

**ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2023

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2023

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Arriyadh Development Company (the "Company"), which comprise the statement of financial position as at 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia ("IFRS") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of 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 financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements. We also 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>REVENUE</p> <p>The Company's revenues primary consists of leasing and operating revenues, totaling SR 339.1 million for the year end 31 December 2023.</p> <p>We considered this as a key audit matter, as there are inherent risks about the accuracy of the recorded revenues due to the impact of the terms of the contracts on the revenue recognition process, which may affect its recording at a higher or lower value than its actual value, in addition to the materiality of the amounts related to revenues.</p> <p><i>Please Refer to note (3) for a summary of material accounting policies related to revenue recognition</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Assessed the Company's revenue recognition policies for compliance with International Financial Reporting Standards 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. Tested the effectiveness of the design and implementation of key controls over the revenue recognition process. Performed analytical procedures by comparing revenue expectations with actual results and analyzed variances. Tested a sample of customer invoices and contracts to verify the revenue recording process. Recalculated a sample of lease income for a sample of contracts to verify the accuracy of the recording. Assessed the adequacy of the relevant disclosures in the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the key audit matter
<p>Impairment of investments properties</p> <p>As at 31 December 2023, investment properties amounted to SR 1,490 million, represents 53% of the Company's total assets, which are stated at cost, net of accumulated depreciation and impairment, if any.</p> <p>For the purposes of impairment assessment testing and the disclosure of the fair value in the Company's financial statements, investment properties are valued by an accredited independent external valuer properties expert ("the Valuer") who performs the valuation using generally accepted valuation approaches and methodology, based on assumptions and estimates related to several factors affecting the fair value of the investment properties.</p> <p>We considered this as a key audit matter as impairment assessment testing of the investment properties requires significant judgments by management and also involves key estimates, in addition to the materiality of the amounts involved.</p> <p><i>Please refer to note (3) for a summary of material accounting policies related to investment properties and note (5) for details of investment properties and fair values.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> Assessed the Valuer's objectivity, independence and experience. Compared the fair value of investment properties at year end with the valuation amounts included in the valuation report provided by the Valuer. Assess the valuation approaches and methodology used by the Valuer. We evaluated, on a sample basis, the real estate valuations carried out by the valuer, with the help of our specialists, to help us evaluate the reasonableness of the key assumptions that were used to determine the fair values of the investment properties. Checked the title deeds for the investment properties. Assessed the adequacy of the relevant disclosures in the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)**

Other information included in the Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the 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 financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Company'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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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, the provisions of the Companies' Law and Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing 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 financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)**

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

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

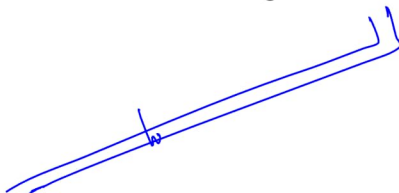
**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY) (Continued)**

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

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, actions taken to eliminate threats or safeguards applied.

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

for Ernst and Young Professional Services



Fahad M. Altoaimi
Certified Public Accountant
License No. (354)



Riyadh: 1 Ramadan 1445H
(11 March 2024)

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(All Amounts in Saudi Riyals unless otherwise stated)

	Notes	31 DECEMBER 2023	31 DECEMBER 2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	4	12,524,996	9,159,447
Investment properties	5	1,490,786,762	1,527,752,437
Right of use Assets	6	45,113,224	49,603,946
Investments properties under development	7	19,888,240	1,819,500
Investments designated at FVOCI	8	986,929	986,929
Investment in an associate	9	237,264,477	231,347,588
Murabaha investment deposits – long term	12	600,000,000	185,000,000
TOTAL NON-CURRENT ASSETS		2,406,564,628	2,005,669,847
CURRENT ASSETS			
Accounts receivable, prepayments and other receivables	10	68,314,757	97,518,588
Murabaha investment deposits – short term	12	270,000,000	460,000,000
Assets held for sale	13	2,247,695	-
Cash at banks	14	44,981,796	34,555,510
TOTAL CURRENT ASSETS		385,544,248	592,074,098
TOTAL ASSETS		2,792,108,876	2,597,743,945
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	15	1,777,777,770	1,777,777,770
Statutory reserve	16	155,081,438	127,927,485
Retained earnings		450,786,058	294,744,421
Revaluation reserve of Investments designated at FVOCI	8	(2,813,070)	(2,813,070)
TOTAL SHAREHOLDER'S EQUITY		2,380,832,196	2,197,636,606
NON-CURRENT LIABILITIES			
Lease liabilities	6	42,077,256	45,579,655
Employees' defined benefits obligations	17	12,404,275	10,659,905
TOTAL NON-CURRENT LIABILITIES		54,481,531	56,239,560
CURRENT LIABILITIES			
Accounts payable, accrued expenses and other payables	18	249,654,208	242,916,728
Lease liabilities - current portion	6	6,009,280	5,999,592
Dividends payable	19	74,251,232	73,917,517
Zakat provision	20	26,880,429	21,033,942
TOTAL CURRENT LIABILITIES		356,795,149	343,867,779
TOTAL LIABILITIES		411,276,680	400,107,339
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,792,108,876	2,597,743,945



Chief Financial Officer
Mr. Mohammed Alkulaib



Member of the Board of Directors
And Chairman of the Audit Committee Mr. Suleiman
bin Nasser
Al-Hattlan



Chief Executive Officer
Mr. Jihad Abdul Rahman
Al-Kadi

The attached notes (1) to (33) form an integral part of these financial statements.

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All Amounts in Saudi Riyals unless otherwise stated)

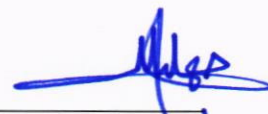
	Notes	2023	2022
REVENUE	21	339,185,405	258,897,034
Costs of revenue	22	(122,974,851)	(88,712,220)
Gross profit		216,210,554	170,184,814
General and Administrative expenses	23	(69,102,952)	(66,696,445)
Profit for the year from main operations		147,107,602	103,488,369
Finance costs	6	(2,707,289)	(2,899,047)
Mudarabah deposits income	12	37,922,988	21,596,059
Share of profit of an associate	9	97,498,489	190,465,838
Other income		12,037,981	392,959
Net profit for the year before Zakat		291,859,771	313,044,178
Zakat	19	(20,320,238)	(12,687,913)
NET INCOME FOR THE YEAR		271,539,533	300,356,265
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified subsequently to the statement of profit or loss			
Actuarial gains of employees' benefit obligations	16	544,946	1,129,113
Net change in fair value of investments designated at FVOCI	8	-	8,242,217
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		544,946	9,371,330
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		272,084,479	309,727,595
Earnings per share			
Basic and diluted earnings per share from net profit for the year	30	1.53	1.69



