

**Dar Al Majid Real Estate Company and its
Subsidiaries
(A Saudi Closed Joint Stock Company)**

**Consolidated Financial Statements and Independent
Auditor's Report**

31 December 2023

Dar Al Majid Real Estate Company and its subsidiaries
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT

For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dar Al Majid Real Estate Company (A Saudi Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Dar Al Majid Real Company, a Saudi Closed Joint Stock Company, (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, 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 board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Audit committee, are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dar Al Majid Real Estate Company (A Saudi Closed Joint Stock Company)
(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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

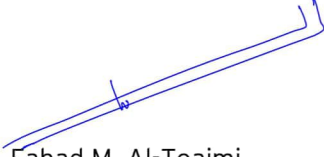
INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dar Al Majid Real Estate Company (A Saudi Closed Joint Stock Company)
(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.

for Ernst & Young Professional Services



Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 15 Shawwal 1445 H
24 April 2024



DAR AI MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Financial Position
As at 31 December 2023

| | <i>Note</i> | 2023 SR | 2022 <i>SR</i> <i>Restated</i> <i>(note 30.1)</i> |
|--|-------------|--------------------------|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 5 | 24,791,171 | 24,389,816 |
| Right-of-use assets | 6 | 458,626 | 915,999 |
| Investment properties | 7 | 164,938,655 | 79,532,866 |
| Inventory properties under development | 8 | 905,003,482 | 1,420,573,560 |
| Investment in an associate | 9 | 120,847,554 | 113,599,909 |
| Financial assets at fair value through profit or loss | 10 | 74,115,169 | 34,614,631 |
| TOTAL NON-CURRENT ASSETS | | 1,290,154,657 | 1,673,626,781 |
| CURRENT ASSETS | | | |
| Inventory properties | 8 | 589,582,975 | 275,787,985 |
| Contract assets | 11 | 59,805,570 | 18,256,485 |
| Trade receivables | 11 | 65,245,303 | 33,465,400 |
| Prepayments and other current assets | 12 | 130,370,909 | 108,836,570 |
| Amounts due from related parties | 13.1 | 21,831,231 | 14,369,699 |
| Cash and cash equivalents | 14 | 168,314,921 | 237,225,580 |
| TOTAL CURRENT ASSETS | | 1,035,150,909 | 687,941,719 |
| TOTAL ASSETS | | 2,325,305,566 | 2,361,568,500 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 15 | 300,000,000 | 300,000,000 |
| Statutory reserve | 16 | 44,598,701 | 44,598,701 |
| Retained earnings | | 321,356,811 | 171,368,122 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | 665,955,512 | 515,966,823 |
| Non-controlling interest | 31.2 | 65,617,808 | 137,848,195 |
| TOTAL EQUITY | | 731,573,320 | 653,815,018 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 17 | 388,925,000 | 950,579,878 |
| Lease liability | 6 | - | 792,639 |
| Employee defined benefit liabilities | 18 | 4,984,678 | 4,244,962 |
| Contract liabilities | 20 | 50,155,000 | 26,798,589 |
| TOTAL NON-CURRENT LIABILITIES | | 444,064,678 | 982,416,068 |
| CURRENT LIABILITIES | | | |
| Loans and borrowings | 17 | 241,251,652 | - |
| Lease liability | 6 | 792,638 | 758,554 |
| Trade and other payables | 19 | 364,178,523 | 264,991,088 |
| Contract liabilities | 20 | 302,223,998 | 127,725,515 |
| Amounts due to related parties | 13.2 | 221,103,235 | 291,786,026 |
| Zakat payable | 21 | 20,117,522 | 40,076,231 |
| TOTAL CURRENT LIABILITIES | | 1,149,667,568 | 725,337,414 |
| TOTAL LIABILITIES | | 1,593,732,246 | 1,707,753,482 |
| TOTAL EQUITY AND LIABILITIES | | 2,325,305,566 | 2,361,568,500 |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AI MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Profit or Loss
For the year ended 31 December 2023

