RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH INDEPENDENT AUDITOR'S REPORT

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RETAL URBAN DEVALOPMENT COMPANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

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

We have audited the consolidated financial statements of the group, which comprise of the following:

- The consolidated statement of financial position as at December 31, 2022;
- The consolidated statements of profit or loss and other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

KEY AUDIT MATTERS (Continued)

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Revenue Recognition</td></tr>
<tr><td>The Group's revenues for the year ended December 31, 2022 amounted to SR 1,106.83 million (2021: 1,085.32 million).

Revenue is considered an important component of the Group's performance and profitability. Revenue recognition which includes the sale of properties, including villas, apartments and plots of land involves significant inherent risk due to the judgement and estimation involved. Audit of judgements around the percentage of completion of projects, including the surveys of performance completed to date is an item which requires significant audit attention, in particular consideration of:

- The analysis of whether the contracts comprise one or more performance obligations;
- Determining whether the performance obligations are satisfied over time or at a point in time;
- Estimation of total costs required to meet performance obligations under the contracts with customers

Due to the inherent risks in the revenue recognition process and the significance of revenue value, revenue recognition was considered as a key audit matter.

Refer to note 4.24 of the consolidated financial statements on the accounting policy for revenue recognition and the respective disclosure in note 22.</td><td>We have performed the following procedures:

- Obtained an understanding of the process of key controls surrounding the revenue recognition process.
- Performed walkthroughs of relevant key controls to determine whether they are designed, implemented and operating effectively.
- Reviewed on sample basis, the contracts for the sale of properties and plots of land to identify the performance obligations of the Group under these contracts and assess whether these performance obligations are satisfied over a period of time or at point in time.
- Performed test of details, on sample basis, to determine that the cost incurred to date are properly recorded.
- Evaluated the Group's reasonableness of forecasts accuracy associated with the projects costs and estimates for cost to complete.
- Recalculated the revenue on sample basis, using the output method and compared it with the computation made by the management.
- Performed test of details of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue.
- Assessed the appropriateness of the disclosures made in the consolidated financial statements.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF RETAL URBAN DEVALOPMENT COMPANY

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

OTHER MATTER

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor, who expressed an unmodified opinion dated March 28, 2022.

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

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group financial reporting process

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As part of an audit in accordance with 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that are 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al Bassam
Certified Public Accountant
License No. 337
Riyadh: Shaban 10, 1444H
Corresponding to: March 2, 2023

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
ASSETS		**SR**	**SR**
Non-current assets			
Property and equipment	6	**124,032,103**	90,792,601
Right of use assets	7.1	**2,850,114**	6,659,330
Intangible assets	8	**10,279,039**	4,165,681
Investment properties	9	**122,310,156**	201,583,028
Investments in associates and joint ventures	10	**338,135,007**	306,397,688
Development properties, non-current	11	**464,667,870**	63,438,078
Prepayments and other receivables, non-current	12	**2,381,923**	2,201,521
		1,064,656,212	675,237,927
Current assets			
Inventories		**15,962,242**	12,509,301
Accounts receivable	13	**242,911,489**	269,446,079
Contract assets	22.2	**91,184,973**	69,843,779
Development properties, current	11	**353,232,470**	245,367,910
Investments at fair value through profit or loss (FVTPL)	14	**23,754,250**	655,842
Prepayments and other receivables, current	12	**114,154,635**	162,926,648
Cash on hand and at banks	15	**522,974,701**	407,977,218
		1,364,174,760	1,168,726,777
TOTAL ASSETS		**2,428,830,972**	1,843,964,704
EQUITY AND LIABILITIES			
Equity			
Share capital	16.1	**400,000,000**	400,000,000
Statutory reserve	16.2	**62,778,877**	38,204,514
Actuarial reserve		**(3,212,784)**	(3,358,414)
Retained earnings		**274,843,604**	134,059,718
Equity attributable to the shareholders of the Group		**734,409,697**	568,905,818
Non-controlling interests		**-**	(135,383)
Total equity		**734,409,697**	568,770,435
Non-current liabilities			
Non-current portion of term loans	17	**461,498,904**	211,458,597
Non-current portion of lease liabilities	7.2	**2,406,938**	-
Employees' end of service benefits	18	**12,584,774**	11,077,716
Non-current portion of accounts payable	19	**17,453,644**	13,658,005
		493,944,260	236,194,318

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by:

Ammar Al Ghoul Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah Bin Abdul Latif Bin Ahmed Al Fozan Chairman Board of Directors

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

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS OF DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
Current liabilities			
Current portion of term loans	17	**189,811,237**	389,516,747
Short term loans	17	**165,070,438**	100,351,792
Current portion of lease liabilities	7.2	**236,010**	2,994,801
Accounts payable – current portion	19	**273,461,035**	65,309,892
Accrued expenses and other payables	20	**201,025,754**	88,183,747
Payable to National Housing Company – NHC	22.3	**254,662,321**	272,520,618
Contract liabilities	22.2	**100,219,716**	109,674,870
Zakat payable	21	**15,990,504**	10,447,484
		1,200,477,015	1,038,999,951
Total liabilities		**1,694,421,275**	1,275,194,269
TOTAL EQUITY AND LIABILITIES		**2,428,830,972**	1,843,964,704

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by:

Ammar Al Ghoul
Chief Financial Officer

Abdullah Bin Faisal Bin Abdul Aziz
Al Braikan
Chief Executive Officer

Abdullah Bin Abdul Latif Bin
Ahmed Al Fozan
Chairman Board of Directors

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

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	December 31, 2022	December 31, 2021
		SR	SR
Revenue	22, 30	1,106,830,262	1,085,321,002
Cost of revenue	23	(809,666,818)	(839,859,824)
Gross profit		297,163,444	245,461,178
General and administrative expenses	24	(59,174,289)	(42,698,612)
Selling and marketing expenses	25	(19,750,234)	(21,229,773)
Operating profit		218,238,921	181,532,793
Finance costs	26	(15,121,150)	(3,172,878)
Share of results of equity accounted investments	10	34,641,453	1,819,913
Gain of investments at FVTPL, net	14	10,833,222	3,687,541
Other income, net		8,049,984	3,994,542
Profit before zakat		256,642,430	187,861,911
Zakat	21	(10,898,798)	(8,463,312)
Profit from continuing operations		245,743,632	179,398,599
Discontinued operations:			
Gain on disposal of a subsidiary, net of zakat	33	-	13,935,504
Profit from discontinued operations		-	13,935,504
Profit for the year		245,743,632	193,334,103
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss in subsequent years			
Share of other comprehensive (loss) / income of equity accounted investments	10	(25,518)	1,862
Actuarial gain / (loss) on re-measurement of employees' end of service benefits	18	171,148	(851,726)
Other comprehensive income (loss) for the year		145,630	(849,864)
TOTAL COMPREHESIVE INCOME FOR THE YEAR		245,889,262	192,484,239
Profit for the year attributable to:			
Shareholders of the Group		245,743,632	193,719,486
Non-controlling interest		-	(385,383)
Profit for the year		245,743,632	193,334,103
Total comprehensive income for the year attributable to:			
Shareholders of the Group		245,889,262	192,869,622
Non-controlling interest		-	(385,383)
Total comprehensive income for the year		245,889,262	192,484,239
Earnings per share – Basic and diluted			
Earnings per share of profit for the year	28	6.14	4.52
Earnings per share of total comprehensive income for the year	28	6.15	4.87
Weighted average number of outstanding shares		40,000,000	39,793,151

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by:

Ammar Al Ghoul Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah Bin Abdul Latif Bin Ahmed Al Fozan Chairman Board of Directors

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

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Statutory reserve	Contribution from shareholders	Actuarial reserve	Retained earnings	Equity attributable to shareholders	Non-controlling interest	Total equity
	SR	SR	SR	SR	SR	SR	SR	SR
January 1, 2021	375,000,000	18,832,565	-	(2,508,550)	127,462,181	518,786,196	-	518,786,196
Profit from continuing operations	-	-	-	-	179,783,982	179,783,982	(385,383)	179,398,599
Other comprehensive loss for the year	-	-	-	(849,864)	-	(849,864)	-	(849,864)
Profit from discontinuing operations	-	-	-	-	13,935,504	13,935,504	-	13,935,504
Total comprehensive income for the year	-	-	-	(849,864)	193,719,486	192,869,622	(385,383)	192,484,239
Contributed by NCI	-	-	-		-	-	250,000	250,000
Transfer to statutory reserve	-	19,371,949	-	-	(19,371,949)	-	-	-
Increase in contribution from shareholders	-	-	5,000,000	-	-	5,000,000	-	5,000,000
Increase in share capital (note 16.1)	25,000,000	-	(5,000,000)	-	(20,000,000)	-	-	-
Dividend (note 31)	-	-	-	-	(147,750,000)	(147,750,000)	-	(147,750,000)
December 31, 2021	400,000,000	38,204,514	-	(3,358,414)	134,059,718	568,905,818	(135,383)	568,770,435
Profit for the year	-	-	-	-	245,743,632	245,743,632	-	245,743,632
Other Comprehensive income for the year	-	-	-	145,630	-	145,630	-	145,630
Total Comprehensive income for the year	-	-	-	145,630	245,743,632	245,889,262	-	245,889,262
Transfer to statutory reserve	-	24,574,363	-	-	(24,574,363)	-	-	-
Dividend (note 31)	-	-	-	-	(80,000,000)	(80,000,000)	-	(80,000,000)
The effect of acquisition of additional shares in a subsidiary (note 1)	-	-	-	-	(385,383)	(385,383)	135,383	(250,000)
December 31, 2022	400,000,000	62,778,877	-	(3,212,784)	274,843,604	734,409,697	-	734,409,697

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by

Ammar Al Ghoul	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan	Abdullah Bin Abdul Latif Bin Ahmed Al Fozan
Chief Financial Officer	Chief Executive Officer	Chairman Board of Directors

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

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	December 31, 2022	December 31, 2021
OPERATING ACTIVITIES	**SR**	**SR**
Profit before zakat:		
Continuing operations	**256,642,430**	187,861,911
Discontinued operations	**-**	13,935,504
Profit before zakat including discontinued operations	**256,642,430**	201,797,415
Adjustments for non-cash items:		
Depreciation and amortization	**13,861,639**	14,314,518
Provision for employees' end-of-service benefits	**3,026,415**	2,415,087
Gain on disposal of a subsidiary, net of zakat	**-**	(13,935,504)
Gain on disposal of property and equipment	**(8,887)**	(4,650)
Share of results of equity accounted investments	**(34,641,453)**	(1,819,913)
Gain on disposal of investment properties	**(60,248,642)**	(9,086,303)
Gain of investments at FVTPL, net	**(10,833,222)**	(3,687,541)
Reversal of allowance for expected credit losses for accounts receivable	**2,574,137**	4,806,077
Loss on disposal of right-of-use asset	**68,207**	46,766
Finance costs	**15,121,150**	3,172,878
	185,561,774	198,018,830
Changes in working capital:		
Development properties	**(509,094,352)**	(199,436,738)
Inventories	**(3,452,941)**	9,744,652
Contract assets	**(21,341,194)**	133,907,431
Accounts receivable	**23,960,453**	(193,619,470)
Prepayments and other receivables	**48,591,611**	(67,635,076)
Accounts payable	**212,391,228**	94,313,805
Payable to National Housing Company – NHC	**(17,858,297)**	-
Accrued expenses and other payables	**112,842,007**	72,756,887
Contract liabilities	**(9,455,154)**	72,737,084
Cash generated from operations	**22,145,135**	120,787,405
Employees' end-of-service benefits paid	**(1,611,404)**	(1,838,263)
Zakat paid	**(5,355,778)**	(3,990,846)
Finance cost paid	**(14,718,080)**	(2,225,027)
Net cash flows generated from operating activities	**459,873**	112,733,269
INVESTING ACTIVITIES		
Additions to property and equipment	**(43,924,909)**	(10,570,082)
Proceeds from disposal of property and equipment	**31,677**	14,895
Additions to intangible assets	**-**	(963,638)
Additions to investment properties	**(19,939,724)**	(38,316,537)
Proceeds from sale of investment properties	**156,803,135**	43,468,236
Dividend received from associates	**2,715,420**	1,580,000
Additions to investments at fair value through profit or loss	**(107,738,800)**	(14,284,208)
Proceeds from sale of investments at fair value through profit or loss	**95,473,614**	17,315,907
Proceeds from disposal of a subsidiary	**-**	152,250,000
Purchase of non-controlling interest	**(250,000)**	-
Investment in an associate	**(281,250)**	(154,000,000)
Net cash flows generated from / (used in) investing activities	**82,889,163**	(3,505,427)

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by:

Ammar Al Ghoul	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan	Abdullah Bin Abdul Latif Bin Ahmed Al Fozan
Chief Financial Officer	Chief Executive Officer	Chairman Board of Directors

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

RETAL URBAN DEVELOPMENT COMPANY
(A SAUDI JOINT STOCK COMPANY – Note 1)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

		December 31, 2022	December 31, 2021
		SR	SR
FINANCING ACTIVITIES			
Proceeds from borrowings		**585,666,203**	500,329,594
Repayment of borrowings		**(470,613,030)**	(115,018,686)
Lease payments		**(3,404,726)**	(9,042,435)
Contributed by NCI		**-**	250,000
Dividends paid		**(80,000,000)**	(147,750,000)
Proceeds from contribution from a shareholder		**-**	5,000,000
Net cash flows generated from financing activities		**31,648,447**	233,768,473
Net change in cash and cash equivalents		**114,997,483**	342,996,315
Cash and cash equivalents at the beginning of the year		**32,414,227**	9,975,407
Less: change in restricted bank balance (note 15)		**(123,274,801)**	(320,557,495)
Cash and cash equivalents at the end of the year		**24,136,909**	32,414,227
NON-CASH TRANSACTIONS	15	**-**	-

These consolidated financial statements were authorized for issue by board of directors, on behalf of shareholders on February 28, 2023 and signed on their behalf by:

Ammar Al Ghoul Chief Financial Officer	Abdullah Bin Faisal Bin Abdul Aziz Al Braikan Chief Executive Officer	Abdullah Bin Abdul Latif Bin Ahmed Al Fozan Chairman Board of Directors

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

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Retal Urban Development Company ("the Company") or (“the Holding Company”) is a Saudi Joint Stock Company (previously a limited liability company) registered in the Kingdom of Saudi Arabia under commercial registration No. 2051047761 issued in Khobar on Rabi’I 12, 1433H (February 4, 2012). The registered address of the Company is P.O. Box 1448 Prince Faisal Bin Fahad Bin Abdulazizi Avenue, Al Khobar, 31952, Kingdom of Saudi Arabia.