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ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Revaluation reserve of Investments designated at FVOCI</i>	<i>Total shareholders' equity</i>
Balance as at 31 December 2021	1,777,777,770	97,891,859	129,094,523	16,478,192	2,021,242,344
Net income for the year	-	-	300,356,265	-	300,356,265
Other comprehensive income for the year	-	-	1,129,113	8,242,217	9,371,330
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	301,485,378	8,242,217	309,727,595
Transferred to statutory reserve	-	30,035,626	(30,035,626)	-	-
Dividends (Note 29)	-	-	(133,333,333)	-	(133,333,333)
Transferred from the revaluation reserve of investments designated at FVOCI to retained earnings (Note 9)	-	-	27,533,479	(27,533,479)	-
Balance as at 31 December 2022	<u>1,777,777,770</u>	<u>127,927,485</u>	<u>294,744,421</u>	<u>(2,813,070)</u>	<u>2,197,636,606</u>
Balance as at 31 December 2022	1,777,777,770	127,927,485	294,744,421	(2,813,070)	2,197,636,606
Net income for the year	-	-	271,539,533	-	271,539,533
Other comprehensive income for the year	-	-	544,946	-	544,946
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	272,084,479	-	272,084,479
Transferred to statutory reserve	-	27,153,953	(27,153,953)	-	-
Dividends (Note 29)	-	-	(88,888,889)	-	(88,888,889)
Transferred from the revaluation reserve of investments designated at FVOCI to retained earnings (Note 9)	-	-	-	-	-
Balance as at 31 December 2023	<u>1,777,777,770</u>	<u>155,081,438</u>	<u>450,786,058</u>	<u>(2,813,070)</u>	<u>2,380,832,196</u>



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Mr. Mohammed Alkulaib



Member of the Board of Directors And Chairman of the Audit
Committee Mr. Suleiman bin Nasser Al-Hattlan



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Mr. Jehad Abdul Rahman Al-Kadi

The attached notes (1) to (33) form an integral part of these financial statements.

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS

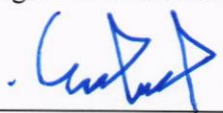
FOR THE YEAR ENDED 31 DECEMBER 2023


(All Amounts in Saudi Riyals unless otherwise stated)


	2023	2022
OPERATING ACTIVITIES		
NET INCOME FOR THE YEAR	271,539,533	300,356,265
Adjustments:		
Depreciation of property, plant and equipment, investment properties and right of use Assets	42,852,694	38,384,133
Finance costs	2,707,289	2,899,047
Murabaha deposits income	(484,526)	(17,225,690)
Share of profit of an associate	(97,498,489)	(190,465,838)
Gains on sale of property, plant and equipment	-	(38,405)
Gains of sale of investment properties	(37,882,788)	-
Provided for expected credit loss allowance	8,504,112	11,933,638
Provided for employees benefit liabilities	4,245,315	2,124,199
Provided for Zakat	20,320,238	12,687,913
	214,303,378	160,655,262
<i>Changes in working capital:</i>		
Accounts receivable, prepayments and other receivables	21,184,244	(24,134,829)
Accounts payable, accrued expenses and other payables	6,737,480	(14,261,646)
Employees' defined benefit obligations paid	(1,955,999)	(913,781)
Zakat provision paid	(14,473,751)	(9,306,257)
Net cash flows from operating activities	225,795,352	112,038,749
INVESTING ACTIVITIES		
Proceeds from liquidation and sale of investments designated at FVOCI	-	68,879,324
Proceeds from / (additions to) murabaha investment deposits	45,000,000	(275,000,000)
Purchase of investment properties	(3,649,080)	(189,867,685)
Dividends received from an associate	91,581,600	272,780,692
Purchase of property, plant and equipment	(5,884,698)	(7,518,637)
Addition of investments properties under development	(19,021,110)	(1,812,000)
Proceeds from sale of investments properties	41,359,395	-
Proceeds from sale of property, plant and Equipment	-	41,126
Net cashflows from / (used in) investing activities	149,386,107	(132,497,180)
FINANCING ACTIVITIES		
Lease liabilities paid	(6,200,000)	(6,200,000)
Recovered from the additional capital reduction	-	137,473,752
Dividends	(88,555,173)	(132,102,918)
Net cash used in financing activities	(94,755,173)	(829,166)
Increase/ (decrease) in cash and cash equivalents	280,426,286	(21,287,597)
Cash and cash equivalents at the beginning of the year (Note 24)	34,555,510	55,843,107
Cash and cash equivalents at the end of the year (Note 24)	314,981,796	34,555,510

Non-cash transactions

Transferred from investment properties under development to investment properties	952,370	2,109,650
Dividends payable	333,715	1,230,415
Change in fair value of investments designated at FVOCI	-	8,242,217


Chief Financial Officer
Mr. Mohammed Alkulaib


Member of the Board of Directors And Chairman of
the Audit Committee Mr. Suleiman bin Nasser Al-
Hattlan


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Al-Kadi

The attached notes (1) to (33) form an integral part of these financial statements.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

1- COMPANY INFORMATION

Arriyadh Development Company (a Saudi joint stock company) (hereinafter referred to as the “Company”) was established by Royal Decree No. M/2 dated 9 Safar 1414 H (corresponding to 28 July 1993). The Company is registered in the Kingdom of Saudi Arabia with Commercial Registration No. 1010124500 issued in the city of Riyadh on 29 Dhu Al-Qi`dah 1414 H (corresponding to 10 May 1994). The Company is listed on the Saudi Stock Exchange (Saudi Tadawul). The Company's head office is located in Riyadh, King Fahd Road, Al-Dirah District, P. O. Box 94542, Riyadh 11614, Kingdom of Saudi Arabia.

The principal activities of the Company are the purchase and sale of lands and real estate, its division, off-plan sales activities, management and leasing of owned or leased out residential and non-residential properties, in addition to real estate development of residential and commercial buildings using modern construction methods, as well as the wholesale and retail sale of new and used private cars, including ambulances, minibuses and four-wheel drive vehicles.

2- BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The financial statements have been prepared on the historical cost convention except investments in equity instruments at fair value and the recognition of employee benefit liabilities at the present value of future liabilities using the expected credit unit method.

The financial statements are presented in Saudi Riyals (“SR”), which is the Company’s functional currency. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES

The summary of material accounting policies adopted by the Company in preparing its financial statements are applied consistently as follows:

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in the normal operating cycle;
- due to be settled within twelve months after the reporting period, or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

ARRIYADH DEVELOPMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

The Company classifies all other liabilities as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and other short-term highly liquid investments if any, with maturities of less than three months from the acquisition date.

Assets held for sale

Assets held for sale are recognized and measured in accordance with International Financial Reporting Standards (IFRS) 5 - Non-current Assets Held for Sale and Discontinued Operations. An asset is classified as held for sale if it meets the criteria specified in IFRS 5, indicating that it is expected to be sold within one year from the financial statement's date.

Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell at the date of classification as held for sale. The carrying amount of the asset is not depreciated or amortized once it is classified as held for sale.

Measurement:

The carrying amount of assets held for sale is determined based on their historical cost less any accumulated depreciation and impairment losses, adjusted for any revaluation surplus or deficit, where applicable.

Fair value less costs to sell is determined based on the estimated selling price in an arm's length transaction between knowledgeable, willing parties, less the estimated costs to sell.

Significant judgements and assumptions applied in determining assets held for sale, as well as the nature and extent of assets classified as held for sale, are disclosed in the notes to the financial statements.