| | <i>Note</i> | 2023 SR | 2022 SR <i>Restated</i> <i>(note 30.1)</i> |
|---|-------------|--------------------------|---|
| Revenue from sale of completed inventory properties | 22.1 | 853,853,381 | 712,066,717 |
| Revenue from sale of land | 22.1 | 8,140,800 | 204,191,839 |
| Cost of sales – inventory properties | 8 | (691,484,756) | (756,964,953) |
| PROFIT ON INVENTORY PROPERTIES | | 170,509,425 | 159,293,603 |
| Real estate commission income | 22.1 | 39,099,189 | 33,152,944 |
| Real estate development income | 22.1 | 55,506,639 | 29,086,776 |
| Operating cost – development and commission | 22.2 | (48,106,847) | (12,502,963) |
| PROFIT ON REAL ESTATE DEVELOPMENT AND COMMISSION | | 46,498,981 | 49,736,757 |
| Revenue from sale of investment property | 22.1 | 11,290,864 | 39,587,480 |
| Valuation gains from investment property | 7 | 52,280,410 | 9,189,975 |
| Cost of sales – investment property | 22.2 | (11,644,157) | (35,242,926) |
| GAINS ON INVESTMENT PROPERTY | | 51,927,117 | 13,534,529 |
| Rental income | 22.1 | 5,307,605 | 916,057 |
| Right-of-use asset depreciation | 6 | (457,373) | (457,373) |
| Cost of rent | 22.2 | (570,710) | - |
| NET RENTAL INCOME | | 4,279,522 | 458,684 |
| Maintenance income | 22.1 | 14,625,333 | - |
| Maintenance cost | 22.2 | (10,132,286) | - |
| NET MAINTENANCE INCOME | | 4,493,047 | - |
| GROSS PROFIT | | 277,708,092 | 223,023,573 |
| General and administrative expenses | 23 | (92,513,645) | (50,441,151) |
| Selling and marketing expenses | | (12,451,392) | (13,179,095) |
| OPERATING PROFIT | | 172,743,055 | 159,403,327 |
| Finance costs | 24 | (13,108,440) | (11,924,324) |
| Share of results of an associate | 9 | 6,723,115 | 7,705,182 |
| Other income | 25 | 4,505,693 | 6,372,179 |
| PROFIT FOR THE YEAR BEFORE ZAKAT | | 170,863,423 | 161,556,364 |
| Zakat | 21 | (3,895,562) | (19,161,340) |
| PROFIT FOR THE YEAR | | 166,967,861 | 142,395,024 |
| Attributable to: | | | |
| Equity holders of the parent | | 147,380,874 | 109,509,369 |
| Non-controlling interest | | 19,586,987 | 32,885,655 |
| | | 166,967,861 | 142,395,024 |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AI MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

| | <i>Note</i> | 2023 SR | 2022 SR <i>Restated</i> <i>(note 30.1)</i> |
|---|-------------|---------------------------|---|
| PROFIT FOR THE YEAR | | <u>166,967,861</u> | <u>142,395,024</u> |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i> | | | |
| Re-measurement gain on employee defined benefit liabilities | 18.2 | 298,099 | 4,291,043 |
| Share of other comprehensive income of an associate | 9 | 2,309,716 | 4,876,812 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | <u>2,607,815</u> | <u>9,167,855</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>169,575,676</u> | <u>151,562,879</u> |
| Attributable to: | | | |
| Equity holders of the parent | | 149,988,689 | 118,677,224 |
| Non-controlling interest | | 19,586,987 | 32,885,655 |
| | | <u>169,575,676</u> | <u>151,562,879</u> |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

