355,042
Trade payables and others	107,393	2,089,812	477,940	10,116	42,710	214,731	2,942,702
TOTAL	**747,537**	**3,198,403**	**3,902,758**	**4,617,285**	**2,617,030**	**214,731**	**15,297,744**

31 DECEMBER 2022	Within 3 Months	3 months to 1 year	One year to 2 years	3 year to 5 years	Above 5 yearst	No Fixed Maturity	Total
FINANCIAL LIABILITIES							
Islamic borrowings	2,468,249	1,067,341	1,354,179	7,326,714	352,543	-	12,569,026
Trade payables and others	124,182	1,709,660	526,640	127,940	46,225	186,936	2,721,583
TOTAL	**2,592,431**	**2,777,001**	**1,880,819**	**7,454,654**	**398,768**	**186,936**	**15,290,609**

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 2023 amounts to SR 106 million (31 December 2022: SR 210 million) and performance commitment through a bank guarantee for SR 81 million against receivable collected (31 December 2022: 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 2023, there were no significant claims notified (31 December 2022: None).

29. DEEMED DISPOSAL ON ISSUANCE OF SHARES BY SUBSIDIARY

On 28 February 2023, Dar Global PLC, an indirectly wholly owned subsidiary of the Group, had listed its shares on 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. Due to issuance of new 21,621,612 shares by Dar Global PLC through private placement, at the time of listing, the Group's equity interest diluted from 100% to 88%. Furthermore, due to listing requirements, the Group has lost control of the entity but exercise significant influence, hence the investment has been classified as associate and accounted for under equity method.

The assets and liabilities of Dar Global PLC were derecognised due to loss of control. The remeasured fair value of the retained interest amounted to SR 1.2 billion and no gain/loss has been recognised on remeasurement of retained interest in associate.

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on 19 March 2024.

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