During the year 2020, the shareholders decided to convert the Company from a limited liability Company to a Saudi Closed Joint Stock Company. The Company obtained ministerial approval for the official announcement of the conversion on Muharram 9, 1442 H, corresponding to August 28, 2020.

During the year 2021, the Holding Company commenced the process for Initial Public Offering (“IPO”). The Capital Market Authority ("CMA") Board issued its resolution approving the Holding Company’s application for the offering of 12 million shares representing 30% of the Holding Company's share capital on 16 March 2022 (corresponding to 13 Sha‘ban 1443H). On 27 June 2022 (corresponding to 28 Dhu‘l-Qi‘dah 1443H), the Company's shares were traded on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia. The legal formalities of updating the Company’s by-laws, articles of association and commercial registration from Saudi Closed Joint Stock Company to a Joint Stock Company were completed during the current year.

The Holding Company is principally engaged in:
- Purchase and sale of land and real estate, divide them, and sale on map activities;
- General construction of residential buildings;
- General construction of non-residential building, including (schools, hospitals, hotels …etc.).

The Holding Company's By-laws includes the activity of acquisition of shares or shares in existing companies or merger with them.

The consolidated financial statements include the assets, liabilities, and the results of the Group and the following branches:

Branch	**Date**	**Location**	**Commercial registration number**
Retal Urban Development Company branch	Dhu al-Qi'dah 21, 1441	Riyadh	1010642508
Retal Urban Development Company branch	Dhu’l Hijjah 18, 1442	Al Khobar	2051236513
Retal Urban Development Company branch	Dhu al-Qi'dah 15, 1443	Jeddah	4030475640

2. STRUCTURE OF THE GROUP

The consolidated financial statements as at December 31, 2022 include the financial information of the Holding Company and the following subsidiaries (collectively referred to as "the Group"):

	Effective ownership	
	December 31, 2022	December 31, 2021
	%	%
Tadbeir Limited Company ("Tadbeir")	**100**	95
Nesaj Urban Development Company ("Nesaj")	**100**	100
Building Construction Company Limited ("BCC")	**100**	100
Tadbeir Real Estate Company ("TRS")	**100**	100

Tadbeir

Tadbeir is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051059223 issued in Khobar on Muharram 11, 1436H (November 4, 2014). The registered address of the Company is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdulaziz Street, Al Khobar 31952, Kingdom of Saudi Arabia.

Tadbier is principally engaged in general cleaning, maintenance and operating, buildings, gardens, parks and sports facilities.

2. STRUCTURE OF THE GROUP (Continued)

Tadbeir *(Continued)*

During the year 2021, the shareholders of Tadbeir resolved to increase Tadbeir's share capital from SR 0.5 million to SR 5 million through cash contribution, the legal formalities associated with the increase were completed in the said year. Subsequent to increase in share capital, a new shareholder was introduced who contributed 5% of the revised share capital of the Company.

On July 3, 2022, TRS has purchased 5% equity stake from the minority shareholder of Tadbeir. Subsequent to the purchase transaction, effective ownership of the Group in this subsidiary increased to 100%.

Nesaj

Nesaj is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051049871 on Ramadan 17, 1433H (August 5, 2012). The registered address of Nesaj is P.O.Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdulaziz Street, Al Khobar 31952, Kingdom of Saudi Arabia.

The principle activities of the Nesaj include buying lands and constructing buildings on them for sale or rental to third parties, management, maintenance and development of real estate, erection, management and maintenance of industrial, commercial and service projects, restaurants, central markets, residential compounds, commercial and industrial complexes and general contracting for residential, commercial, public, educational, recreational, medical, airport, and precast buildings.

BCC

BCC is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051023581 issued in Khobar dated Jumada II 15, 1420H (September 25, 1999). The registered address of BCC is P.O.Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdulaziz Street, Al Khobar 31952, Kingdom of Saudi Arabia.

BCC is principally engaged in general contracting (building repairs, demolition and renovation), construction of roads, dams, tunnels, sewerage, air conditioning and refrigeration, in addition to electrical, mechanical, digging and renovating related works. In addition to management and operation of factories, industrial projects, shopping malls and infrastructure construction.

TRS

TRS is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051063497 issued in Khobar dated Shawwal 10, 1442H (May 22, 2021). The registered address of TRS is P.O. Box 1448, Al Rawabi, Prince Faisal Bin Fahad Bin Abdulaziz Street, Al Khobar 31952, Kingdom of Saudi Arabia.

TRS is principally engaged in sale of fixed and movable assets, purchase and sale of land and real estate and its division and off-plan sales activities, management and rental of owned or leased (residential) real estate, management and rental of owned or leased (non-residential), activities of brokers' agents (brokers' offices), real estate management activities for a commission, money management and preservation of the property.

3. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 4 of these consolidated financial statements. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Functional and presentation currency

Items included in the consolidated financial statements of the Group is measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). These consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional and presentation currency, and all values are rounded to the nearest Saudi Riyal, except where otherwise stated.

3. BASIS OF PREPARATION (Continued)

Transactions and balances
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income.

New Standards, amendments to Standards and Interpretations effective from January 1, 2022

Amendments:
A number of new amendments to standards, enlisted below, are effective this period but they do not have a material effect on the Group's consolidated financial statements.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1-Jan-22	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1-Jan-22	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation Difference
IAS 16	Property, Plant, and Equipment: Proceeds before Intended Use	1-Jan-22	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'
IFRS 3	Reference to the Conceptual Framework	1-Jan-22	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

3. BASIS OF PREPARATION (Continued)

New IFRS standards, amendments and revised IFRSs issued not yet effective
The Group has not applied the following new amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	1-Jan-23	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	1-Jan-23	The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1-Jan-23	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimates	1-Jan-23	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	1-Jan-23	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these interpretations and amendments will be adopted as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the year of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Group:

4.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Retal Urban Development Company and of its subsidiaries (the "Group") as detailed in note 2.

Control is achieved when the Group:

- has power over the investee,
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements, and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Group. Total comprehensive income of subsidiary is attributed to the shareholders of the Company.

When necessary, adjustments are made to the financial statements of subsidiaries to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.1.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1.1 Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognized in the consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified consolidated statement of profit or loss and other comprehensive income or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, to be the cost on initial recognition of an investment in an associate or a joint venture.

4.2 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss and other comprehensive income.

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill is tested annually for impairment and is carried at cost net of accumulated impairment losses. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill represents the excess of the fair value of the net assets acquired and the cost of investments in a business combination. Negative goodwill is recognized in the consolidated statement of profit or loss and other comprehensive income.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed-off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed-off in this circumstance is measured based on the relative values of the operation disposed-off and the portion of the cash-generating unit retained. When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of profit or loss and other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property and equipment

Property and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the consolidated statement of profit or loss, using the straight-line method to allocate the costs of the related assets less their residual values over the following estimated economic useful lives. Land and capital work in progress are not depreciated.

	Useful life
Buildings	25 years
Furniture, fixture and office equipment	4 – 10 years
Machinery and equipment	5 years
Vehicles	5 years
Leasehold improvements	Lower of 4 years or lease term

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss.

4.3.1 Annual review of residual lives and useful lives

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. If expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate.

4.3.2 Impairment of property and equipment and other non-current assets

The carrying values of property and equipment and other non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The cash generating unit (CGU) at which the impairment assessment and testing is performed, is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

4.3.3 Capitalization of costs under PPE

The cost of an item of property and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates,
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Property and equipment (Continued)

4.3.3 Capitalization of costs under PPE (Continued)

Borrowing costs related to qualifying assets are capitalized as part of the cost of the qualified assets until the commencement of commercial production.

All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting year in which they are incurred. Maintenance and normal repairs which do not extend the estimated economic useful life of an asset or production output are charged to the consolidated statement of profit or loss as and when incurred.

Capital work in progress represents the accumulated costs incurred by the group in relation to the construction of its building and structures in the development stage. Cost incurred are initially charged to the capital work in progress then these costs are transferred to property and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

4.4 Right-of-use assets

The Group 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, and 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, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group 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. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

4.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, where applicable. Finite life of intangible assets is amortized over the shorter of their contractual or useful economic lives.

4.6 Investment in associates and joint ventures

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. If the entity holds, directly or indirectly less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

a) representation on the board of directors or equivalent governing body of the investee;
b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
c) material transactions between the entity and its investee;
d) interchange of managerial personnel; or
e) provision of essential technical information.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. In case the shareholding in an associate or joint venture do not create significant influence, the Group classify this investment as investment at fair value either through other comprehensive income or through profit or loss.

Investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition based on the latest available financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investment in associates and joint ventures (Continued)

If the ownership interest in an associate or joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the consolidated statement of profit or loss where appropriate. The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture. Dividends received or receivable from associates and joint venture entities are recognized as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes separately in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates and joint ventures are recognized in the consolidated statement of profit or loss.

4.7 Development properties

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

The operating cycle of development properties is either the property will be sold within a 12 month period or held for longer period and accordingly, disposal is not expected to be realized within the coming 12 months period. Classification for current and non-current is based on the Group's plan for the project and the management's intention. If there is a change in the plan or the management intention, where identified any development property for immediate sale, then the same is split between long-term and short-term development properties representing non-current and current portion of development properties respectively.

4.8 Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets. No depreciation is charged on land and capital work-in-progress.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss and other comprehensive income in the period of de-recognition

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Investment properties (Continued)

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying value of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence that the investment properties are impaired. Whenever the carrying amount of an investment property exceeds their recoverable amount, an impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of investment property's fair value less cost to sell and the value in use.

Reversal of impairment losses recognized in the prior years is recorded when there is an indication that the impairment losses recognized for the investment property no longer exist or have reduced.

Investment properties are accounted for using the cost model consistent with the way property and equipment are accounted for. Buildings and their components are depreciated on a straight-line basis over the estimated useful lives of 10 to 25 years.

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease

4.9 Inventories

Inventories are valued at lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Any write-down to NRV and reversals are recorded as an (expense) / income in consolidated statement of profit or loss in the year in which it occurs.

Net realizable value and provision assessment of inventory

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The NRV assessment to write-down the inventory is normally made on an individual item basis. This would be where items relate to the same product line (which have a similar purpose and end use) are produced and marketed in the same geographical area.

The practice of writing inventories down below cost to net realizable value is consistent with the view under IFRS that assets should not be carried in excess of amounts expected to be realized from their sale.

An allowance is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures. Provision for slow moving and obsolete inventories is assessed by each inventory category as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

4.11 Financial Instruments

4.11 (A) Classification of financial assets and financial liabilities

Financial assets

The Group has a three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The Group classifies its financial assets generally based on the business model in which a financial asset is managed and its contractual cash flows.

(i) Financial assets at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Group initially measures its trade receivables at the transaction price given that it does not include any financing component.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial Instruments (Continued)

4.11 (A) Classification of financial assets and financial liabilities (Continued)

(i) Financial assets at amortized cost (continued)

Business model assessment (continued)
The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) Financial assets at fair value through OCI (FVOCI)

Debt Instruments
A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and the interest on the principle amount outstanding.