| | <i>Share capital SR</i> | <i>Statutory reserve SR</i> | <i>Retained earnings SR</i> | <i>Total SR</i> | <i>Non- Controlling interest SR</i> | <i>Total SR</i> |
|---|---------------------------------|-------------------------------------|-------------------------------------|---------------------|---|---------------------|
| Balance as at 1 January 2023 | 300,000,000 | 44,598,701 | 171,368,122 | 515,966,823 | 137,848,195 | 653,815,018 |
| Profit for the year | - | - | 147,380,874 | 147,380,874 | 19,586,987 | 166,967,861 |
| Other comprehensive income | - | - | 2,607,815 | 2,607,815 | - | 2,607,815 |
| Total comprehensive income | - | - | 149,988,689 | 149,988,689 | 19,586,987 | 169,575,676 |
| Dividends paid (note 31.2) | - | - | - | - | (91,817,374) | (91,817,374) |
| Balance as at 31 December 2023 | 300,000,000 | 44,598,701 | 321,356,811 | 665,955,512 | 65,617,808 | 731,573,320 |
| Balance as at 1 January 2022 | 300,000,000 | 33,647,765 | 63,641,834 | 397,289,599 | 181,333,745 | 578,623,344 |
| Profit for the year - restated (note 30.1) | - | - | 109,509,369 | 109,509,369 | 32,885,655 | 142,395,024 |
| Other comprehensive income | - | - | 9,167,855 | 9,167,855 | - | 9,167,855 |
| Total comprehensive income - restated (note 30.1) | - | - | 118,677,224 | 118,677,224 | 32,885,655 | 151,562,879 |
| Transfer to statutory reserve | - | 10,950,936 | (10,950,936) | - | - | - |
| Dividends paid (note 31.2) | - | - | - | - | (60,208,114) | (60,208,114) |
| Acquisition of non-controlling interest (note 31) | - | - | - | - | (16,163,091) | (16,163,091) |
| Balance as at 31 December 2022 - restated | 300,000,000 | 44,598,701 | 171,368,122 | 515,966,823 | 137,848,195 | 653,815,018 |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Cash Flows
For the year ended 31 December 2023

| | <i>Note</i> | 2023 | 2022 |
|--|-------------|----------------------|--------------------|
| | | SR | SR |
| | | | <i>Restated</i> |
| | | | <i>(note 30.1)</i> |
| OPERATING ACTIVITIES | | | |
| Profit for the year before zakat | | 170,863,423 | 161,556,364 |
| <i>Adjustments to reconcile profit before zakat to net cash flows:</i> | | | - |
| Depreciation on property and equipment | 5 | 955,656 | 744,321 |
| Depreciation on right of use asset | 6 | 457,373 | 457,373 |
| Loss / (gain) from disposal of property and equipment | | 26,816 | (5,944) |
| Valuation gains from investment properties | 7 | (52,280,410) | (9,189,975) |
| Loss / (gain) on sale of investment property | | 353,293 | (4,344,554) |
| Valuation loss / (gains) from financial assets at FVTPL | 10 | 2,459,955 | (2,540,224) |
| Share of results of an associate | 9 | (6,723,115) | (7,705,182) |
| (Reversal) / provision for expected credit losses | 11 | (1,573,285) | 4,130,804 |
| Finance cost | | 33,088,325 | 54,338,978 |
| Provision for employee defined benefit liabilities | 18 | 1,658,568 | 2,290,293 |
| | | 149,286,599 | 199,732,254 |
| <i>Working capital adjustments:</i> | | | |
| Inventory property under development – non current | | 387,498,426 | (568,342,074) |
| Inventory properties | | (313,794,990) | 59,461,005 |
| Contract assets | | (41,549,085) | (18,256,485) |
| Trade receivables | | (30,206,618) | (25,212,449) |
| Prepayments and other current assets | | (21,534,339) | 40,639,032 |
| Amounts due from related parties | | 63,759,449 | 45,955,323 |
| Trade and other payables | | 98,766,814 | 62,684,084 |
| Contract liabilities | | 197,854,898 | 38,967,562 |
| | | 490,081,154 | (164,371,748) |
| Finance cost paid | | (46,798,482) | (44,964,959) |
| Employee defined benefit liabilities paid | 18 | (620,753) | (217,640) |
| Zakat paid | 21 | (23,854,271) | (5,463,017) |
| Net cash flows from / (used in) operating activities | | 418,807,648 | (215,017,364) |
| INVESTING ACTIVITIES | | | |
| Addition to property and equipment | 5 | (1,391,826) | (1,229,878) |
| Proceeds from disposal of property and equipment | | 8,000 | 56,001 |
| Addition to investment property | 7 | (7,860,842) | (4,032,465) |
| Proceeds from sale of investment property | | 11,290,864 | 39,587,480 |
| Purchase of financial assets at FVTPL | | (47,251,680) | (22,438,533) |
| Proceeds from sales of financial assets at FV through profit or loss | 10 | 5,291,187 | 20,136,937 |
| Dividend from an associate | 9 | 1,785,186 | - |
| Net cash flows (used in) / from investing activities | | (38,129,111) | 32,079,542 |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI CLOSED JOINT STOCK COMPANY)