Fair Value Measurement

The Company measures financial instruments such as investments in equity instruments at FVOCI, and investments at FVTPL at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement isn't unobservable.

Investment properties

Investment properties include lands, buildings held by the company for rental or capital development, or both. Investment properties are initially measured at cost. The fair value is determined on the basis of an annual valuation by an independent external valuer with recognized professional qualifications for the purpose of disclosure in the financial statements.

Investment properties are stated at cost less accumulated depreciation, if any. Such cost includes the cost of replacing part of the Investment properties. When significant parts of investment properties are required to be replaced at intervals, the Company depreciates them separately based on their useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the investments properties as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria related to recognised provision are satisfied.

The depreciation of buildings according to the straight-line method is calculated on the basis of their useful life by adopting the following annual ratios:

Building	1.6% – 7%
----------	-----------

Investment lands include lands wholly owned by the company (except as mentioned in Note 5) that are carried at cost plus development expenses.

An item of investment properties and any material part is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss for the year when the asset is derecognized. The residual values, useful lives and methods of depreciation of investments properties are reviewed at each financial period end and adjusted prospectively, if appropriate.

Investment Properties under Development

Investment properties under development are represented by the amount incurred on the establishment or purchase of investment properties under development. And upon completion and as appropriate, it is transferred to investment properties. Investment properties under development are stated at cost and any impairment is reviewed annually (if any).

ARRIYADH DEVELOPMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Property, Plant & Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria related to recognized provision are satisfied.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

- | | |
|----------------------------|---------|
| • Tools and equipment | 4 years |
| • Furniture and Decoration | 4 years |
| • Computers | 4 years |
| • Motor vehicles | 4 years |

The useful life and depreciation method are periodically reviewed to ensure that the depreciation method and period are consistent with the expected economic benefits of property, plant and equipment.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. For all such lease arrangements the Company recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

Right-Of Use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance of fixed lease payments or a change in the assessment to purchase the underlying asset.

ARRIYADH DEVELOPMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Short term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of commercial buildings, accommodations and offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of commercial buildings, accommodations and offices that are considered of low value (i.e., below SR 20,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Investment in an associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investments in an associate are accounted for using the equity method, and initially recognized at cost.

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's statement of comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date the Company determines whether there is objective evidence that the investment in an associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in 'Company's share in earnings of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate the Company measures and recognizes any retained investment at its fair value. difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds disposal is recognized in the statement of profit or loss.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

First: Financial Assets

The classification of financial assets depends on the Company's business model for managing its financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as:

- Financial assets measured at amortized cost, or
- Financial assets measured at fair value.

Gains or losses of assets measured at fair value are recognized through the statement of profit or loss or other comprehensive income.

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued)

Initial Measurement

Financial assets are measured initially at its fair value plus transaction cost. Transaction costs of financial assets carried at fair value through income statement are recognized in the statement of profit or loss and other comprehensive income as incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements to be recognized as solely payment of principal and interest (SPPI).

Subsequent Measurement

Debt Instruments

The Company recognizes three classifications to subsequently measure its debt instruments.

- *amortized cost*

Financial assets held for collection of contractual cash flows, where those cash flows represent Solely Payments of Principal and Interest ("SPPI"), are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- *Fair value through Other Comprehensive Income (FVTOCI)*

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in the statement of profit or loss and other comprehensive. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI, is reclassified from equity to the statement of profit or loss and other comprehensive income and recognized in other revenues/ (expenses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other revenues/expense.

- *Fair value through profit or loss ("FVTPL")*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income. This category includes derivative financial instruments.

Equity Instruments

The Company measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognized in the statement of profit or loss and other comprehensive income as other income when the Company's right to receive payments is established. There shall be no subsequent reclassification of changes in fair value through the statement of profit or loss and other comprehensive income.

ARRIYADH DEVELOPMENT COMPANY

(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

First: financial assets (continued)

Derecognition

A financial asset or a part of a financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, Or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
 - A. The Company has transferred substantially all the risks and rewards of the asset, or
 - B. The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through other Comprehensive Income. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognized in two stages: For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). either for those credit exposures for which there has been a significant increase in

Credit risk since initial recognition, an expected loss allowance is required over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date after forming a provision for accounts receivables not expected to be collected. The company has made a provision matrix that is based on the experience of prior credit losses, adjusted to future factors related to debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there is a significant increase in credit risk when contractual payments are due for more than 60 to 90 days more than the due date.

The Company considers a financial asset in default when contractual payments are 90 days. In some cases, the Company may also consider that the financial asset to be in default when internal and external information indicates that the Company is not probable not receive the full existing contractual amounts before taking into account the credit improvements held by the Company. A financial asset is written off in the case there is no reasonable expectation of from the contractual cash flows.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATRIAL ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Second: Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVTPL; and
- Other financial liabilities measured at amortized cost using the EIR method.

The category of financial liabilities at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVTPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognized when the Company becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and payables, the proceeds received net of directly attributable transaction costs.

Subsequent Measurement

Financial liabilities at FVPL continue to be recorded at fair value with changes being recorded in the statement of profit or loss.

For other financial liabilities, including loans, after initial recognition, these are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortization is included as finance costs in the statement of profit or loss.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial period which are unpaid. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognized when the obligations under the liabilities are settled or discharged. When existing financial liabilities are replaced by others from the same lender on substantially different terms, or the terms of existing liabilities are substantially modified, such an exchange or modification is treated as the derecognition of the original liabilities and the recognition of new liabilities. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is disclosed in the statement of financial position if there is a currently enforceable legal right to offset recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

ARRIYADH DEVELOPMENT COMPANY

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Zakat and Taxes

Zakat is provided for the Company in accordance with the Regulations of Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

The Company withholds taxes on certain transactions with non-resident counterparties in the Kingdom of Saudi Arabia as required under ZATCA regulations.

Employees benefit obligations

The liabilities recognized in the statement of financial position in respect of the employees' defined benefits liabilities, is the present value of the employees' defined benefits liabilities at the end of the reporting period. The employees' defined benefits liabilities are calculated annually by independent actuaries using the projected unit credit method.

The net finance cost is calculated by applying the discount rate to the net balance of the employees' defined benefits liabilities. This cost is included in employee benefit Expenses in the statement of income and other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in the statement of profit or loss and other comprehensive income. They are included in retained earnings in the statement of changes in shareholder's equity and in the statement of financial position.

Changes in the present value of the employees' end of service termination benefits liabilities resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss and other comprehensive income as past service costs.

Revenue

Revenue is measured based on the amount specified in a contract with a customer and excludes the amount collected on behalf of third parties.

The Company recognizes revenue when it transfers control over a product or service to the customer. The application of the principles in IFRS 15 is carried out in five steps:

- Step 1: Identify the contract(s) entered into with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and the Company criteria for every contract that must be met.
- Step 2: Identify the performance obligation(s) in the contract: A performance obligation is a promise in contract with a customer to transfer goods or render a service to a customer.
- Step 3: Determine the transaction price; The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amount collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when the Company satisfies a performance obligation.