Equity instruments
On the initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

(iii) Financial assets at fair value through profit or loss (FVTPL)
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss (FVTPL) because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

De-recognition
Financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in consolidated statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial Instruments (Continued)

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

4.11 (B) Impairment of financial assets

The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The impairment methodology is generally dependent on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach as required by IFRS 9.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Impairment allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Effective interest rate method

The effective interest rate (EIR) method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4.12 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have maturities of 90 days or less and are available for use by the Group unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Discontinued operations and non-current assets held for sale

The results of discontinued operations are presented separately in the statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and the sale is considered to be highly probable.

A sale is considered to be highly probable if the appropriate level of management in the Group is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

Non-current assets held for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continued to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

4.14 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

4.15 Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

4.16 Lease liabilities

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

i) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Lease liabilities (Continued)

ii) Lease liabilities (Continued)
The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

iii) Right-of-use assets
Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of profit or loss and other comprehensive income over the lease term as part of the depreciation of that asset.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases
Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture

Group as a lessor
Leases where the Group does not substantially transfer all risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue once they are earned

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Employee benefits

Short term employees' benefits
Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

Employee end of service benefits (EOSB)
The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The liability recognized in consolidated statement of financial position in respect of employee benefits is the present value of defined benefits obligation at the end of reporting period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost
Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss and other comprehensive income as past service costs.

Interest cost
Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses
Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in consolidated statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss as other income or finance charges.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the year in which they are incurred in the consolidated statement of profit or loss and other comprehensive income.

4.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.20 Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the consolidated financial statements in the year in which they are declared and approved by the shareholders of the Company.

4.21 Zakat

The Group is subject to the regulations of the General Authority for Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income of the Group. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared with ZATCA.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.21 Zakat (continued)

During the year 2020, the General Authority for Zakat and Tax announced that pursuant to the Royal Decree No. (A/84) dated October 1, 2020, the disposal of real estate in the Kingdom of Saudi Arabia by way of certain transactions resulting in a transfer of legal ownership or possession will be VAT exempt and subject to a 5% real estate transaction tax (RETT). RETT is applicable on the transaction that took place on or after October 4, 2020. However, as per the RETT law, the licensed real estate developer can recover input VAT on the property sold after October 4, 2020.

Real Estate Tax ("RET")

The RET incurred on a purchase of real estate assets and it is irrecoverable from the ZATCA. The RET is recognized as part of the cost of acquisition of the real estate asset, as applicable.

Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the consolidated statement of financial position

Withholding taxes

The Group companies withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

4.22 Segmental reporting

A business segment is a group of assets, operations or entities:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
ii) the results of its operations are continuously analyzed by the group controller in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The details of Group's segments are presented in note 30 to these consolidated financial statements.

4.23 Contract balances

Unlike the method used to recognize contract revenue related to sale of completed property, the amounts billed to the customer for the sale of a property under development are based on achievement of the various milestones established in the contract. The amounts recognized as revenue for a given period do not necessarily coincide with the amounts billed to and certified by the customer. In the case of contracts in which the completed milestones transferred to the customer exceed the related amount billed to and certified by the customer, the difference is recognized (as a contract asset) and presented in the statement of financial position under "Contract assets", whereas in contracts in which the completed milestones transferred are lower than the amount billed to and certified by the customer (i.e., when a payment is due or a payment is received before the Group transfers the remaining completed milestones), the difference is recognized (as a contract liability) and presented in the consolidated statement of financial position under "Contract liabilities. Contract assets and contract liabilities are described in detail as follows:

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.23 Contract balances (Continued)

Contract assets
Contract assets are initially recognized for revenue earned from construction contracts as receipt of consideration is conditional on successful completion of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognized as contract assets are reclassified to accounts receivable. Contract assets are subject to impairment assessment on the same basis as financial assets that are within the scope of IFRS 9.

Contract liabilities
Contract liabilities include long-term advances against construction contracts and short-term advances received to deliver the milestones. Contract liabilities are recognized as revenue when the Group performs the performance obligation within the contract (i.e. transfers control to the customer).

Accounts receivable
An accounts receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Revenue earned from property development activities, but yet to be billed to customers, is initially recognized as contract assets and reclassified to accounts receivable when the right to consideration becomes unconditional.

4.24 Revenue recognition
Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic future benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15. This includes:

a) Identification of a contract with a customer, i.e., agreements with the Group that creates enforceable rights and obligations.
b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.
c) Determination of the transaction price which shall be the amount of consideration the Group will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).
d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.
e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
b) The Group performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
c) The Group performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Revenue recognition (Continued)

The specific recognition criteria described below must also be met before revenue is recognized.

(i) Revenue from contracts with customers for sale of properties

The Group enters into contracts with customers to sell property that are either completed or under development. The Group evaluates the timing of revenue recognition on the sale of properties based on analysis of the rights and obligations under the terms of each contract and legal advice from the Group's legal counsel.

Sale of completed units

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at a point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Sale of developing properties

In respect of contracts with customers for sale of developing property, the revenue is recognized over a period of time. Whereby, the Group assessed that the Group's performance does not create an asset with alternative use. Also the Group has an enforceable right to payment for performance completed to date, and entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute and contract termination.

In measuring the progress towards satisfaction of the performance obligations, the Group uses output method, whereby the revenue recognition is based on the measurement of the value of work transferred / completed to date in comparison with the remaining goods or services to be provided under the contract. The value of work transferred / completed to date is based on consultant's reports.

(ii) Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are 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 dilapidations are recognized in the consolidated statement of profit or loss when the right to receive them arises.

(iii) Service revenue

Revenue from rendering of services is recognized over a period of time when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.25 Cost of revenue

4.25.1 Cost of revenue for sales recognized over a period of time using output method

Cost of revenue for revenues that are recognized over a period of time using output method includes the share of cost of land, development and other related costs. Cost of revenue is based on the physical verification of the percentage of completion.

4.25.2 Cost of revenue for other types of revenues

Cost of revenue for other types of revenue (i.e. revenue recognized at point in time) includes the cost of land, development and other related costs. The costs of revenues in respect of revenue recognized at point of time is recognized on transferring the control to the customer. Cost of revenue in respect of services, facilities management and rental income is based on the cost of providing the services.

4.26 General and administrative expenses

General and administrative expenses include indirect costs not specifically part of cost of revenue as required under IFRS. Allocations between marketing, general and administrative expenses and cost of sales, when required, are made on a consistent basis.

4.27 Selling and marketing expense

Selling and marketing expenses are those arising from the Group's efforts underlying the sales and marketing functions.

4.28 Finance income, dividend income and finance costs

Finance income comprises interest income on funds invested, dividend income that are recognized in consolidated statement of profit and loss and other comprehensive income. Interest income is recognized as it accrues in consolidated statement of profit and loss and other comprehensive income, using the effective interest method.

Dividend income is recognized in profit and loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit and loss and other comprehensive income using the effective interest method.

4.29 Fair value measurement

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets', where applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.29 Fair value measurement (continued)

Valuation techniques
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for assets or liability that are not based on observable market data (unobservable inputs).

4.30 Earnings per share

4.30.1 Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial period.

4.30.2 Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

5.1 Critical judgements in applying accounting policies
The following critical judgments that have most significant effect on the amounts recognized in the consolidated financial statements:

Determining the timing of revenue recognition on the sale of property
The Group evaluates the timing of revenue recognition on the sale of property based on analyzing of the rights and obligations under the terms of each contract and legal advice from the Group’s external counsel.

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

5.1 Critical judgements in applying accounting policies (Continued)

The Sale of Developing properties
The Group assesses its contracts with customers for the sale of development properties to determine whether performance obligations are satisfied over time or at a point in time.

The Group concluded that the Group's performance does not create an asset with an alternative use where the Group is restricted contractually from redirecting the property under development to another use during its development based on the sale agreements entered into with customers, where the Group's contracts are entered into to provide specified residential units to the customer that accordingly does not create an asset with an alternative use to the Group.

Also, the Group concluded that it has an enforceable right to payment for performance completed to date, where it is entitled to an amount that at least compensates it for performance completed to date (usually costs incurred to date plus a reasonable profit margin) by having enforceable rights of being compensated for work completed to date in the event of any dispute or contract termination (as per legal advice obtained by management).

Based on this, the Group recognizes revenue from sale of development properties over time.

Significant influence over an associate
An associate is an entity over which the Group 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.

Going concern
The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Group's consolidated financial statements continue to be prepared on the going concern basis.

5.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of investment properties and development properties
An assessment of fair value of investment properties and development properties is carried out at each reporting date by an external valuation firm who hold recognized and relevant professional qualifications and has recent experience in the location and category of the asset being valued. In determining the valuation, the valuer used the market valuation methodology and discounted cash flow methodology that are based on significant assumptions and estimates (note 9, 11).

Lease payment discount
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (note 7).

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

5.2 Key sources of estimation uncertainty (Continued)

Options for extending and terminating lease contracts
Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Group and the lessor.

When determining the tenancy contract duration, the Group's management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee (note 7).

Zakat
The Group's current zakat payable of SR 15.99 million relating to management's assessment of the amount of zakat payable on open zakat positions where the liabilities remain to be agreed with the ZATCA. Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat and tax assessments at a future date, the final outcome may differ significantly. note 21 describes the status of zakat assessments.

Estimated cost
The Group uses the output method for percentage-of-completion ("POC") in accounting for its long-term construction contracts. Use of POC requires the Group to estimate the total cost of the contract. If the total estimated costs were 10% higher than management's estimates, the amount of cost recognized during the year ended December 31, 2022 would have increased by SR 128.06 million. If the total estimated costs were 10% lower than management's estimates, the amount of cost recognized during the year ended December 31, 2022 would have decreased by SR 128.06 million as well.

Warranties
Contracts for the sale of development properties contain certain warranties after completion of the development properties, such as the development properties meeting specific operational performance requirements. These conditions represent 'assurance-type' warranties that are legally required to be provided as quality guarantees. Minor repairs are expensed immediately and included in other operating expenses.

A provision is recognized for expected warranty claims on development properties sold during the year, based on past experience of the level of major repairs. Assurance-type warranty provisions for the year are charged to cost of sales. The estimate of such provision is revised annually.

Assumptions used to calculate the provision for warranties are based on development properties sales levels and current and historical information available about major repairs based on the warranty period for all development properties sold.

The Group has not recognized warranty provision because the Group has very insignificant exposure to that warranty.

Useful lives of property and equipment
The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods (note 6).

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

5.2 Key sources of estimation uncertainty (continued)

Impairment of financial assets including accounts receivable
The Group uses a provision matrix to calculate Expected Credit Losses "ECLs" for accounts receivables. The provision rates are based on days past due for Groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the accounts receivable is disclosed in note 13 and 32

Allowance for impairment of inventories
The management makes an allowance for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the consolidated statement of financial position date to the extent that such events confirm conditions existing at the end of year.

Impairment of goodwill
The Group test the impairment of Goodwill annually and assess that if there are any indicators based on this test that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach (note 8).

Estimation of defined benefit obligation
The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. 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 (note 18).

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events (note 29).

5. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

5.2 Key sources of estimation uncertainty (continued)

Leases
The Group applied the following estimates that significantly affect the determination of the amount and timing of income from lease contracts:

Determination of lease term
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group (supported by the advice of the independent valuation expert) determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases, the Group does not identify sufficient evidence to meet the required level of certainty.