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2023

FINANCING ACTIVITIES

| | | | |
|---|------|------------------------|-----------------|
| Proceeds from loans and borrowings | 17 | 1,196,059,922 | 1,437,562,099 |
| Repayments of loans and borrowings | 17 | (1,516,463,148) | (1,186,097,526) |
| Amounts due to related parties | | (36,568,596) | (44,262,086) |
| Payment of a lease liability | 6 | (800,000) | (800,000) |
| Net acquisition and repurchase of non-controlling interest | | - | (16,163,091) |
| Dividends paid to non-controlling interests | 31.2 | (91,817,374) | (60,208,114) |
| Net cash flows (used in) / from financing activities | | (449,589,196) | 130,031,282 |
| Net decrease in cash and cash equivalents | | (68,910,659) | (52,906,540) |
| Cash and cash equivalents at 1 January | | 237,225,580 | 290,132,120 |
| Cash and cash equivalents at 31 December | | 168,314,921 | 237,225,580 |
| SIGNIFICANT NON-CASH TRANSACTIONS: | | | |
| Finance and transaction cost capitalised | 24 | (19,941,978) | (43,412,750) |
| Investment in FVTPL transferred to investment in associate | 10 | - | (31,511,675) |

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements
31 December 2023

1. CORPORATE INFORMATION

Dar Al Majid Real Estate Company was established as a closed Saudi Joint Stock Company ("Company" or the "parent Company") under the companies law in the kingdom of Saudi Arabia under commercial register No. 1010417874 issued on 20 Shaaban 1435h corresponding to 8 June 2014.

The Company and its subsidiaries are engaged in the general construction of residential buildings, construction of prefabricated buildings on sites, renovations of residential and non-residential buildings, purchase and sale of land and real estate, division and off-plan sales activities, management and rent of owned or leased real estate (residential and non-residential), management and operation of hotel apartments and real estate management activities for a commission.

(a) Consolidated Subsidiaries

These consolidated financial statements include the financial statements of the Company and the following subsidiaries (collectively the "Group"):

| <i>Name</i> | <i>Country of Incorporation</i> | <i>% of shareholding 2023</i> | <i>% of shareholding 2022</i> |
|---|---|---------------------------------------|---------------------------------------|
| Mohammed and Khalid sons of Abdul Rahman Al Majid Real Estate Company (1) | Saudi Arabia | 100% | 100% |
| Hossam and Majed sons of Abdul Rahman Al Majed Real Estate Company (2) | Saudi Arabia | 100% | 100% |
| Fikra Estesmar for Real Estate Development Company (3) | Saudi Arabia | 100% | 100% |
| Nibras Al Amaken for Real Estate Development Company (4) | Saudi Arabia | 100% | 100% |
| Taj Al Hudo for Real Estate Development Company (5) | Saudi Arabia | 100% | 100% |
| Al Raayea Real Estate Company (6) | Saudi Arabia | 100% | 100% |
| Jadet Al Shatea Real Estate Company (7) | Saudi Arabia | 70% | 70% |
| Jadet Al Rabea Real Estate Company (8) | Saudi Arabia | 25% | 25% |
| Al Majdiah Investment Fund (9) | Saudi Arabia | 100% | 100% |
| Al Dar Investment Fund (10) | Saudi Arabia | 70% | 70% |
| Al Narjis Investment Fund (11) | Saudi Arabia | 64% | 64% |

- 1) During the year 2020, the Company acquired Mohammed and Khalid sons Abdul Rahman Al Majid Real Estate Company is a limited liability company under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010159804 issued on 25 Rabi al awwal 1421h corresponding to 27 June 2000.