The Company's revenues are as follows:

a) Revenue from the sale of investment properties

Revenue from the sale of investment lands held for sale (developed or undeveloped) are recognized at a certain point in time when implementing and completing the sale process and transferring significant ownership risks and concessions to the buyer, as well as the revenues resulting from the sale of land contributions (under development) are recognized upon entering into the sale contract and the issuance of a contribution certificate to the new owner.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Revenue (Continued)

b) Operating revenue

The revenues resulting from the operation of the investment property are recognized when contracting or when providing the service, and the revenue is calculated for the period related to the reporting period by straight-line or operating period, and other revenues are recognized when realized.

c) Rental revenue

The Company is the lessor in operating leases. Rental income arising from operating leases on investment property is recognized on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature, except for contingent rental revenue which is recognized when it arises. Initial direct costs incurred in negotiating and entering into an operating lease is recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the management are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for vandalism are recognized in the statement of profit or loss and other comprehensive income when the right to receive them arises.

Costs of revenues

Revenue costs include amounts that are directly attributable to revenue generation such as: Expenses related to the management and maintenance of properties, its depreciation and the cost of land sold.

General and Administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of direct costs of revenue, sales or marketing activities of the Company.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, they are probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Segmental Information

A business segment is a set of assets and operations that together share the delivery of products or services subject to risks and returns that differ from those of other business sectors and that are measured according to reports used by the Chief Executive Officer and the company's chief operating decision maker.

Earnings Per Share

Basic and diluted EPS is calculated based on the weighted average number of outstanding shares as at end of the year.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Use of estimates and judgments

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant influence causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has determined its estimates and assumptions based on the factors available when preparing the financial statements.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are recognized prospectively.

Use of Estimates and Assumptions

The Company sets out estimates and assumptions for future. Accounting estimates arising from this might be rarely similar to related actual results. Below are estimates and assumptions that are subject to material risks that may lead to a significant adjustment in the book values of assets and liabilities during the subsequent financial year.

Expected credit losses provision

For accounts receivable, the Company applies a simplified approach in calculating ECLs. Accounts receivable have been grouped in accordance with common credit risk and past due dates. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Useful Life of investment properties, plant and equipment

The company's management determines the estimated useful life of investment properties, plant and equipment for the purpose of calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management periodically reviews annually estimated useful lives and depreciation method to ensure that the depreciation method and duration are consistent with the expected pattern of economic benefits of the assets.

Employees' end of service benefits

The cost of employees' defined benefit obligation and other post-employment benefits are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the statement of profit or loss and other comprehensive income. Additional Zakat liabilities, if any, resulting from assessments raised by ("ZATCA") for previous years are accounted for in the year in which these final assessments are raised.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, they are probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

ARRIYADH DEVELOPMENT COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

Provisions (continued)

Impairment of non-financial assets

The company assess the asset on the reporting date whether there is an indication that the asset has impaired. If any such indication exists, then the Company estimates the asset's recoverable amount. The asset's recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows of the asset are discounted to their present value using a discount price that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. 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 recognized immediately in statement of profit and loss. If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the adjusted value of the recoverable amount, but only to the extent that the carrying amount is no more than the carrying amount that would have been determined in the absence of impairment loss of the asset's carrying amount in previous years. A reversal impairment loss is recognized immediately in statement of profit and loss.

New standards, amendments and interpretations

The Company applied for the first-time certain standards and amendments which are effective on an annual basis for the periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates- Amendments to IAS (8)

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

This amendment had no impact on the financial statements of the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'significant' accounting policies material and adding guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Company's financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued as listed below, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Lease Liability in a Sale and Leaseback - Amendments to IFRS 16

The seller-lessee recognized any amount of profit or loss related to the right of use that it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Company's financial statement.

ARRIYADH DEVELOPMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

3- SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

New standards, amendments and interpretations (Continued)

Standards issued but not yet effective (Continued)

Classification of Liabilities as Current or Non-current- Amendments to IAS 1

In January of 2020 and October of 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan. Agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May of 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

ARRIYADH DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 2023

(All Amounts in Saudi Riyals unless otherwise stated)

4. Property, plant and equipment

	<i>Plant and Equipment</i>	<i>Furniture and Decoration</i>	<i>Motor vehicles</i>	<i>Projects in progress</i>	<i>Total</i>
Cost:					
At 1 January 2022	10,139,724	4,880,204	1,306,996	1,011,487	17,338,411
Additions	3,182,386	232,399	239,220	3,864,632	7,518,637
Disposals	(1,235,936)	(23,197)	-	-	(1,259,133)
Transfer from projects in progress to property, plant and equipment	1,627,858	-	-	(1,627,858)	-
At 31 December 2022	13,714,032	5,089,406	1,546,216	3,248,261	23,597,915
Additions	604,518	173,942	-	5,106,238	5,884,698
Disposals	-	-	-	-	-
Transfer from projects in progress to property, plant and equipment	4,768,128	-	-	(4,768,128)	-
At 31 December 2023	19,086,678	5,263,348	1,546,216	3,586,371	29,482,613
Depreciation:					
At 1 January 2022	8,958,442	4,528,147	961,547	-	14,448,136
Charge for the year	1,007,192	119,783	119,769	-	1,246,744
Related to disposals	(1,234,682)	(21,730)	-	-	(1,256,412)
At 31 December 2022	8,730,952	4,626,200	1,081,316	-	14,438,468
Charge for the year	2,181,465	181,560	156,124	-	2,519,149
Related to disposals	-	-	-	-	-
At 31 December 2023	10,912,417	4,807,760	1,237,440	-	16,957,617
Net Book Value:					
At 31 December 2023	8,174,261	455,588	308,776	3,586,371	12,524,996
At 31 December 2022	4,983,080	463,206	464,900	3,248,261	9,159,447

- The depreciation of property, plant and equipment is charged as follows:

	<i>31 DECEMBER 2023</i>	<i>31 DECEMBER 2022</i>
Cost of revenue	1,715,926	865,865
General and Administration expenses	803,223	380,879
	2,519,149	1,246,744

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5. INVESTMENT PROPERTIES

	<i>Lands</i>	<i>Lands on which buildings are constructed</i>	<i>Buildings</i>	<i>TOTAL</i>
Cost :				
1 January 2022	211,190,203	401,428,705	1,157,523,613	1,770,142,521
Additions	8,592,685	60,230,000	123,154,650	191,977,335
Reclassification	21,968,844	(21,968,844)	-	-
31 December 2022	241,751,732	439,689,861	1,280,678,263	1,962,119,856
Additions	-	-	3,649,080	3,649,080
Transfer from investment properties under development	-	-	952,370	952,370
Transfer from lands to lands on which buildings are constructed	(100,587,258)	100,587,258	-	-
Transferred to Assets held for sale	(2,247,695)	-	-	(2,247,695)
Disposals	(3,476,606)	-	(22,637,459)	(26,114,065)
31 December 2023	135,440,173	540,277,119	1,262,642,254	1,938,359,546
Depreciation:				
1 January 2022	-	-	401,720,752	401,720,752
Charge for the year	-	-	32,646,667	32,646,667
31 December 2022	-	-	434,367,419	434,367,419
Charge for the year	-	-	35,842,824	35,842,824
Disposals	-	-	(22,637,459)	(22,637,459)
31 December 2023	-	-	447,572,784	447,572,784
Net Book Value:				
31 December 2023	135,440,173	540,277,119	815,069,470	1,490,786,762
31 December 2022	241,751,732	439,689,861	846,310,844	1,527,752,437

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5. INVESTMENTS PROPERTIES, (Continued)

As set out in the material accounting policies, investment properties are stated at cost less accumulated depreciation. The fair value of investment properties amounted to SR **3,318,701,013** as at 31 December 2023 (31 December 2022: SR 4,193,387,000), based on the valuations performed by a real estate valuer, Esnad and its Partner for Real Estate Appraisal, with license no. 1210000448. (independent valuer accredited by the Saudi Authority for Accredited Valuers).