As a lessee, the Group has a lease contract for the use of office space that includes an extension and a termination option. The Group applies judgement in evaluating whether or not it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise, or not to exercise, the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Property lease classification – the Group as lessor:
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

6. PROPERTY AND EQUIPMENT

	Land SR	Building SR	Furniture, fixture and office equipment SR	Machinery and equipment SR	Vehicles SR	Leasehold improvements SR	Capital work in progress ("CWIP") SR	Total SR
Cost:								
At January 1, 2022 (Audited)	54,187,363	24,020,726	16,992,756	19,067,060	4,833,972	962,118	3,262,370	123,326,365
Reclassification (note 9)	(5,647,511)	-	-	-	-	-	-	(5,647,511)
At January 1, 2022 (reclassified)	48,539,852	24,020,726	16,992,756	19,067,060	4,833,972	962,118	3,262,370	117,678,854
Additions	**-**	**758,108**	**3,944,366**	**3,092,474**	**2,730,066**	**1,648,196**	**31,751,699**	**43,924,909**
Transfer to intangible assets (note 8)	**-**	**-**	**-**	**-**	**-**	**-**	**(6,413,492)**	**(6,413,492)**
Transfer from investment properties (note 9)	**-**	**1,374,036**	**-**	**-**	**-**	**-**	**-**	**1,374,036**
Capitalization	**-**	**2,530,581**	**918,774**	**-**	**-**	**-**	**(3,449,355)**	**-**
Disposals	**-**	**-**	**(19,422)**	**-**	**(33,500)**	**-**	**-**	**(52,922)**
At December 31, 2022	**48,539,852**	**28,683,451**	**21,836,474**	**22,159,534**	**7,530,538**	**2,610,314**	**25,151,222**	**156,511,385**
Accumulated depreciation:								
Balance at January 1, 2022	-	1,442,561	8,334,468	14,398,800	2,134,032	576,392	-	26,886,253
Charge for the year	**-**	**1,835,294**	**1,483,430**	**1,083,835**	**803,382**	**334,704**	**-**	**5,540,645**
Transfer from investment properties (note 9)	**-**	**82,516**	**-**	**-**	**-**	**-**	**-**	**82,516**
Disposals	**-**		**(2,745)**		**(27,387)**	**-**	**-**	**(30,132)**
At December 31, 2022	**-**	**3,360,371**	**9,815,153**	**15,482,635**	**2,910,027**	**911,096**	**-**	**32,479,282**
Net book value:								
At December 31, 2022	**48,539,852**	**25,323,080**	**12,021,321**	**6,676,899**	**4,620,511**	**1,699,218**	**25,151,222**	**124,032,103**

6. PROPERTY AND EQUIPMENT (Continued)

	Land	Building	Furniture, fixture and office	Machinery and equipment	Vehicles	Leasehold improvements	Capital work in progress ("CWIP")	Total
	SR	SR	SR	SR	SR	SR	SR	SR
Cost:								
At January 1, 2021(audited)	54,187,363	27,202,427	9,141,440	17,134,044	3,315,992	1,145,287	718,760	112,845,313
Reclassification (note 9)	(5,647,511)	-	-	-	-	-	-	(5,647,511)
At January 1, 2021(reclassified)	48,539,852	27,202,427	9,141,440	17,134,044	3,315,992	1,145,287	718,760	107,197,802
Additions	-	1,684,208	2,723,737	2,022,046	1,517,980	78,501	2,543,610	10,570,082
Reclassification	-	-	-	(89,030)	-	-	-	(89,030)
Disposals	-	(4,865,909)	5,127,579	-	-	(261,670)	-	-
At December 31, 2021	48,539,852	24,020,726	16,992,756	19,067,060	4,833,972	962,118	3,262,370	117,678,854
Accumulated depreciation:								
Balance at January 1, 2021	-	774,501	6,070,354	13,881,740	1,602,497	304,364	-	22,633,456
Charge for the year	-	1,702,050	1,143,679	595,845	531,535	358,473	-	4,331,582
Reclassification	-			(78,785)			-	(78,785)
Disposals	-	(1,033,990)	1,120,435			(86,445)	-	-
At December 31, 2021	-	1,442,561	8,334,468	14,398,800	2,134,032	576,392	-	26,886,253
Net book value:								
At December 31, 2021	48,539,852	22,578,165	8,658,288	4,668,260	2,699,940	385,726	3,262,370	90,792,601

6. PROPERTY AND EQUIPMENT (Continued)

As of December 31, 2022 capital work in progress represents sales centers and multipurpose hall (extension to head office building) amounting to SR 13.3 million and Retal Riyad Office SR 8.4 million, which are all expected to be completed during the year 2023.

Land and building amounting to net book value of SR 60 million are mortgaged against a term loan from local commercial banks (note 17).

Depreciation charge on property and equipment for the year has been allocated as follows:

	2022	2021
	SR	SR
Cost of revenue	**3,368,289**	3,046,521
General and administrative expenses (note 24)	**2,099,688**	1,197,307
Selling and marketing expenses (note 25)	**72,668**	87,754
	5,540,645	4,331,582

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group leases certain land and buildings. The lease term on the various leases is 10 years.

7.1 Movement of right-of-use assets is as follows:

	2022	2021
	SR	SR
Cost:		
January 1	**29,174,795**	29,685,942
Additions	**2,913,268**	-
Disposals	**(23,556,493)**	(511,147)
December 31	**8,531,570**	29,174,795
Accumulated depreciation:		
January 1	**22,515,465**	14,770,368
Charge for the year	**6,654,277**	8,069,478
Disposals	**(23,488,286)**	(324,381)
December 31	**5,681,456**	22,515,465
Net book value at December 31	**2,850,114**	6,659,330

- Depreciation amounting to SR 2.01 million charged to cost of revenue (2021: SR 3.11 Million) and charged to general and administrative expenses by an amount of SR 4.64 million (2021: 4.96 million) respectively.
- As of December 31, 2022 the right of use asset was related to the lease of a land.

7.2 Movement and classification of lease liabilities classified in the consolidated statement of financial position as at December 31 are as follows:

	2022	2021
	SR	SR
January 1	**2,994,801**	11,766,682
Additions	**2,913,268**	-
Disposals	**-**	(140,000)
Interest charged	**139,605**	410,554
Payments during the year	**(3,404,726)**	(9,042,435)
December 31	**2,642,948**	2,994,801
Current portion of lease liabilities	**236,010**	2,994,801
Non-current portion of lease liabilities	**2,406,938**	-
Total lease liabilities	**2,642,948**	2,994,801

7. RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

As at December 31, 2022, lease payments and finance charges related to lease liabilities are as follows:

	Current SR	1-5 years SR	6-10 years SR	Total SR
Lease payments	**337,304**	**1,382,947**	**1,484,139**	**3,204,390**
Finance charges	**(101,294)**	**(336,714)**	**(123,434)**	**(561,442)**
Net present values	**236,010**	**1,046,233**	**1,360,705**	**2,642,948**

As at December 31, 2021, lease payments and finance charges related to lease liabilities are as follows:

	Current SR	1-5 years SR	6-10 years SR	Total SR
Lease payments	3,047,467	-	-	3,047,467
Finance charges	(52,666)	-	-	(52,666)
Net present values	2,994,801	-	-	2,994,801

8. INTANGIBLE ASSETS

	Software and ERP systems	CWIP	Goodwill (note 8.3)	Total
	SR	SR	SR	SR
Cost:				
January 1, 2021	1,024,860	-	3,088,189	4,113,049
Additions	35,813	927,825	-	963,638
December 31, 2021	1,060,673	927,825	3,088,189	5,076,687
Transfer from PPE (note 6)	**-**	**6,413,492**	**-**	**6,413,492**
Capitalization	**927,825**	**(927,825)**	**-**	-
December 31, 2022	**1,988,498**	**6,413,492**	**3,088,189**	**11,490,179**
Accumulated amortization:				
January 1, 2021	613,783	-	-	613,783
Charge for the year	297,223	-	-	297,223
December 31, 2021	911,006	-	-	911,006
Charge for the year	**300,134**	**-**	**-**	**300,134**
December 31, 2022	**1,211,140**	**-**	**-**	**1,211,140**
Net book value				
December 31, 2022	**777,358**	**6,413,492**	**3,088,189**	**10,279,039**
December 31, 2021	149,667	927,825	3,088,189	4,165,681

8.1 As of December 31, 2022 capital work in progress represents information systems and ERP system implementation amounting to SR 6.41 million, which are all expected to be completed during the year 2023.

8.2 Amortization amounting SR 0.14 million charged to cost of revenue (2021: 0.037 million) and SR 0.07 million (2021:0.23 million) charged to general and administrative expenses and SR 0.09 million (2021: SR 0.3 million) charged to selling and marketing expenses respectively.

8. INTANGIBLE ASSETS (Continued)

8.3 Management has performed annual impairment testing of Goodwill amounting to SR 3.1 million as of December 31, 2022. For the assessment of the value in use, management consider BCC as a CGU. The recoverable amount of BCC was determined based on value in use calculations which require use of certain assumptions. The calculations used cash flow projections for a period of 5 years based on financial plans approved by management. Cash flows were discounted and aggregated with a terminal value. Management estimate for the cash flows is based on past performance and management's expectation of the future. Growth rate used in the terminal value calculation represents long-term inflation forecast. Pre-tax discount rate of 8.6% was applied to the cash flows. Management considers these assumptions to be realistic and achievable in view of its operational plan and is confident of its ability to meet these future plans. Management believes that the carrying value of cash generating units' assets including goodwill will not exceed their recoverable amount. Accordingly, no impairment is recorded for goodwill as of December 31, 2022.

Sensitivity to Changes in Assumptions

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount.

9. INVESTMENT PROPERTIES

	Lands	**Buildings**	**Total**
	SR	**SR**	**SR**
Cost:			
At January 1, 2021 (Audited)	293,209,066	38,084,546	331,293,612
Reclassification (note 6)	5,647,511	-	5,647,511
At January 1, 2021 (reclassified)	298,856,577	38,084,546	336,941,123
Additions	114,224,555	17,291	114,241,846
Disposals	(32,587,999)	(2,018,048)	(34,606,047)
Deconsolidation	(135,581,004)	-	(135,581,004)
Transferred to development properties (note 11)	(72,921,080)	(3,408,706)	(76,329,786)
At December 31, 2021	171,991,049	32,675,083	204,666,132
Additions	**19,939,724**	**-**	**19,939,724**
Transfer to property and equipment (note 6)	**-**	**(1,374,036)**	**(1,374,036)**
Disposals	**(95,334,392)**	**(1,549,314)**	**(96,883,706)**
At December 31, 2022	**96,596,381**	**29,751,733**	**126,348,114**
Accumulated depreciation:			
At January 1, 2021	-	2,095,460	2,095,460
Charge for the year	-	1,616,235	1,616,235
Disposals	-	(224,114)	(224,114)
Transferred to development properties (note 11)	-	(404,477)	(404,477)
At December 31, 2021	-	3,083,104	3,083,104
Charge for the year	**-**	**1,366,583**	**1,366,583**
Transfer to property and equipment (note 6)	**-**	**(82,516)**	**(82,516)**
Disposals	**-**	**(329,213)**	**(329,213)**
At December 31, 2022	**-**	**4,037,958**	**4,037,958**
Net book value:			
At December 31, 2022	**96,596,381**	**25,713,775**	**122,310,156**
At December 31, 2021	171,991,049	29,591,979	201,583,028

9. INVESTMENT PROPERTIES (Continued)

Investment properties include participation/share in a large plot of land, located in Al Khobar, Kingdom of Saudi Arabia. The land was acquired at a cost of SR 80 million in the year 2021 from a shareholder, who has assigned his right to such land to the Group via a waiver letter. The whole plot of land was later auctioned and as a result of the auction, the Group received several plots of land in exchange for their investment. During the year 2022, the Group sold part of these lands to third parties at a consideration of SR 122.5 million resulting in a gain of SR 54.6 million. Title deeds of these plots of land were received by the Group during the current period.

The investment properties are valued annually on December 31, at fair value, determined by an independent, professionally qualified valuer "BAR CODE", who is licensed by Saudi Authority for Accredited Valuers (License number "1210000001") in addition to conducting the valuation by another valuer “LAND STERLING” who is licensed by Saudi Authority for Accredited Valuers (License number "1210001242"). As at December 31, 2022, the fair valuation of the investment properties as per the two valuators amounted to SR 150 million and SR 141.87 million, respectively (December 31, 2021 SR 210.4 million). Management believes that there has not been any material change in fair value of these investment properties as of the reporting date.

Certain land and building amounted to SR 56.50 million are mortgaged against a term loan from a local commercial bank (note 17).

Investment properties includes land and building held for appreciation amounting to SR 68.6 million (2021: SR 160.1 million) and for rental purpose amounting to SR 55 million (2021: SR 41.5 million)

Depreciation for the year has been charged to cost of revenue.