The Company's activity is represented in the general construction of residential buildings, renovations of residential and non-residential buildings, ground transportation of goods, purchase and sale of land and real estate, its division, off-plan sales activities, management, and rental of owned or leased residential real estate, rental of owned or leased non-residential real estate.

- 2) During the year 2020, the Company acquired Husam and Majid sons of Abdul Rahman Al Majid Real Estate Company is a limited liability company under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010425491 issued on 1 Dhu al Hijjah 1435h corresponding to 5 October 2014.

The Company's activity is represented in the general construction of residential buildings, renovations of residential and non-residential buildings, purchase and sale of land and real estate, division and off-plan sales activities, management and rental of owned or leased real estate (Residential), Management and rental of owned or leased real estate (non-residential), activities of real estate agents brokers (auctioneers offices), real estate management activities for a commission, non-Saudis are not entitled to practice real estate activities in Mecca and Medina.

- 3) During the year 2020, the Company acquired Fikra Estesmar for Real Estate Development Company is a limited liability company under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010569523 issued on 27 Rajab 1440h corresponding to 3 April 2019.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

1. CORPORATE INFORMATION (continued)

(a) Consolidated Subsidiaries (continued)

The Company's activity consists in the construction of prefabricated buildings on sites, real estate development of residential buildings with modern construction methods, real estate development of commercial buildings with modern construction methods, purchase and sale of land and real estate, division and off-plan sales activities, management and leasing of owned or leased real estate (Residential), Management and leasing of owned or leased real estate (non-residential), management and operation of hotel apartments, non-Saudis are not entitled to practice real estate activities in Mecca and Medina.

- 4) During the year 2020, the Company acquired Nibras Al Amaken for Real Estate Development Company is a limited liability company under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010587134 issued on 11 Dhu al-Qa'dah 1440h corresponding to 14 July 2019.

The Company's activity is represented in the real estate development of residential buildings with modern construction methods, real estate development of commercial buildings with modern construction methods, purchase and sale of land and real estate, division and off-plan sales activities, management and leasing of owned or leased real estate (Residential), Management and leasing of owned or leased real estate (non-residential), non-Saudis are not entitled to practice real estate activities in Mecca and Medina.

- 5) During the year 2020, the Company acquired Taj Al Hudo for Real Estate Development Company with limited liability under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010586987 issued on 8 Dhu al-Qaida 1440h corresponding to 11 July 2019g.

The Company's activity consists in real estate development of residential buildings with modern construction methods, real estate development of commercial buildings with modern construction methods, purchase and sale of real estate land, division and off-plan sales activities, management and leasing of owned or leased real estate (Residential), Management and leasing of leased owned real estate (non-residential), management and operation of hotel apartments non-Saudis are not entitled to practice real estate activities in Mecca and Medina.

- 6) During the year 2021, the Company established Al Raayea Real Estate Company a one-person Limited Liability Company under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010697309 issued on 18 Shaban 1442 AH (corresponding to March 31, 2021).

The Company's activity is represented in the general contracting of residential buildings with modern construction methods, buying and selling real estate land, its division and off-plan sales activities.

- 7) During 2021, the Company acquired 350 shares (out of a total of 500 shares) in Jadet Al Shatea Real Estate Company with limited liability under the companies law in the kingdom of Saudi Arabia under commercial registration No. 4030381446 issued on 09 Shawwal 1441 AH (corresponding to June 1, 2020).

The Company is engaged in general contracting of residential buildings with modern construction methods, purchase and sale of real estate land, division and off-plan sales activities of lands.