Investment properties include buildings constructed on land leased from the Riyadh Municipality (Otaika Market) under 23-year lease starting from 30 March 2011, which will be transferred to the Municipality at the end of the lease. The net book value as at 31 December 2023 amounted to SR 164.8 million (31 December 2022: SR 177.4 million).

The investment properties include lands totaling an amount of SR 28,872,546 not yet registered in the name of the Company as it was expropriated in favor of the Company under Royal Decree No. 4 / B / 2732 dated 8 Rabi Al Awal 1412H. However, the previous owners of the lands have not submitted their claims and haven't transferred the land ownership to the Company until 31 December 2023. (Note 18).

All investment properties are located in the Kingdom of Saudi Arabia.

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The carrying value of the recognized right-of-use assets and changes during the year are as follows:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Balance at the beginning of the year	49,603,946	54,094,668
Depreciation for the year	(4,490,722)	(4,490,722)
Balance at the end of the year	45,113,224	49,603,946

The lease liabilities as at 31 December are as follows:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Non-current lease liabilities	42,077,256	45,579,655
Current lease liabilities	6,009,280	5,999,592
Total lease liabilities	48,086,536	51,579,247

The following is the carrying amount of lease liabilities and changes during the year:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Balance at the beginning of the year	51,579,247	54,880,200
Paid during the year	(6,200,000)	(6,200,000)
Accrued interest- lease liabilities	2,707,289	2,899,047
Balance at the end of the year	48,086,536	51,579,247

The following are the amounts recognized in profit or loss:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Depreciation of right of use assets	4,490,722	4,490,722
Interest expense on lease liabilities	2,707,289	2,899,047
	7,198,011	7,389,769

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7. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	1,819,500	2,117,150
Additions	19,021,110	1,812,000
Transferred to investment properties (Note 5)	(952,370)	(2,109,650)
Balance at the end of the year	19,888,240	1,819,500

8. INVESTMENT DESIGNATED AT FVOCI

Investments at FVOCI are represented as the following:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Investments in companies' equity listed on the Saudi Stock Exchange (a)	-	-
Investments in companies' equity not listed on the Saudi Stock Exchange (b)	986,929	986,929
	986,929	986,929

The movement in the revaluation reserve of Investments designated at FVOCI was as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	(2,813,070)	16,478,192
Change in the fair value of investments designated at FVOCI	-	8,242,217
Transferred from revaluation reserve of investments designated at FVOCI to retained earnings	-	(27,533,479)
	(2,813,070)	(2,813,070)

a) Investments in companies' equity listed on the Saudi Stock Exchange (a)

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	-	59,437,107
Additions during the year	-	-
Change in fair value	-	8,242,217
Proceeds from disposals during the year *	-	(67,679,324)
Balance at the end of the year	-	-

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8- INVESTMENT DESIGNATED AT FVOCI (Continued)

b) Investments in companies' equity not listed on the Saudi Stock Exchange

The board of directors decided at its meeting held on 15 January 2015 to enter as a founding partner in Saudi Hospitality Heritage Company ("Nuzul") (Saudi Closed Joint Stock Company) located in Riyadh, with 2,000,000 shares at total value of SR 20 million and 8% of the Company's capital. The Company paid a payment of SR 5,000,000 for its investment share.

During the period ended 31 December 2022, the shareholders of Nuzul decided to liquidate the company, and the Company received during the period an amount of SR 1,200,000 till the completion of the liquidation procedures. The Company's management does not believe that any additional losses will result from the liquidation process.

The investment movement is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	986,929	2,186,929
Change in fair value	-	-
Recovered from liquidation	-	(1,200,000)
Balance at the end of the year	<u>986,929</u>	<u>986,929</u>

9- INVESTMENT IN AN ASSOCIATE

During 2019, the Company, agreed with Sumou Holding Company, to establish Tanal Investment and Real Estate Development Company ("Tanal") (a Limited Liability Company) with a capital of SR 100,000, with 69.38% for Arriyadh Development Company and 30.62% for Sumou Holding Company - which is The same proportions of ownership of companies in the First Riyadh Al-Tameer Real Estate Fund - for the purpose of transferring the assets and liabilities of the First Riyadh Al-Tameer Real Estate Fund, which was closed and its assets has transferred in 2019 to Tanal Investment and Real Estate Development Company and its subsidiary (Ruba Real Estate Building Company), which is 100% owned.

The financial statements of Tanal Investment and Real Estate Development Company have not been consolidated due to the lack of control by the Company, as the Company does not currently have majority voting rights on operational and administrative decisions, as the Articles of Association states that a board of directors consisting of (5) five directors shall undertake the management of Tanal Company. They represent the partners and form among themselves the Board of Directors of Tanal Company, whereby the partner (Sumou Holding Company) appoints (3) three directors, and the partner (Arriyadh Development Company) appoints (2) directors. The Article of Association can't amended unless there is unanimous approval by all partners. Accordingly, significant influence exists for the Arriyadh Development Company on the Tanal Company, and the investment was accounted for using the equity method.

During the second quarter of 2021, it was agreed between partners in Tanal Company to transfer part of the share of Sumou Holding Company to Sumou Real Estate Company - a Saudi Joint Stock Company, and the Company's Article of Association was amended accordingly. Accordingly, the percentage of ownership in the Tanal Investment and Real Estate Development Company became 69.38% for the Arriyadh Development Company, 20.62% for the Sumou Holding Company and 10% for the Sumou Real Estate Company. The method of accounting the investment in Tanal Investment and Real Estate Development Company was not affected due to the non-change of the voting rights referred to above in the Articles of Association.

The address of the head office of Tanal Company is in Riyadh. The Company is engaged in the management and leasing of owned or leased out properties (residential), management and leasing of owned or leased out properties (non-residential).

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9. INVESTMENT IN AN ASSOCIATE (Continued)

Summary of the financial information of Tanal Investment and Real Estate Development Company and its wholly owned subsidiary (Ruba Buildings Real Estate Company)

The financial statements of this Company and its subsidiary are prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The accounting policies used in preparing the financial statements of the associate are consistent with those used by Arriyadh Development Company.