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Note	**Type of investment**	**2022**	2021
			SR	SR
Saudi Tharwa Company ("Tharwa")	A	Associate	**161,954,214**	121,513,222
Al-Ahsa Real Estate Fund ("Al-Ahsa Fund")	B	Associate	**95,844,544**	99,379,286
Alpha Capital Saudi Real Estate Development Fund ("Alpha Fund")	C	Associate	**50,129,979**	54,000,000
Business Park Fund	D	Associate	**29,380,352**	30,118,500
Mimar Emirate and ARAC Engineering Consultancy Company ("Mimar & Arac")	E	Associate	**555,579**	645,474
Itlalah Al Sharq Real Estate Company ("Itlalah") – Liquidated	F	Joint venture	**-**	496,206
Rimal Al Khobar Real Estate Company ("Rimal")	G	Joint venture	**85,080**	245,000
Norkoom Designing Company	H	Joint venture	**185,259**	-
			338,135,007	306,397,688

The movement of investment in associates and joint ventures is as follows:

	2022	2021
	SR	SR
January 1	**306,397,688**	121,249,913
Additions	**281,250**	154,787,500
Transferred from development properties (note 11)	**-**	30,118,500
Share of results, net	**34,641,453**	1,819,913
Share of OCI	**(25,518)**	1,862
Dividends	**(2,715,420)**	(1,580,000)
Adjusted against due to related a party (note 27)	**(444,446)**	-
December 31	**338,135,007**	306,397,688

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

The movement of investment in associates and joint ventures for the year ended December 31, 2022 is as follows:

	Effective Ownership	January 1, 2022	Additions	Share in results	Share of Other Comprehensive Income	Dividends	Adjustment against a related party	December 31, 2022
	%	SR	SR	SR	SR	SR	SR	SR
Tharwa	39.50%	121,513,222	-	42,032,372	(11,380)	(1,580,000)	-	161,954,214
Al-Ahsa Fund	22.50%	99,379,286	-	(3,534,742)	-	-	-	95,844,544
Alpha Fund	30.00%	54,000,000	-	(3,870,021)	-	-	-	50,129,979
Business Park Fund	18.82%	30,118,500	-	(738,148)	-	-	-	29,380,352
Mimar & Arac	25.00%	645,474	-	1,059,663	(14,138)	(1,135,420)	-	555,579
Itlalah – Liquidated	50.00%	496,206	-	(51,760)	-	-	(444,446)	-
Rimal	50.00%	245,000	-	(159,920)	-	-	-	85,080
Norkoom	50.00%	-	281,250	(95,991)	-	-	-	185,259
		306,397,688	281,250	34,641,453	(25,518)	(2,715,420)	(444,446)	338,135,007

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

The movement of investment in associates and joint ventures for the year ended 31 December 2021 is as follows:

	Effective Ownership	January 1, 2021	Additions	Transferred from development properties (note 11)	Share in results	Share of Other Comprehensive Income	Dividends	December 31, 2021
	%	SR	SR	SR	SR	SR	SR	SR
Tharwa	39.50%	121,249,913	-	-	1,841,447	1,862	(1,580,000)	121,513,222
Al-Ahsa Fund	22.50%	-	100,000,000	-	(620,714)	-	-	99,379,286
Alpha Fund	30.00%	-	54,000,000	-	-	-	-	54,000,000
Business Park Fund	18.82%	-	-	30,118,500	-	-	-	30,118,500
Mimar & Arac	25.00%	-	37,500	-	607,974	-	-	645,474
Itlalah	50.00%	-	500,000	-	(3,794)	-	-	496,206
Rimal	50.00%	-	250,000	-	(5,000)	-	-	245,000
		121,249,913	154,787,500	30,118,500	1,819,913	1,862	(1,580,000)	306,397,688

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

A Saudi Tharwa Company

Saudi Tharwa Company ("Tharwa") is a Limited Liability Company registered in Al Khobar city, Kingdom of Saudi Arabia under commercial registration number 2051057188 dated 21 Jumada' II 1435H (corresponding to 21 April 2014). Tharwa was previously registered in Dammam city under commercial registration number 2050057685 dated 22 Dhu Al-Hijjah 1428H (corresponding to 1 January 2008). During 2014, the partners of Tharwa resolved to change its head office location from Dammam to AL Khobar. Accordingly, the previous commercial registration was canceled on 20 Jumada' II 1435H (corresponding to 20 April 2014).

As at December 31, 2022 and 2021, the Group's investment in Saudi Tharwa Company represents 39.5%. The Group owns 15,800 shares out of 40,000 shares at par value of SR 1,000 for each.

The following table summarizes the financial information of Tharwa as included in its financial statements, in addition to the Group's interest in this investment.

	2022	2021
	SR	SR
Total assets	**639,058,087**	1,132,454,905
Total liabilities	**(437,708,450)**	(1,033,647,870)
Equity	**201,349,637**	98,807,035
Group's 39.5% share in equity (2021: 39.5%)	**79,533,107**	39,028,779
Goodwill	**82,421,107**	82,421,107
Adjustments based on final audited financial statements of year 2021	**-**	63,336
Total Group's share in equity	**161,954,214**	121,513,222

Summarized statement of profit or loss and other comprehensive income of Saudi Tharwa Company for the year ended December 31:

	2022	2021
	SR	SR
Revenue	**142,955,718**	42,563,378
Profit for the year	**106,571,413**	4,661,889
Total comprehensive income	**106,542,602**	4,666,605
Group's 39.5% share of total comprehensive income (2021: 39.5%)	**42,084,328**	1,843,309
Adjustments based on final audited financial statements of year 2021	**(63,336)**	-
Group's share of total comprehensive income	**42,020,992**	1,843,309

Comparative figures have been revised to reflect the final figures of the audited financial statements of the associate.

B Al-Ahsa Real Estate Fund

As at December 31, 2022, the Company's investment in Al-Ahsa Fund represents 22.5% of shares in Al Ahsa Fund (2021: 22.5%)

Al-Ahsa Real Estate Fund's principal activities include management and rental of owned or rented (residential) real estate, public construction of non-residential buildings such as schools, hospitals, hotels, etc., general construction of residential buildings, real estate registration services, purchase and sale of land and real estate, its division and off-plan sales activities, management and leasing of self-storage stores, construction of prefabricated buildings on sites, management and rental of owned or leased properties (non-residential)

The following table summarizes the financial information of Al-Ahsa Fund as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Al-Ahsa Fund.

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

B Al-Ahsa Real Estate Fund (Continued)

	2022	2021
	SR	SR
Total assets	**764,160,740**	754,033,914
Total liabilities	**(338,392,563)**	(312,563,427)
Equity	**425,768,177**	441,470,487
Group's 22.5% share in equity (2021: 22.5%)	**95,844,544**	99,379,286

Summarized statement of profit or loss and other comprehensive income of Al-Ahsa Fund for the year ended December 31:

	2022	2021
	SR	SR
Revenue	**8,539**	-
Loss for the year	**(15,702,310)**	(2,757,383)
Total comprehensive loss	**(15,702,310)**	(2,757,383)
Group's 22.5% share of total comprehensive loss (2021: 22.5%)	**(3,534,742)**	(620,714)

C Alpha Capital Saudi Real Estate Development Fund ("Alpha Fund")

As at 31 December 2022, the Group's investment in Alpha Fund represents 30% of shares in Alpha Fund (2021: 30%).

Alpha Fund's principal activities include management and rental of owned or leased real estate (non-residential), management and rental of owned or leased real estate (residential), activities of investment companies, purchase and sale of land and real estate and its division and off-plan sales activities, real estate management activities for a commission.

The following table summarizes the financial information of Alpha Fund as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Alpha Fund.

	2022	2021
	SR	SR
Total assets	**174,257,150**	180,000,000
Total liabilities	**(7,159,971)**	-
Equity	**167,097,179**	180,000,000
Group's 30% share in equity (2021: 30%)	**50,129,979**	54,000,000

Summarized statement of profit or loss and other comprehensive income of Alpha Fund for the year ended December 31:

	2022	2021
	SR	SR
Revenue	**308,070**	-
Loss for the year	**(12,900,069)**	-
Total comprehensive loss	**(12,900,069)**	-
Group's 30% share of total comprehensive loss (2021: 30%)	**(3,870,021)**	-

The Group has unrealized gain from Alpha fund amounting to SR 5.01 million for downstream transaction for sale of lands during the year 2021 which has been allocated to accrued expenses and other payables.

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

D Business Park Fund

As at 31 December 2022, the Group's investment in Business Park Fund represents the Group's 18.82% investment share in Business Park Fund (2021: 18.82%). The Group is represented by the one member in the fund's Board of Directors.

Business Park Fund's principal activities include restorations of residential and non-residential buildings, purchase and sale of land and real estate, its division and off-plan sales activities, general construction of government buildings, real estate registration services, management and rental of owned or leased properties (non-residential), management and leasing of self-storage stores, management and leasing of owned or leased properties (Residential), general construction of non-residential buildings such as schools, hospitals, hotels, etc., general construction of residential buildings, real estate management activities for a commission, investment company activities, building construction.

The following table summarizes the financial information of Business Park Fund as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Business Park Fund.

	2022	2021
	SR	SR
Total assets	**179,407,368**	160,034,538
Total liabilities	**(23,329,517)**	-
Equity	**156,077,851**	160,034,538
Group's 18.82% share in equity (2021: 18.82%)	**29,380,352**	30,118,500

Summarized statement of profit or loss and other comprehensive income of Business Park Fund for the year ended December 31:

	2022	2021
	SR	SR
Revenue	**113,000**	-
Loss for the year	**(3,922,149)**	-
Total comprehensive loss	**(3,922,149)**	-
Group's 18.82% share of total comprehensive loss (2021: 18.82%)	**(738,148)**	-

E Mimar Emirate and ARAC Engineering Consultancy Company ("Mimar & Arac")

Mimar & Arac is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051226091 issued in Khobar on 11 Ramadan 1440H corresponding to (16 May 2019). The registered address of the Company is P.O. Box 3200, King Faisal Road, Al Rawabi, Al Khobar 34421, Kingdom of Saudi Arabia.

The principal activities of Mimar & Arac are engineering and architectural consultancy

As at December 31, 2022, the Group's investment in Mimar & Arac represents 25%. The Group owns 375 shares out of 1,500 shares at par value of SR 100 for each (2021: 25%)

The following table summarizes the financial information of Mimar & Arac as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Mimar & Arac

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

E Mimar Emirate and ARAC Engineering Consultancy Company ("Mimar & Arac") (continued)

	2022	2021
	SR	SR
Total assets	**8,817,051**	7,815,190
Total liabilities	**(6,594,751)**	(4,786,414)
Equity	**2,222,300**	3,028,776
Group's 25% share in equity (2021: 25%)	**555,579**	757,198
Unpaid dividend related to the Group	**-**	699,582
Adjustments based on final audited financial statements for year 2021	**-**	(811,306)
Group's share of equity	**555,579**	645,474

Summarized statement of profit or loss and other comprehensive income of Mimar & Arac for the year ended December 31:

	2022	2021
	SR	SR
Revenue	**5,334,228**	6,378,368
Profit for the year	**993,432**	2,184,713
Total comprehensive income	**936,880**	2,179,195
Group's 25% share of total comprehensive income (2021: 25%)	**234,220**	544,799
Adjustments based on final audited financial statements for year 2021	**811,305**	63,175
Group's share of total comprehensive income	**1,045,525**	607,974

Comparative figures have been revised to reflect the final figures of the audited financial statements of the associate.

F Itlalah

Itlalah is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051234026 issued in Khobar dated 18 Jumada Al Thani 1442H (corresponding to 31 January 2021). The registered address of Itlalah is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Itlalh is principally engaged in the activities of general construction of residential buildings, public construction of government buildings, real estate development of residential buildings with modern construction methods, management and rental of owned or leased (residential and non-residential) properties, management and leasing of self-storage stores, management and operation of hotel apartments and real estate management activities for a commission.

During the year 2022 Itlalah has been liquidated and the commercial registration has been cancelled. The management has written off the investment against the due to related party after taking the share of losses for the period (note 27).

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

G Rimal

Rimal is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051236572 issued in Khobar dated 23 Dhu'l Hijjah 1442H (corresponding to 2 August 2021). The registered address of Rimal is P.O. Box 3200, King Faisal Road, Street 10, Al Rawabi 8800, Al Khobar 34421, Kingdom of Saudi Arabia.

Rimal is principally engaged in general construction of residential buildings and public construction of non-residential buildings such as schools, hospitals, hotels, etc.

The following table summarizes the financial information of Rimal as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in Rimal.

	2022	2021
	SR	SR
Total assets	**66,895,498**	500,000
Total liabilities	**(66,725,339)**	(10,000)
Equity	**170,159**	490,000
Group's 50% share in equity (2021: 50%)	**85,080**	245,000

Summarized statement of profit or loss and other comprehensive income of Rimal for the year ended December 31:

	2022	2021
	SR	SR
Expense	**(305,224)**	(24,617)
Loss for the year	**(305,224)**	(24,617)
Total comprehensive loss	**(305,224)**	(24,617)
Group's 50% share of total comprehensive loss (2021: 50%)	**(152,611)**	(12,309)
Adjustments based on final audited financial statements	**(7,309)**	7,309
Group's share of total comprehensive income	**(159,920)**	(5,000)

The Group has unrealized gain from Remal amounting to SR 2.6 million for downstream transaction for sale of lands during the year 2022 which has been allocated to accrued expenses and other payables.

H Norkoom Designing Company ("Norkoom")

Norkoom is a Limited Liability Company registered in the Kingdom of Saudi Arabia under commercial registration No. 2051242006 issued in Khobar on 10 Dhul - Qada 1443H corresponding to (10 June 2022). The registered address of the Company is in Al Khobar, Kingdom of Saudi Arabia.

Norkoom is principally engaged in interior design systems.

The following table summarizes the financial information of Noorkom as included in its financial statements. The table also reconciles the summarized financial information to the carrying amount of the Company's interest in Norkoom.