- 8) During the year 2021, the Company participated in the establishment of Jadet Al Rabea Real Estate Company with limited liability under the companies law in the kingdom of Saudi Arabia under commercial registration No. 1010662510 dated 3 Rabi al awwal 1442h (corresponding to October 20, 2020). Dar Al Majid Real Estate Company owns 25 cash shares out of a total of 100 cash shares in Jadet Al Rabea Real Estate Company. The remaining shares are in name of other individual shareholder, The Group manage and control all the operations, financial and strategy of the company, therefore, it has been consolidated in these consolidated financial statements.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

1. CORPORATE INFORMATION (continued)

(a) Consolidated Subsidiaries (continued)

- 9) During the year 2022, the Company participated in the establishment of the Al Majdiah Investment fund, a closed real estate investment fund that complies with Shariah standards and controls and was established by Jadwa Investment Company (the "fund manager"), which is a Saudi Closed Joint Stock Company under commercial registration No. 1010228782. Dar Al Majid Real Estate Company owns 1,000,000 units out of a total of 1,000,000 units in Al Majdiah Investment Fund. The Fund has a term of 3 periods, which is extendable two times for another one year for each extension, on the discretion of the Fund Manager after the approval of Capital Market Authority ("CMA").
- 10) During the year 2020, the Company subscribed in Al Dar Investment Fund, a closed real estate investment fund that complies with Shariah standards and controls and was established by Jadwa Investment Company which is a Saudi Closed Joint Stock Company under commercial registration No. 1010228782. As of 31 December 2023, Company directly owns 27% and indirectly owns 43% through Al Majdiah Investment fund. The Fund has a term of 3 periods, which is extendable two times for another one year for each extension, on the discretion of the Fund Manager after the approval of CMA. During 2023 majority of the board of directors of fund have approved to extend the Fund term for one year which was about to expire in April 2024.
- 11) During the year 2022, the Company subscribed in Al Narjis Investment Fund, a closed real estate investment fund that complies with Shariah standards and controls and was established by Jadwa Investment Company which is a Saudi Closed Joint Stock Company under commercial registration No. 1010228782. As of 31 December 2023, Company indirectly owns 64% through Al Majdiah Investment fund. The Fund has a term of 3 periods, which is extendable two times for another one year for each extension, on the discretion of the Fund Manager after the approval of CMA.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of preparation

2.1.1 Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) (referred to thereafter as "IFRS as endorsed in KSA").

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the new Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the new Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its by-laws for any changes to align the Articles to the provisions of the new Law. Consequently, the Group shall present the amended by-laws to the Shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

2.1.2 Historical cost convention

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment property, financial assets held at fair value through profit or loss that have been measured at fair value, and end of service benefits that have been measured at Projected Unit Credit Method.

2.1.3 Basis of measurement

These consolidated financial statements are presented in Saudi Riyal ("SR"), which is the Group's functional and presentation currency. These consolidated financial statements have been rounded-off to the nearest Saudi Riyal, unless otherwise stated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

- a. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- b. Exposure, or rights, to variable returns from its involvement with the investee; and
- c. The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a. The contractual arrangement(s) with the other vote holders of the investee;
- b. Rights arising from other contractual arrangements; and
- c. The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests (if any), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These amendments had no material impact on the Group and are as follows:

| Standards | Description |
|---|--|
| Amendments to IFRS 17 | Insurance Contracts |
| Amendments to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform—Pillar Two Model Rules |

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

2.4.1 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, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.1 Business combination and goodwill (continued)

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 equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). 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 recognised 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 recognised in consolidated statement of profit or loss. 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, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2.4.2 Investment in 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.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.2 Investment in associate

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.4.3 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

2.4.4 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position.

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 based on the presumption that the transaction takes place either in the principle market or, in its absence, the most advantageous market for the asset and liability to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and maximising the use of unobservable inputs.

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.4 Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. Involvement of external valuers is determined annually by the Audit and Risk Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated regularly.

The investment team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions
- Quantitative disclosures of fair value measurement hierarchy
- Investment properties
- Financial instruments (including those carried at amortized cost)

2.4.5 Property and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs (if any) for long-term projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

| | |
|--|-----------------|
| Buildings | 20 years |
| Leasehold improvements | 10 years |
| Motor vehicles | 5 - 7 years |
| Furniture and office equipment | 6.67 - 10 years |
| Computers, programs and electronic devices | 4 years |

An item of property and equipment is derecognised upon disposal (i.e the date the recipient obtains control) or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.6 Investment properties

Investment property comprises completed property and property under development or re-development that is held, or to be held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally retail property that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. This property is rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and (only in case of investment property held under a lease) initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise

Transfers are made to (or from) investment property only when there is evidence of a change in use (such as commencement of development or inception of an operating lease to another party). For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The revenue (disposal proceeds) and the cost of sales (carrying amount of the asset) is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

2.4.7 Inventory properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property, is measured at the lower of cost and net realisable value (NRV).