The following table shows the summarized financial information of the Company's investment in Tanal Investment and Real Estate Development Company:

	31 December 2023	31 December 2022
At the beginning of the year	231,347,588	451,136,194
Share in profits	97,498,489	190,465,838
Decrease in additional capital	-	(137,473,752)
Dividends received	(91,581,600)	(272,780,692)
At the end of the year	237,264,477	231,347,588

The following is the summarized consolidated statement of financial position of Tanal Investment and Real Estate Development Company:

	31 December 2023	31 December 2022
Current assets	352,294,129	355,833,444
Non- current assets	-	-
Current liabilities	(10,315,327)	(22,382,876)
Equity	341,978,802	333,450,568
The Company's share in equity	237,264,477	231,347,588
The Company's carrying amount of investment	237,264,477	231,347,588

The following is the summarized consolidated statement of profit or loss and other comprehensive income of Tanal Investment and Real Estate Development Company:

	2023	2022
Revenue	269,468,247	563,625,557
Cost of revenue	(116,426,673)	(275,702,909)
General and Administrative expenses	(3,579,920)	(3,567,770)
Selling and marketing expenses	-	(914,636)
Finance costs	-	-
Other income	-	-
Income before Zakat	149,461,654	283,440,242
Zakat	(8,933,420)	(8,914,674)
Net income for the year	140,528,234	274,525,568
The Company's share in the income for the year	97,498,489	190,465,838

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10. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLE

	<i>31 December 2023</i>	<i>31 December 2022</i>
Accounts receivable	108,263,352	113,456,734
Less: Provision for expected credit loss*	(48,376,304)	(39,872,192)
Net accounts receivable	59,887,048	73,584,542
Accrued Murabaha revenue from deposits	484,524	17,225,690
Advances to suppliers	1,522,060	4,123,659
Prepaid expenses	1,613,480	1,338,507
Employees' advances	1,507,528	563,570
Others	3,300,117	682,620
	68,314,757	97,518,588

* The movement of the provision for expected credit loss during the year is as follows:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Balance at the beginning of the year	39,872,192	27,938,554
Provided during the year (Note 23)	12,510,445	13,444,768
Reversal during the year	(4,006,333)	(1,511,130)
Balance at the end of the year	48,376,304	39,872,192

The following is an analysis of the aging of receivables and the provision for expected credit losses as at December 31:

	Total	1- 90 Days	91- 180 Days	181- 270 Days	271- 365 Days	More than one year
Trade receivables						
2023	108,263,352	33,102,582	16,108,442	3,310,450	12,896,362	42,845,516
2022	113,456,734	27,375,151	27,209,279	6,115,081	15,625,783	37,131,440
Provision for expected credit loss						
2023	48,376,304	1,134,814	1,510,010	571,379	3,478,861	41,681,240
2022	39,872,192	1,359,988	2,961,146	1,263,959	4,409,465	29,877,634

11. RELATED PARTY TRANSACTIONS

Related parties are represented in transactions with the associate (Tanal Investment and Real Estate Development Company), the Board of Directors (and its sub-committees), key management personnel of the Company. Key management personnel are the persons who exercise authority and responsibility in planning, managing and controlling the Company's activities, directly or indirectly, including the managers.

During the normal course of its business, the Company had the following significant transactions with major related parties during the year ended 31 December 2023 and 2022, as follows:

<i>Description</i>	<i>Nature of transaction</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
	Additional capital		
Tanal Investment and Real Estate Development Company (Associate)	reduction	-	137,473,752
	Dividends	91,581,600	272,780,692
Board of Directors (Note 23)	Bonus and allowances	3,156,000	3,357,000
	Salaries, allowances and incentives	17,379,521	13,805,868
Key management personnel	End of service benefit	793,205	389,129

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12. MURABAHA INVESTMENT DEPOSITS

As at 31 December 2023, total Murabaha investment deposits amounted to SR 870 million (31 December 2022: SR 645 million), which were placed with a number of local financial institutions. The Murabaha rates range from 2.73% to 6.11% during the year.

Below is long or short term Murabaha classification:

Murabaha Investment Deposits – Long term

	<u>31 December 2023</u>	<u>31 December 2022</u>
Murabaha Investment Deposits with Banks	600,000,000	185,000,000
	600,000,000	185,000,000

Murabaha Investment Deposits – Short term:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Murabaha Investment Deposits with Banks	270,000,000	60,000,000
Murabaha Investment Deposits with Investment Company	-	400,000,000
	270,000,000	460,000,000

The following is a statement of the revenue collected from deposits during the year:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Revenue From Investment Deposits - long term	300,864	51,857
Revenue From Investment Deposits - short term	37,622,124	21,544,202
	37,922,988	21,596,059

13. ASSETS HELD FOR SALE

On the 26 of October 2023, the board of directors of the Company issued a resolution (49/05/10/2023) to authorize the CEO to sell the Company's share in the available Telal Arriyadh plots land in the event of receiving an offer that is suitable exceeding the average of two values submitted by two licensed valuers. The sale of the land plots is expected to be completed within a year from the reporting date. At 31 December 2023, Telal Arriyadh was classified as a disposal land held for sale and as a discontinued operation. With Telal Arriyadh land being reclassified as discontinued operations, the land is no longer presented in the investment properties note. There have been no revenue or cost associated with this land held for sale.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Land held for sale	2,247,695	-

14. CASH AT BANKS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash at Banks	44,981,796	34,555,510
	44,981,796	34,555,510

Credit risk on cash at banks is limited, as the cash is held with banks with good credit ratings.

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15. SHARE CAPITAL

The share capital consists of SR 1,777,777,770 fully paid, divided into 177,777,777 shares with value of SR 10 each.

16. STATUORY RESERVE

According to the Company's By-laws, the Company must transfer 10% of its net income each year until this reserve totals 30% of the capital. This reserve is not available for distribution.

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

The Company grants end-of-service benefits to its employees after taking into account the applicable labor law in the Kingdom of Saudi Arabia. These benefits are an unfunded defined benefit plan.

The benefits provided by these pension plans are based primarily on years of service and employee compensation. the plan funding is in line with local requirements. The liabilities is subject to demographic, legal and economic risks. Economic risks are primarily attributable to unexpected developments in the commodities, capital markets and changes in the discount rate used to calculate defined benefit obligations.