	2022	2021
	SR	SR
Total assets	**1,072,836**	-
Total liabilities	**(702,319)**	-
Equity	**370,517**	-
Group's 50% share in equity (2021: 0%)	**185,259**	-

10. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

H Norkoom Desigining Company ("Norkoom") (continued)

Summarized statement of profit or loss and other comprehensive income of Norkoom for the year ended December 31:

	2022	2021
	SR	SR
		-
Revenue	**609,700**	-
Loss for the year	**(191,983)**	-
Total comprehensive loss	**(191,983)**	-
Group's 50% share of total comprehensive loss (2021: 0%)	**(95,991)**	-

11. DEVELOPMENT PROPERTIES

	Lands	Buildings and development costs	Advances (note 11.1)	Total
	SR	SR	SR	SR
January 1, 2021	42,331,195	97,156,555	-	139,487,750
Additions	216,384,656	672,045,988	44,187,750	932,618,394
Transferred to equity accounted investments (note 10)	(30,118,500)	-	-	(30,118,500)
Transferred from investment properties, net (note 9)	72,921,080	3,004,229	-	75,925,309
Cost of units / projects sold	(78,667,529)	(730,439,436)	-	(809,106,965)
December 31, 2021	222,850,902	41,767,336	44,187,750	308,805,988
Additions	**430,804,641**	**701,944,624**	**125,925,948**	**1,258,675,213**
Transfer to land	**44,187,750**	**-**	**(44,187,750)**	**-**
Disposal	**(123,385,564)**	**-**	**-**	**(123,385,564)**
Cost of units / projects sold	**(96,111,343)**	**(530,083,954)**	**-**	**(626,195,297)**
December 31, 2022	**478,346,386**	**213,628,006**	**125,925,948**	**817,900,340**

Development properties represent mainly the cost of lands and developments incurred by the Group toward the development of projects for the purpose of sale in future.

11.1 Advances represent amount paid in advance for the purchase of land for development under agreements entered by the Group. Ownership of the land is expected to be transferred to the Group's name upon final payment in years 2023 and 2025. An amount of SR 44.2 million has been transferred from advances to Lands. There are development costs related to these lands amounting to SR 110.60 million. The Company has obtained authorization from sellers of these lands to start construction and developments.

11.2 Management estimates that certain projects are expected to be sold / utilized within the next 12 months. Accordingly, development properties are classified into current and non-current as follows

	2022	2021
	SR	SR
Current portion	**353,232,470**	245,367,910
Non-current portion	**464,667,870**	63,438,078
	817,900,340	308,805,988

12. PREPAYMENTS AND OTHER RECEIVABLES

	2022	2021
	SR	SR
Value added tax	**53,150,193**	102,683,449
Advances to suppliers	**43,471,050**	43,890,644
Prepaid expenses	**8,605,802**	6,115,298
Employee receivables	**3,110,084**	3,500,252
Others	**8,199,429**	11,085,235
	116,536,558	167,274,878
Less: Provision against other receivables	**-**	(2,146,709)
	116,536,558	165,128,169
Non-current portion of prepayments and other receivables	**(2,381,923)**	(2,201,521)
	114,154,635	162,926,648

12.1 As of December 31, 2022, value added tax ("VAT") represents VAT to be recovered from eligible Real Estate Developers Portal in addition to VAT returns portal.

13. ACCOUNTS RECEIVABLE

	2022	2021
	SR	SR
Accounts receivable - third parties	**203,963,186**	268,427,587
Accounts receivable - related parties (note 27)	**39,033,534**	3,677,860
	242,996,720	272,105,447
Less: allowance for expected credit losses	**(85,231)**	(2,659,368)
	242,911,489	269,446,079

Accounts receivable are non-interest bearing. Accounts receivable are generally on terms of 30 to 90 days.

Movement in allowance for expected credit losses is as follows;

	2022	2021
	SR	SR
Opening balance	**2,659,368**	-
Charge for the year	**-**	2,659,368
Reversal of provision	**(2,574,137)**	-
Closing balance	**85,231**	2,659,368

An aged analysis of accounts receivables - third parties is as follows:

	Current	1-180 days	181-365 days	366-730 days	Total
2022	**SR**	**SR**	**SR**	**SR**	**SR**
Accounts receivable - Gross	**-**	**178,582,541**	**19,728,842**	**5,737,034**	**204,048,417**
Less: ECL allowance	**-**	**-**	**-**	**(85,231)**	**(85,231)**
Net accounts receivables	**-**	**178,582,541**	**19,728,842**	**5,651,803**	**203,963,186**
Average loss rates (%)	**-**	**-**	**-**	**-1.49%**	**-0.04%**
2021					
Accounts receivable - Gross	5,182,491	257,033,040	7,935,076	936,348	271,086,955
Less: ECL allowance	-	-	(1,723,020)	(936,348)	(2,659,368)
Net accounts receivables	5,182,491	257,033,040	6,212,056	-	268,427,587
December 31, 2021	-	-	-21.71%	-100.00%	-0.98%

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

14. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

List of investments at fair value through profit or loss is as follows;

	2022	2021
	SR	SR
Saudi Aramco Base Oil Company – Luberef	**22,259,949**	-
Riyadh Cables	**1,386,816**	-
Al Munajem foods Company	**107,485**	655,842
	23,754,250	655,842

Fair values of these equity investments are determined based on the quoted market price available on the Saudi Stock Exchange, which is a Level 1 input in terms of IFRS 13 Fair Value Measurement.

Movement in investments at fair value through profit or loss is as follows:

	2022	2021
	SR	SR
Opening balance	**655,842**	-
Additions during the year	**107,738,800**	14,284,208
Sold during the year	**(95,473,614)**	(17,315,907)
Realized gain on sale / transfer	**12,598,197**	3,649,862
Unrealized (loss) / gain on change in fair value, net	**(1,764,975)**	37,679
Gain of investments at FVTPL, net	**10,833,222**	3,687,541
Closing balance	**23,754,250**	655,842

15. CASH ON HAND AND AT BANKS

	2022	2021
	SR	SR
Cash on hand	**57,741**	35,000
Cash at banks	**522,916,960**	407,942,218
	522,974,701	407,977,218

At reporting date, cash and cash equivalents for the purpose of consolidated cash flow were as follow:

	2022	2021
	SR	SR
Cash at banks	**522,916,960**	407,942,218
Less: restricted bank balances	**(498,837,792)**	(375,562,991)
Cash on hand	**57,741**	35,000
Cash and cash equivalents	**24,136,909**	32,414,227

As at December 31, 2022, cash at banks include bank balances amounting to SR 498.84 million (December 31, 2021: SR 375.6 million) in local banks in restricted escrow accounts. Drawings from these escrow accounts is restricted for developing certain projects which are sold off-plan and the payment of the amount due to Ministry of Housing for the lands of subsidized projects.

Cash at banks represent balances with local banks with a sound credit rating. Furthermore, these balances bear no interest. The carrying amount of these assets is approximately equal to their fair value.

15. CASH ON HAND AND AT BANKS (Continued)

NON-CASH TRANSACTIONS

	2022	2021
	SR	SR
Development properties transferred to equity accounted investments	**-**	30,118,500
Increase in share capital through retained earnings	**-**	20,000,000
Adjustment of investment against due to a related party	**444,446**	-
Transfer from Investment property to property and equipment	**1,291,520**	-
Additions to Right of use assets and lease liabilities	**2,913,268**	-
Addition to equity accounted investments against related parties' balance	**-**	787,500
Finance cost charged by a related party	**-**	369,624
Deconsolidation of net assets of Wejha	**-**	50,000
Unrealized gain from the Group's share in profit of associate	**-**	(5,014,864)
Development properties transferred from investment properties	**-**	(75,925,309)

16. SHAREHOLDERS' EQUITY

16.1 Share Capital

	2022	2021
	SR	SR
Authorized share capital		
40 million shares of SR 10 each	**400,000,000**	400,000,000
Issued, subscribed and fully paid up share capital		
40 million share of SR 10 each	**400,000,000**	400,000,000

	2022	2021
Reconciliation of number of shares outstanding		
Opening balance	**40,000,000**	37,500,000
Addition during the year	**-**	2,500,000
Closing balance	**40,000,000**	40,000,000

During the year 2021, the shareholders of the Group resolved to increase the share capital from SR 375 million to SR 400 million through transfer of SR 20 million from retained earnings and cash contribution from new shareholders of SR 5 million, the legal formalities in this regard were completed during the year 2021.

16.2 Statutory reserve

In accordance with Holding Company's by-laws, the Group is required to transfer at least 10% of its net income each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for distribution to the shareholders.

17. LOANS

Classification of loans:

	2022	2021
	SR	SR
Short term loan	**165,070,438**	100,351,792
Term-loans	**651,310,141**	600,975,344
	816,380,579	701,327,136
Less: short term loan	**(165,070,438)**	(100,351,792)
Less: term loans - current portion	**(189,811,237)**	(389,516,747)
Term loans - non-current portion	**461,498,904**	211,458,597

The repayment schedule for term loans is as follows:

	2022	2021
	SR	SR
Within one year	**189,811,237**	389,516,747
Not later than five years	**461,498,904**	211,458,597
	651,310,141	600,975,344

The Group has obtained, short and medium-term, shariah compliant loan facilities from commercial banks within the Kingdom of Saudi Arabia bearing financial charges at SIBOR plus a fixed margin. These facilities are guaranteed by pledge of several land deeds that have been classified under development properties, investment properties and property and equipment. In addition, one bank loans having a corporate guarantee from a shareholder prior to the Group's IPO. Subsequent to the year end the Group has cancelled the corporate guarantee.

During the year ended December 31, 2022, the Group capitalized a total interest cost amounting to SR 19.60 million, of which SR 6.07 million has been later charged to cost of revenue and an amount of SR 13.52 million are still capitalized under Development properties (December 31, 2021: SR 6.96 million and SR 0.12 million respectively)

17. LOANS (Continued)

Reconciliation of liabilities arising from financing activities

For year ended December 31, 2022

		Cash transactions		Non-cash transactions			
	December 31, 2021 SR	"Funds (paid) / received, net" SR	Interest paid SR	Addition to lease SR	Finance charges Capitalized SR	Amortization of finance charges SR	December 31, 2022 SR
Short term loans	100,351,792	**64,500,000**	**(1,908,178)**	**-**	**-**	**2,126,824**	**165,070,438**
Term Loans	600,975,344	**49,309,893**	**(30,393,164)**	**-**	**19,598,976**	**11,819,092**	**651,310,141**
Lease liabilities	2,994,801	**(3,331,965)**	**(72,761)**	**2,913,268**	**-**	**139,605**	**2,642,948**
Total	704,321,937	**110,477,928**	**(32,374,103)**	**2,913,268**	**19,598,976**	**14,085,521**	**819,023,527**

For year ended December 31, 2021

		Cash transactions		Non-cash transactions			
	December 31, 2020 SR	"Funds (paid) / received, net" SR	Interest paid SR	Addition / Disposal of lease SR	Finance charges Capitalized SR	Amortization of finance charges SR	December 31, 2021 SR
Short term loans	50,000,000	50,000,000	(1,264,451)	-	-	1,616,243	100,351,792
Term Loans	148,400,000	450,329,594	(5,383,528)	-	7,081,997	547,281	600,975,344
Lease liabilities	11,766,682	(8,647,972)	(394,463)	(140,000)	-	410,554	2,994,801
Total	210,166,682	491,681,622	(7,042,442)	(140,000)	7,081,997	2,574,078	704,321,937

18. EMPLOYEES' END-OF-SERVICE BENEFIT

Movement in employees' end of service benefits during the year is as follows:

	2022	2021
	SR	SR
Opening balance as at January 1	**11,077,716**	9,481,493
Charge for the year	**3,289,610**	2,582,760
Re-measurement (gain) / loss	**(171,148)**	851,726
Employee benefits paid	**(1,611,404)**	(1,838,263)
Closing balance	**12,584,774**	11,077,716

Charge to consolidated statement of profit or loss for the year

	2022	2021
	SR	SR
Current service cost	**3,026,415**	2,415,087
Interest cost	**263,195**	167,673
Cost recognized in profit and loss	**3,289,610**	2,582,760

Principal actuarial assumptions

	2022	2021
Discount rate	**4.70%**	2.20%
Average rate of salary increase	**4.70%**	2.20%
Rate of employee turnover	**Heavy**	Heavy
Mortality rates (WHO)	**WHO SA19**	SA19-75%

Sensitivity analysis on present value of defined benefit obligations plan are as below:

	2022		2021	
	Percentage	**Amount**	Percentage	Amount
		SR		SR
Discount rate				
Increase	**+0.5%**	**12,254,843**	+0.5%	10,660,959
Decrease	**-0.5%**	**13,002,065**	- 0.5%	11,524,589
Expected rate of salary				
Increase	**+0.5%**	**13,015,512**	+0.5%	11,540,415
Decrease	**-0.5%**	**12,175,434**	- 0.5%	10,642,212

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employees end-of-service benefits recognized within the consolidated statement of financial position.