Key actuarial assumptions:

	31 December 2023	31 December 2022
Financial assumptions:		
Discount rate	5.7%	6.1%
Salary growth rate	4%	3.8%
Demographic assumptions:		
Retirement age	60 Years	60 Years
Mortality rate	SA-WHO	SA-WHO

Movement in the present value of defined benefit obligations:

	31 December 2023	31 December 2022
Balance at the beginning of the year	10,659,905	10,578,600
Interest cost	433,396	211,580
Current service cost	3,811,919	1,912,619
Actuarial (gains) losses on employee benefit obligations	(544,946)	(1,129,113)
Paid during the year	(1,955,999)	(913,781)
Balance at the end of the year	12,404,275	10,659,905

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18. ACCOUNT PAYBLE, ACCRUED EXPENSES AND OTHER PAYABLES

	<u>31 December 2023</u>	<u>31 December 2022</u>
Payables of Al-Shorouk land contribution (A)	84,280,797	87,664,963
Unearned revenue	44,001,330	39,552,182
Accruals for Car Auction	21,558,615	11,272,886
Accrued expenses	11,122,900	7,899,819
Payable from expropriated real estate (B)	28,872,546	28,872,546
Insurance for others	18,550,087	17,764,084
Accrued wages and other benefits	17,194,380	13,683,434
Provisions (C)	14,142,172	14,142,172
Securing reservation of rental units	3,868,044	3,514,102
Bonuses and allowances of board members & committee members	3,441,000	3,450,000
litigation expenses	1,396,418	11,602,077
Others	1,225,919	3,498,463
	<u>249,654,208</u>	<u>242,916,728</u>

- These amounts represent the value of sales of Al-Shorouk contribution lands that were collected by the Company, and the liquidation of the contribution is in progress after deducting all remaining costs on Al-Shorouk lands shareholders in favor of the Company.
- The amount represents the payable amounts to the previous owners of the properties that were expropriated under Royal Decree No. 4 / B / 2732 dated 8 Rabi Al-Awal 1412 H those who have not yet claimed their dues until 31 December 2023 (Note 5).
- The amount of the provisions represents commitments for construction works for the implementation of a canal for draining flood and rain in Al-Shorouk lands in Al-Remal district, according to the request of the regulatory authorities in the region.

19. DIVIDENDS PAYABLE

The balance represents the amounts approved by the ordinary general assembly of the Company for previous years, which the shareholders did not receive until 31 December 2023 amounting to SR 74,251,232 (31 December 2022: SR 73,917,517).

20. ZAKAT PROVISION

Assessment status

The Company submitted zakat returns up to 2022 and finalized its zakat position for the years 2019 and 2020 by paying zakat differences amounting to SR 1 one million. During the years 2020 and 2021, the Company received Zakat assessment for the previous years from 2015 to 2018, which resulted in a total zakat difference of SR 109 million. An objection was submitted against These differences to the General Secretariat of Tax Committees. In addition, the case was submitted to The Tax Committees for Resolution of Tax Violations and Disputes with Zakat, Tax and Customs Authority (ZATCA) in exchange for paying a certain amount to settle the dispute, and a payment of an amount of SR 59 Million was reached, but the amount was rejected by the Company's management. The Company decided to appeal the foreseeable objection before the General Secretariat of the Tax Committees. The ruling of the Committee for Settlement of Tax and Income Violations and Disputes was issued, which resulted in a reduction in the amount of zakat under protest by SR 39 million. The Company filed an appeal against this decision to the first appellate Department for income tax violation and disputes at the General Secretariat of Tax Committees. The Company is still awaiting a response from the Appeals Department.

Movement in Zakat provision

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	21,033,942	17,652,286
Provided during the year	20,320,238	12,687,913
Paid during the year	(14,473,751)	(9,306,257)
Balance at the end of the year	<u>26,880,429</u>	<u>21,033,942</u>

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20. ZAKAT PROVISION (continued)

Zakat base

Zakat provision is calculated based on the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Adjusted shareholders' equity	2,200,449,677	2,004,764,150
Opening provisions	59,147,386	50,380,175
Other additions	122,328,080	133,842,793
The book value of the adjusted long-term assets	(1,570,560,917)	(1,588,335,330)
Investments	(238,251,406)	(232,334,517)
Investments revaluation reserve	(2,813,070)	(2,813,070)
Other deductions	(89,175,737)	(133,333,333)
Adjusted net profit for the year	316,735,332	339,564,864
Zakat base	797,859,345	571,735,732
Zakat for the year	20,320,238	14,473,752

21. REVENUE

	<i>2023</i>	<i>2022</i>
Rental revenue	220,941,681	187,667,948
Operating income	76,884,329	71,229,086
Sale of lands revenue	41,359,395	-
	339,185,405	258,897,034

22. COST OF REVENUE

	<i>2023</i>	<i>2022</i>
Depreciation expenses	42,033,057	37,985,374
Employees' salaries, wages and other benefits	24,042,553	15,114,172
Market and center maintenance expenses	15,742,141	4,369,129
Market and center cleaning expenses	13,212,986	9,801,659
Security and safety expenses	9,901,886	9,149,910
Market and center service expenses	3,986,942	3,686,005
Land selling costs	3,476,607	-
Market and center event expenses	2,833,142	2,411,893
Franchise expenses	2,500,000	2,539,136
Other Expenses	5,245,537	3,654,942
	122,974,851	88,712,220

23. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2023</i>	<i>2022</i>
Employees' salaries, wages and other benefits	35,429,779	29,917,676
Loss of a provision for expected credit losses (Note 10)	12,510,445	13,444,768
Professional and consultation fees	13,511,582	12,663,378
Accrued litigation expenses	-	4,509,174
Board of directors' attendance allowances and compensation (Note 11)	3,156,000	3,357,000
Maintenance and operation	1,263,624	1,467,736
Others	3,231,522	1,336,713
	69,102,952	66,696,445

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24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following.

	<u>2023</u>	<u>2022</u>
Cash at Banks (Note 14)	44,981,796	34,555,510
Deposits maturing within 3 months from the placement date (Note 12)	270,000,000	-
	314,981,796	34,555,510

25. SEGMENT INFORMATION

The segment information is attributable to the Company's activities and business on the bases of which the Company's management used to prepare its financial information in line with financial reporting preparation process.

The assets, liabilities and operating activities of the segments include items that are directly related to a specific segment and items that can be allocated to the different segments on a reasonable basis. Items that cannot be allocated between the segments are classified under the heading of common assets and liabilities.

The following is a summary of the segmental financial information in Saudi Riyal as at 31 December 2023 and 2022, respectively according to the nature of the activity:

	<i>Commercial centers segment</i>	<i>Public benefit segment</i>	<i>lands and contributions segment</i>	<i>Common assets and liabilities segment</i>	<i>Total</i>
31 December 2023:					
Total assets	1,412,878,033	116,230,870	135,440,173	1,127,559,800	2,792,108,876
Total liabilities	121,189,654	25,252,478	98,422,969	166,411,579	411,276,680
31 December 2022:					
Total assets	1,441,704,521	106,827,614	138,916,780	910,295,030	2,597,743,945
Total liabilities	114,867,474	19,736,741	110,038,427	155,464,697	400,107,339
31 December 2023:					
Revenue	162,510,242	135,315,768	41,359,395	-	339,185,405
Costs of revenues	(94,450,684)	(25,047,560)	(3,476,607)	-	(122,974,851)
Finance costs	(2,707,289)	-	-	-	(2,707,289)
Other Income	-	-	11,274,109	763,872	12,037,981
Operating results	65,352,269	110,268,208	49,156,897	763,872	225,541,246
General & administrative expenses	-	-	-	(69,102,952)	(69,102,952)
Mudarabah income	-	-	-	37,922,988	37,922,988
Share of profit of an associate	-	-	-	97,498,489	97,498,489
Net profit for the period before zakat	65,352,269	110,268,208	49,156,897	67,082,397	291,859,771
Zakat	-	-	-	(20,320,238)	(20,320,238)
Net profit for the period	65,352,269	110,268,208	49,156,897	46,762,159	271,539,533
31 December 2022:					
Revenue	145,376,365	113,520,669	-	-	258,897,034
Costs of revenues	(73,182,530)	(15,529,690)	-	-	(88,712,220)
Finance costs	(2,899,047)	-	-	-	(2,899,047)
Other Income	187,103	183,061	-	22,795	392,959
Operating results	69,481,891	98,174,040	-	22,795	167,678,726
General & administrative expenses	-	-	-	(66,696,445)	(66,696,445)
Mudarabah income	-	-	-	21,596,059	21,596,059
Share of profit of an associate	-	-	-	190,465,838	190,465,838
Net profit for the period before zakat	69,481,891	98,174,040	-	145,388,247	313,044,178
Zakat	-	-	-	(12,687,913)	(12,687,913)
Net profit for the period	69,481,891	98,174,040	-	132,700,334	300,356,265