19. ACCOUNTS PAYABLE

	2022	2021
	SR	SR
Accounts payable	**238,853,954**	43,160,734
Retentions payable	**28,959,814**	24,722,514
Accounts payable to related parties (note 27)	**23,100,911**	11,084,649
	290,914,679	78,967,897

Accounts payable are classified into current and non-current payable as follows:

	2022	2021
	SR	SR
Current payables	**273,461,035**	65,309,892
Non-current payables	**17,453,644**	13,658,005
	290,914,679	78,967,897

- The accounts payable includes amount payable for purchase of lands amounting SR 187.42 million.
- The non-current portion of retention payable represents long-term retention payable to third parties amounting to SR 17.4 million (2021: SR 13.7 million) that management estimates it will pay after twelve months from the date of the consolidated statement of financial position.

20. ACCRUED EXPENSES AND OTHER PAYABLES

	2022	2021
	SR	SR
Project related accruals	**161,257,870**	61,131,924
Employees' accruals	**20,828,276**	16,856,999
Unrealized gain from downstream transactions with associates (note 10)	**7,652,701**	5,014,864
Accrued expenses	**4,336,902**	864,532
VAT payable	**1,667,811**	2,163,886
Unearned revenue	**4,225,643**	857,087
Advances from customers	**447,989**	349,964
Others	**608,562**	944,491
	201,025,754	88,183,747

21. ZAKAT PAYABLE

Effective from year 2020, the Group and its 100% owned subsidiaries submit zakat on combined basis. The movement of Zakat payable is as follows:

	2022	2021
	SR	SR
January 1	**10,447,484**	5,975,018
Charge for the year	**10,898,798**	8,463,312
Paid during the year	**(5,355,778)**	(3,990,846)
December 31	**15,990,504**	10,447,484

Principal elements of zakat base:

	2022	2021
	SR	SR
Non-current assets	**1,064,656,212**	675,237,927
Non-current liabilities	**493,944,260**	236,194,318
Opening shareholders’ equity	**568,770,435**	518,786,196
Profit before zakat from continuing operations	**256,642,430**	187,861,911
Profit from discontinued operations	**-**	13,935,504

21. ZAKAT PAYABLE (Continued)

Zakat assessment status

The Group has submitted its consolidated zakat returns up to the year ended December 31, 2021 and obtained the required certificates and official receipt. During the year 2021, the final assessment for the years 2015 and 2018 was received. Zakat assessment for the years 2013, 2014, 2016, 2017, 2019 and 2020 are still under review by the ZATCA.

Tadbeir has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment are still under review by the ZATCA since inception.

Nesaj has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. Zakat assessment are still under review by the ZATCA since inception.

BCC has submitted its zakat returns up to the year ended 31 December 2019 and obtained the required certificates and official receipt. BCC has received final assessment from ZATCA for the years till 2010 and for the year 2018. Zakat assessment for the years from 2011 to 2017, and for the year 2019 are still under review by the ZATCA.

22. REVENUE FROM CONTRACTS WITH CUSTOMERS

22.1 Disaggregated revenue information

Types of goods and services	**2022**	2021
	SR	SR
Development contracts revenues	**693,212,738**	915,841,344
Revenue from sales of real estate units / lands	**366,726,466**	129,921,692
Revenue from property and facility management	**37,740,177**	32,187,382
Rent contracts revenue	**9,150,881**	7,370,584
Total revenue from contracts with customers	**1,106,830,262**	1,085,321,002

Types of customer	**2022**	2021
	SR	SR
Individual customers	**960,303,230**	947,131,710
Corporate customers	**131,941,460**	135,706,117
Government and quasi-government customers	**14,585,572**	2,483,175
Total revenue from contracts with customers	**1,106,830,262**	1,085,321,002

Sales payment terms	**2022**	2021
	SR	SR
Credit sales	**926,892,287**	947,462,011
Cash sales	**179,937,975**	137,858,991
Total revenue from contracts with customers	**1,106,830,262**	1,085,321,002

Timing of revenue recognition	**2022**	2021
	SR	SR
At point in time	**413,617,524**	169,479,658
Over time	**693,212,738**	915,841,344
Total revenue from contracts with customers	**1,106,830,262**	1,085,321,002

22. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

22.2 Contract balances

	2022	2021
	SR	SR
Accounts receivable (note 13)	**203,963,186**	268,427,587
Contract assets (see note (a) below)	**91,184,973**	69,843,779
Contract liabilities (see note (b) below)	**100,219,716**	109,674,870

Movement of contract assets and liabilities is as follows:

	2022	2021
	SR	SR
Opening balance	**(39,831,091)**	58,327,526
Revenue for the year	**693,212,738**	915,841,344
Billing raised during the year	**(662,416,390)**	(1,013,999,961)
Contract assets and liabilities, net	**(9,034,743)**	(39,831,091)
Contract assets	**91,184,973**	69,843,779
Contract liabilities	**100,219,716**	109,674,870

a) Contract assets:
Contract assets are initially recognized for revenue earned over a period of time from development contracts as receipt of consideration is conditional on successful satisfaction of specific milestones. Upon completion of a milestone and acceptance by the customer, the amounts recognized as contract assets are reclassified to account receivables.

b) Contract liabilities:
Contract liabilities include advances from customers towards unsatisfied performance obligations. A contract liability is the obligation to complete the project for a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group completes a project, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Management expects that a significant portion of the contract liabilities of SR 100.2 million (December 31, 2021: SR 109.67 million) will be recognized as revenue in the next financial year.

There was no revenue recognized in the current reporting year that related to performance obligations which were satisfied in prior year (2021: nil).

22.3 Payable to National Housing Company – NHC

When the development is made on a land owned by other, Group's revenue does not include the part of the contract price attributable to the land owner. This amount represents the amounts received from customers, recorded as a liability, related to the land owned by national Housing Company – NHC for projects developed on government land.

23. COST OF REVENUE

	2022	2021
	SR	SR
Cost of development contracts	**530,488,116**	692,998,488
Cost of sale of real estate units / projects	**241,577,323**	108,374,786
Cost of facility and property management	**32,587,487**	32,936,614
Cost of rent contracts	**5,013,892**	5,549,936
	809,666,818	839,859,824

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	2021
	SR	SR
Employee costs	**33,173,950**	24,057,775
Depreciation (note 6, 7)	**8,106,816**	7,771,413
Maintenance expenses	**3,419,001**	2,305,929
Professional fees	**2,280,633**	2,619,873
IT charges	**2,909,424**	914,893
Rent	**798,245**	735,997
Utilities	**1,245,090**	888,693
Board of Directors fees	**3,179,586**	300,000
Business trips	**783,791**	422,039
Hospitality	**595,733**	274,352
Corporate events	**62,461**	237,568
Office stationary	**313,072**	216,953
Fee and permits	**402,226**	166,684
Amortization	**69,201**	234,033
Others	**1,835,060**	1,552,410
	59,174,289	42,698,612

25. SELLING AND MARKETING EXPENSES

	2022	2021
	SR	SR
Employee costs	**6,034,079**	5,470,442
Marketing and advertising	**8,299,014**	3,626,992
Maintenance and after sales expenses	**3,315,304**	4,053,243
Corporate events	**1,153,516**	898,992
IT Charges	**346,677**	238,434
Utilities	**233,475**	87,339
Office stationary	**94,492**	26,295
Depreciation (note 6)	**72,668**	87,754
Amortization	**45,298**	63,188
Community services	**4,297**	1,837,313
Allowance for expected credit losses (note 12,13)	**-**	4,806,077
Others	**151,414**	33,704
	19,750,234	21,229,773

26. FINANCE COSTS

	2022	2021
	SR	SR
Interest on bank borrowings (note 17)	**13,945,916**	2,163,524
Interest charged by a related party (note 27)	**-**	369,624
Interest on lease liabilities (note 7)	**139,605**	410,554
Interest on employee termination benefits (note 18)	**263,195**	167,673
Others	**772,434**	61,503
	15,121,150	3,172,878

27. RELATED PARTIES TRANSCTIONS AND BALANCES

The Group entered into transactions with related parties based on terms and conditions approved by the management of the Group. Some of the balances with related parties bare interest at inter-Group rates approved by Al Fozan Group management.

The Group transacted with the following related parties:

Name	**Relationship**
Al Fozan Holding Company	Shareholder
Mr. Abdullatif Ali Al Fozan	Close Family Member
Mr. Khaled Abdullatif Ahmed Al Fozan	Close Family Member
Mr. Abdullatif Ali Al Fozan	Close Family Member
Alpha Real Estate Development Fund 1	Associate
Bloom Investment	Associate
Saudi Tharwa Company (Liquidated)	Associate
Rimal Al Khobar Real Estate Company	Joint venture
Itlalah Al Sharq Company	Joint venture
Norkoom Designing Company	Joint venture
Mimar Emirate and ARAC Engineering Consultancy Company	Associate
ARAC Engineering Consultants Office	Affiliate
United Electronics Company (Extra)	Affiliate
United Homeware Company (Nice)	Affiliate
Maali Holding Company	Affiliate
Nesaj Residential Compound Company	Affiliate
United Wassem Company	Affiliate
Madar Electrical Materials Company	Affiliate
Madar Hardware Company	Affiliate
Ajwad Holding Company	Affiliate
United Hardware Company (Nice)	Affiliate
Bawan Metal Industries Company	Affiliate
Binaa for Ready-mix Products Company	Affiliate
Madar Building Materials Company	Affiliate
Aseel Company Arabian for Real Estate	Affiliate
Thabat Al Omran for Real Estate Company	Affiliate
Midad Chemical Factory	Affiliate
Al Oula Real Estate Development	Affiliate
Maali Holding Company	Affiliate
Cofee Taste Company	Affiliate
Saudi Industrial Machinery Company	Affiliate
United Glass Industries Company	Affiliate

27. RELATED PARTIES TRANSCTIONS AND BALANCES (Continued)

The significant transactions and the related approximate amounts are as follows:

Related party	Nature of Transaction	2022	2021
		SR	SR
Al Oula Real Estate Development	Revenue	**-**	13,467,513
Bloom Investment	Revenue	**-**	48,883,970
United Homeware Company (Nice)	Revenue	**4,183,722**	6,484,692
Ajwad Holding Company	Revenue	**1,749,326**	2,885,060
Maali Holding Company	Revenue	**67,437,975**	1,873,000
Rimal Al Khobar Real Estate Company	Revenue	**25,450,634**	-
Business Park Fund	Revenue	**2,176,448**	-
Others	Revenue	**2,270,798**	176,753
Binaa for Ready-mix Products Company	Contract costs and services/expenses charged	**2,212,173**	7,844,019
Bawan Metal Industries Company	Contract costs and services/expenses charged	**19,302,215**	6,559,688
Madar Building Materials Company	Contract costs and services/expenses charged	**20,540,930**	6,545,469
ARAC Engineering Consultants	Contract costs and services/expenses charged	**744,000**	4,709,443
Madar Electrical Materials Company	Contract costs and services/expenses charged	**3,775,956**	4,136,537
United Electronics Company (Extra)	Contract costs and services/expenses charged	**4,868,808**	-
Others	Contract costs and services/expenses charged	**7,219,240**	5,596,023
Al Fozan Holding Company	Finance charges	**-**	369,624
Alpha Real Estate Development Fund 1	Other Income	**-**	2,570,175
Maali Holding Company	Purchase of land / land shares	**-**	34,224,555
Al Fozan Holding Company	Purchase of land / land shares	**-**	80,000,000
Norekum Design Co.	Addition to equity accounted investments against related parties' balance	**281,250**	-
Mimar Emirate and ARAC Engineering Consultancy Company	Addition to equity accounted investments against related parties' balance	**-**	37,500
Rimal Al Khobar Real Estate Company	Addition to equity accounted investments against related parties' balance	**-**	250,000

27. RELATED PARTIES TRANSCTIONS AND BALANCES (Continued)

Related party	Nature of Transaction	2022	2021
		SR	SR
Itlalah Al Sharq Company (Liquidated)	Addition to equity accounted investments against related parties' balance	**-**	500,000
Itlalah Al Sharq Company (Liquidated)	Adjustment of investment against related party	**444,446**	-

Due from related parties classified under accounts receivable includes the following:

	2022	2021
	SR	SR
Rimal Al-Khobar Real Estate Company ("Rimal")	**33,219,959**	-
Alpha Saudi Equity Fund	**1,150,526**	1,656,675
Mimar Emirate and ARAC Engineering Consultancy Company	**4,663,049**	-
United Homeware Company – Nice	**-**	1,122,600
Others	**-**	898,585
	39,033,534	3,677,860

As of December 31, 2022 and December 31, 2021, the Group believes that due from related parties' balances are receivable upon request. As a result, these balances are classified as current assets. These balances bear no interest and there is no repayment schedule. All related parties have strong financial position and sufficient funds to repay the balances upon request.