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25. SEGMENT INFORMATION (continued)

The commercial centers sector represents the public transportation market, Al-Tameer International Car Auction, Al-Tameer Center, Atiqa market, meat market, Riyadh market, office tower, and the leased land of Al-Aziziyah, the public benefit sector represents the fruit and vegetable center, the lands and contributions sector represent the Company's projects represented by the sale of developed lands, the common assets and liabilities segments represents all items that do not fall under any of the specific segments.

26. FAIR VALUES MEASUREMENT

The following table shows the fair value measurement hierarchy of the Company's financial assets and financial liabilities as at 31 December 2023 and 31 December 2022:

As at 31 December 2023	Carrying value	Level 1:	Level 2:	Level 3:	Fair Value
Investments designated at FVOCI	986,929	-	-	986,929	986,929
	986,929	-	-	986,929	986,929
As at 31 December 2022					
Investments designated at FVOCI	986,929	-	-	986,929	986,929
	986,929	-	-	986,929	986,929

The management assess that the fair value of cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their book value due to the short maturity of these instruments.

27. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company's principal financial liabilities consist of trade payables, accruals and other liabilities. While the Company's main financial assets include trade and other receivables, cash and cash equivalents resulting directly arising directly from its operations. The Company also has investments in equity instruments that are carried at fair value through other comprehensive income.

The Company may be exposed to the following risks arising from financial instruments:

- Market risk
- Commission rate risk
- Foreign currency risk
- Credit risk
- Liquidity risk

The Company's overall risk management program focuses on managing liquidity in addition to monitoring various changes in the relevant market, and thus constantly seeks to reduce potential negative effects on the Company's financial performance. The Board of Directors reviews and approves policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices involve three types of risks Commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include deposits.

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27. RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

The sensitivity analysis in the following sections relate to the situation as at 31 December 2023 and 2022.

The sensitivity analysis has been prepared on the basis that the net debt value, the fixed-to-floating debt commission rate and the financial instrument ratio are all fixed and based on specific hedge allocations as at 31 December 2023.

The analysis excludes the effect of market changes on the book value of pensions and other post-retirement liabilities and provisions.

The following assumptions were used when calculating the sensitivity analyses:

- ▶ The sensitivity of the items related to the statement of profit or loss and other comprehensive income is the effect of assumed changes in the relevant market risk. This is based on the financial assets and financial liabilities acquired as at 31 December 2023 and 2022.

profit rate risk

The financial instruments on the statement of financial position are not subject to profit rate risk

Foreign currency risk,

The Company is not exposed to significant foreign exchange risk and therefore there is no need for effective management of this risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and its financing activities, including deposits with banks and financial institutions and other financial instruments.

To reduce exposure to credit risk, the Company has approval procedures through which credit limits are applied to its customers. The management also constantly monitors exposure to credit risks related to customers and sets aside a provision for expected credit losses, based on the customer's status and payment history. Outstanding customer receivables are also monitored on a regular basis.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Cash at banks	44,981,796	34,555,510
Murabaha investment deposits*	870,000,000	645,000,000
Accounts receivables, net	59,887,972	73,584,542
Investments designated at FVOCI	986,929	986,929
	<u>975,856,697</u>	<u>754,126,981</u>

- * The Company has Murabaha investment deposits amounting to SR 870 million with a number of financial and local institutions, which represents about 31% of the value of the Company's assets as at 31 December 2023 (31 December 2022: 25%).

Cash at banks, Murabaha investment deposits and receivables are also accounted for at amortized cost.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to realize financial assets quickly at an amount close to its fair value.

liquidity risk is managed through monitoring such risks on a regular basis to assure sufficient funds are available to meet the Company's future obligations.

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28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company continues as a going concern and gains maximum returns through optimal debt and shareholders' equity.

The Company's capital structure includes the Company's shareholders' equity, which consists of capital, reserves, fair value reserve and retained earnings as included in the statement of changes in shareholders' equity.

29. Dividends

Based on the approval of the General Assembly issued on 10 Shawwal 1444 H (corresponding to 30 April 2023) to authorize the Board of Directors to distribute interim dividends on a semi/quarterly basis for 2023, the Board of Directors of the Company decided during its meeting held on 9 Muharram 1445 H (corresponding to 27 July 2023) to distribute cash dividends for the first half of 2023 amounting to SR 44,444,444 at 25 halalas per share.

On 10 Shawwal 1444 H (corresponding to 30 April 2023), the Company's general assembly approved the Board of Directors' decision to distribute dividends for the first half of 2022 at 25 halalas per share for a total amount of SR 44,444,444 as well as the Board of Directors' recommendation to distribute dividends for the second half of 2022 at 25 halalas per share for a total amount of SR 44,444,444.

On 12 May 2022, the Company's General Assembly approved the Board of Directors' recommendation to distribute dividends for the second half of 2021 and the first half of 2022 at 75 halalas per share for a total amount of SR 133,333,333.

On 7 March 2024, the Board of Directors recommended distributing cash dividends to shareholders for the second half of 2023 at the rate of 50 halalas per share. This recommendation is to be presented to the General Assembly for its next voting.

30. COMMITMENTS AND CONTINGENCIES

The Company has contingent liabilities from time to time relating to certain disputed matters, including claims from and against contractors, litigation and arbitration proceedings involving a variety of cases. These contingencies arise in the ordinary course of business. No significant additional liabilities are expected to be incurred from these potential claims.

31. EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2023 and the year ended 31 December 2022 are calculated by dividing the net profit of the main business and the net profit for the year by the weighted average number of shares outstanding during the year, amounting to 177,777,777 shares.

Diluted earnings per share for the years ended 31 December 2023 and the year ended 31 December 2022 are calculated by dividing net profit for the year by the weighted average number of shares outstanding during the year and adjusted for the effect of potential dilution of common shares. Since there is no obligation that can be converted into equity instruments, diluted earnings per share doesn't differ from basic earnings per share.

32. SUBSEQUENT EVENTS

There were no significant subsequent events after 31 December 2023 and up to the date of approval of the financial statements by the Board of Directors that might have a material impact on the financial statements as on 31 December 2023.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 26 Sha'ban 1445H (corresponding to 7 March 2024).