Due to related parties classified under accounts payable includes the following:

	2022	2021
	SR	SR
Madar Building Materials Company	**13,651,373**	3,029,228
Bawan Metal Industries Company	**4,772,679**	1,939,061
Bina for Ready-mix Products Company	**1,103,483**	1,238,104
Mimar Emirate and ARAC Engineering Consultancy Company	**-**	3,781,590
Others	**3,573,376**	1,096,666
	23,100,911	11,084,649

As of December 31, 2022 and 2021, the Group believes that due to related parties' balances are repayable upon request. As a result, these balances are classified as current liabilities.

Letters of guarantee issued on behalf of the Group and were outstanding as of December 31:

	2022	2021
	SR	SR
Abdullatif and Mohammed Al Fozan Company	**-**	3,767,327

Compensation of key management personnel of the Group during the period is as follows:

	2022	2021
	SR	SR
Salaries and other employee costs	**4,081,515**	3,913,128
Other employee benefits	**2,010,004**	250,000
	6,091,519	4,163,128

28. EARNINGS PER SHARE FOR THE PERIOD (BASIC AND DILUTED)

	2022	2021
	SR	SR
Profit for the period attributable to the shareholders of the Group	**245,743,632**	193,719,486
Total comprehensive income for the period attributable to shareholders of the Group	**245,889,262**	192,869,622
	Share	Share
Weighted average number of shares	**40,000,000**	39,793,151
	SR / Share	SR / Share
Basic and diluted		
Earnings per share of profit for the year	**6.14**	4.52
Earnings per share of total comprehensive income for the year	**6.15**	4.87

29. CONTINGENCIES AND COMMITMENTS

Guarantees:
The Group is contingently liable for bank guarantees issued in the normal course of business of the Group amounting SR 219.15 million as at December 31, 2022 (December 31, 2021: SR 7.9 million).

The Group is contingently liable for bank guarantee as at December 31, 2022 amounting to nil (2021: SR 3.8 million) issued in the normal course of business. The letter of guarantee is issued under related parties bank facilities (note 27).

Capital Commitments
The Group had the following capital commitments:

	2022	2021
	SR	SR
Capital commitments for development contracts	**804,106,052**	448,888,195
Commitments for purchase of land from an associate	**304,232,869**	297,500,000
Commitment for the purchase of lands	**237,073,590**	44,187,750
Capital commitments for property and equipment	**14,138,632**	4,872,745
Capital commitments for the purchase of software license “ERP”	**1,484,587**	4,906,772

30. SEGMENT REPORTING

The main activities of the Group are categorized as, development, real estate and investment and others based on factors including targeted customers and nature of operations.

The Board of Directors of the Group, being considered as Chief Operating Decision Maker, review the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance. All other operating segments that are not reportable are combined under “others”.

The financial information is summarized in accordance with the main activities as follows:

	Development, Real Estate and investment	Others	Total
	SR	SR	SR
For the year ended December 31, 2022			
External revenue	**1,067,071,790**	**39,758,472**	**1,106,830,262**
Finance cost	**15,118,747**	**2,403**	**15,121,150**
Depreciation and amortization	**13,699,192**	**162,447**	**13,861,639**
Profit before zakat	**250,991,312**	**5,651,118**	**256,642,430**
As of December 31, 2022			
Total assets	**2,395,492,201**	**33,338,771**	**2,428,830,972**
Total liabilities	**1,688,316,790**	**6,104,485**	**1,694,421,275**
For the year ended December 31, 2022			
Segment revenues	**1,702,922,439**	**41,845,424**	**1,744,767,863**
Intersegment revenues	**(635,850,649)**	**(2,086,952)**	**(637,937,601)**
External revenues	**1,067,071,790**	**39,758,472**	**1,106,830,262**
As of December 31, 2022			
Segment assets	**2,879,348,283**	**33,338,771**	**2,912,687,054**
Consolidated adjustments	**(483,856,082)**	**-**	**(483,856,082)**
Total assets	**2,395,492,201**	**33,338,771**	**2,428,830,972**
Segment liabilities	**2,068,233,461**	**20,386,571**	**2,088,620,032**
Consolidated adjustments	**(379,916,671)**	**(14,282,086)**	**(394,198,757)**
Total liabilities	**1,688,316,790**	**6,104,485**	**1,694,421,275**

30. SEGMENT REPORTING (Continued)

	Development, Real Estate and investment	**Others**	**Total**
	SR	**SR**	**SR**
For the year ended December 31, 2021			
External revenue	1,060,187,035	25,133,967	1,085,321,002
Finance cost	3,034,887	137,991	3,172,878
Depreciation and amortization	13,368,347	946,171	14,314,518
Profit before zakat	193,741,199	(5,879,288)	187,861,911
As of December 31, 2021			
Total assets	1,814,857,326	29,107,378	1,843,964,704
Total liabilities	1,260,713,307	14,480,962	1,275,194,269
For the year ended December 31, 2021			
Segment revenues	1,601,209,998	26,899,307	1,628,109,305
Intersegment revenues	(541,022,963)	(1,765,340)	(542,788,303)
External revenues	1,060,187,035	25,133,967	1,085,321,002
As of December 31, 2021			
Segment assets	2,101,146,364	29,107,378	2,130,253,742
Consolidated adjustments	(286,289,038)	-	(286,289,038)
Total assets	1,814,857,326	29,107,378	1,843,964,704
Segment liabilities	1,473,641,197	30,143,031	1,503,784,228
Consolidated adjustments	(212,927,890)	(15,662,069)	(228,589,959)
Total liabilities	1,260,713,307	14,480,962	1,275,194,269

31. DIVIDEND DISTRIBUTION

During the year ended December 31, 2022, the Board of Directors proposed a cash dividends amounting to SR 80 million (December 31, 2021: SR 147.75 million). The proposed dividend was approved by the shareholders in an extra ordinary general meeting held on September 29, 2022.

32. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to the following financial risks from its use of the financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including interest rate risk and Foreign currency exchange risk)
- Capital management risk

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

	2022	2021
	SR	SR
Financial assets at amortized cost:		
Cash in hand and at banks	**522,974,701**	407,977,218
Contract assets	**91,184,973**	69,843,779
Accounts and other receivables	**251,110,918**	280,531,314
	865,270,592	756,205,602
Financial assets at fair value:		
Investments at fair value through profit or loss	**23,754,250**	655,842
Total financial assets	**889,024,842**	756,861,444

32. FINANCIAL RISK MANAGEMENT (Continued)

	2022	2021
	SR	SR
Financial liabilities at amortized cost		
Accounts payable	**290,914,679**	78,967,897
Payable to NHC	**254,662,321**	272,520,618
Accrued expenses and other payables	**191,257,253**	81,104,745
Lease liabilities	**2,642,948**	2,994,801
Borrowings	**816,380,579**	701,327,136
Total financial liabilities	**1,555,857,780**	1,136,915,197

The Group have no financial liability at fair value through profit and loss

32.1 Financial instruments and related disclosures

The Group reviews and agrees policies for managing each of the risks and these policies are summarized below:

32.1.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Group has policies in place to minimize its exposure to credit risk. The maximum exposure to credit risk at the reporting date is as follows:

	2022	2021
	SR	SR
Cash on hand and at banks	**522,974,701**	407,977,218
Accounts receivable	**242,911,489**	269,446,079
Contract assets	**91,184,973**	69,843,779
Other receivables	**8,199,429**	8,938,526
	865,270,592	756,205,602

The carrying amount of financial assets represents the maximum credit exposure.

Accounts receivable and contract assets

The Group seeks to limit its credit risk with respect to accounts receivable and contract assets by grouping based on shared credit risk characteristics. The contract assets relates to unbilled work in progress and have substantially the same risk characteristics as the accounts receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for accounts receivable are reasonable approximation of loss rates for contract assets

The Group measures the loss allowance for accounts receivable by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis. Customers that are graded as "high risk" are placed on a separate list, and future credit sales are made only with approval of key directors. The group assess the recoverable amount of its receivables to ensure adequate allowance for impairment is made by applying simplified approach to measure expected credit loss. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified GDP and inflation rate to be the most relevant factors and accordingly adjusted the historical loss rates based on expected changes in these factors. For ageing of receivables refer note 13.

Cash on hand and at banks

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The credit risk on bank balances is low considering the Group has outstanding loans balances and credit facilities with various banks, in Saudi Arabia, with good credit ratings (in the range of A+ to BBB+) as aligned from external credit rating companies such as Moody's and Fitch, so concentration risk is also low.

Due from related parties

The Group has determined that balances with related parties are collectible and fully recoverable and that the financial position of the related entities is good.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1.2 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 sell a financial asset quickly at an amount close to its fair value. Following are the undiscounted contractual maturities at the end of the reporting period of financial liabilities

Financial liabilities

2022	**Carrying amount SR**	**Contractual cash flows SR**	**Within one year SR**	**1 – 5 Years SR**	**More than five years SR**
Accounts payable	**290,914,679**	**290,914,679**	**273,461,035**	**17,453,644**	**-**
Payable to NHC	**254,662,321**	**254,662,321**	**254,662,321**	**-**	**-**
Accrued expenses and other payables	**191,257,253**	**191,257,253**	**191,257,253**	**-**	**-**
Borrowings	**816,380,579**	**892,619,568**	**361,960,564**	**530,659,004**	**-**
Lease liabilities	**2,642,948**	**3,204,390**	**1,382,947**	**1,484,139**	**-**
	1,555,857,780	**1,632,658,211**	**1,082,724,120**	**549,596,787**	**-**

Financial liabilities

2021	**Carrying amount SR**	**Contractual cash flows SR**	**Within one year SR**	**1 – 5 Years SR**	**More than five years SR**
Accounts payable	78,967,897	78,967,897	65,309,892	13,658,005	-
Payable to NHC	272,520,618	272,520,618	272,520,618	-	-
Accrued expenses and other payables	81,104,745	81,104,745	81,104,745	-	-
Borrowings	701,327,136	735,447,390	506,279,135	229,168,255	-
Lease liabilities	2,994,801	3,047,467	3,047,467	-	-
	1,136,915,197	1,171,088,117	928,261,857	242,826,260	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Group’s future commitments.

32.1.3 Market risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Group's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return

a) Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that’s not the Group’s currency. The Group exposure to foreign currency risk is primarily limited to transactions in United State Dollars (“USD”). The Group’s management believes that their exposure to currency risk associated with USD is limited as the Group’s currency is pegged to USD. The fluctuation in exchange rates against other currencies is monitored on a continuous basis.

32. FINANCIAL RISK MANAGEMENT (Continued)

32.1.3 Market risk (continued)

b) Interest Rate Risk

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's exposure to interest rate risk is mainly on short and medium term loans, and lease liabilities. The Group pays floating interest rates on its debts.

An increase of 50 basis points in the interest rate would have increased finance costs for the year ended December 31, 2022 by SR 4.1 million (December 31, 2021: SR 3.5 million).

Management monitors the changes in interest rates and manages its impact on the consolidated financial statements accordingly.

32.1.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or obtain / repay financing from / to financial institutions.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total of long term finance and short term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under 'share capital and reserves' and net debt (net of cash and cash equivalent).

The salient information relating to capital risk management of the Group as of December 31, 2022 and 2021 were as follows:

	2022 **SR**	2021 SR
Total debt	**816,380,579**	701,327,136
Less: cash and bank balances	**(522,974,701)**	(407,977,218)
Net debt	**293,405,878**	293,349,918
Total equity	**734,409,697**	568,905,818
Total capital employed	**1,027,815,575**	862,255,736
Gearing ratio	**29%**	34%

33. DISCONTINUED OPERATIONS

In April 2021, the shareholders of the Company resolved to dispose 100% shareholding in Wejha United Real Estate (a Single Person Limited Liability Company registered in the Kingdom of Saudi Arabia). During the second quarter of 2021, the investment in Wejha has been transferred to Alpha Real Estate Development Fund 1, (Associate Company), which the Parent Company own 30% of it for the consideration of SR 156 million against gross assets amounting to SR 135.6 million.

As a result of the above mentioned changes in shareholding, the following net assets of Wejha have been deconsolidated from April 1, 2021.

	As at April 1, 2021 SR
ASSETS	
Investment properties	135,581,004
Net debt	
LIABILITIES AND EQUITY	
Liabilities	
Due to a related party	135,531,004
EQUITY	
Share capital	50,000

There is no operations occurred in Wejha during 2021.

34. SUBSEQUENT EVENTS

Subsequent to the year end the board of directors have proposed a cash dividend equal to 30% of share capital of the Company amounting to SR 120 million in the meeting held on February 28, 2023.

In the opinion of the management, there have been no other significant subsequent events since the year end that would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

35. COMPARATIVE FIGURES

Other than reclassification stated in note 6 and note 9 certain comparative figures have been reclassified, to confirm with the presentation in the current year.

36. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue by the Group's Board of Directors on Shaban 8, 1444H corresponding to February 28, 2023.