Principally, this is residential property that the Group develops and intends to sell before, or on completion of, development.

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.7 Inventory properties (continued)

When a property for development and land is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of the inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

2.4.8 Non-current assets held for sale

The Group classifies non-current assets (principally investment property) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

2.4.9 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

The Group applies individual recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease Payment and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises 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 accordance any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

| <i>Category of Right-of-use assets</i> | <i>Lease term</i> |
|--|-------------------|
| Building | 4 years |

The right-of-use assets are also subject to impairment.

b) Lease Liabilities

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

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.9 Leases (continued)

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

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2.4.10 Impairment of non-financial assets

Non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate (where applicable) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.11 Financial instruments

Recognition and initial measurement

Account receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Accounts receivables without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

The Group has implemented following classifications for its financial assets:

| Financial statement line item | IFRS 9 classification |
|---|------------------------------|
| Trade and other receivables | Amortised cost |
| Cash and cash equivalents | Amortised cost |
| Financial assets at fair value through profit or loss | Fair value |

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instrument)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.11 Financial instruments (continued)

Financial assets at amortised cost (debt instrument)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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 interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes accounts receivables and Murabaha receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investment in equity instruments and discretionary portfolios under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes units of funds. Dividends from funds are also recognised as income in consolidated statement of profit or loss when the right of payment has been established.

Reclassifications

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.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flow from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk 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.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.11 Financial instruments (continued)

Impairment of financial assets

The Group assesses all information available, including a forward-looking basis the expected credit loss associated with its assets carried at amortised cost and debt instruments measured at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring at the asset as at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward looking information.

Expected credit loss assessment for accounts receivables

For accounts receivable only, the Group recognises expected credit losses on simplified approach under IFRS 9. The simplified approach to the recognition of expected credit losses does not require the Group to track the changes in credit risk; rather, the Group recognises a loss allowance based on lifetime expected credit losses at each reporting date from the date of the accounts receivable.

Over the term of the Murabaha receivables, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each borrower and adjusts for forward looking macroeconomic data.

Write-off and control

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Classification of financial liabilities

The Group classifies its financial liabilities including long term borrowings, Murabaha financings and trade payables, other than financial guarantees and loan commitments, all financial liabilities are recognized initially at fair value and in the cost of loans and borrowings and payables net of transactions cost. The group financial liability included other payables and borrowing and, subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Accounts and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.11 Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

Financial liability

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.4.12 Employees' benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employee benefits are payable to all employees employed under the terms and conditions of the Labour Laws applicable on the Group and its subsidiaries, on termination of their employment contracts.

Defined benefit plans

In addition to the above, Employees' defined benefit liabilities are provided for in accordance with the requirements of the Saudi Arabian Labour Law and the Group's policies. These Employees' defined benefit liabilities represent a defined benefit plan. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the statement of financial position date. The defined benefit obligation is calculated annually by qualified actuaries using the projected unit credit method. Re-measurement amounts, if any, are recognised and reported within equity under the consolidated statement of changes in shareholders' equity with corresponding debit or credit to OCI that comprises of actuarial gains and losses on the defined benefits obligation.

2.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.13 Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2.4.14 Contingent assets and liabilities

Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group.

2.4.15 Borrowing costs

Borrowing costs that are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

2.4.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. The group has concluded that it is principal in its arrangement because it controls the goods or services before transferring them to the customer.

The Group assesses the goods or services promised in a contract with a customer and identifies a performance obligation either:

- a. good or service that is distinct; or
- b. series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct good or service is satisfied over the time and the same method is used to measure progress).

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

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

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

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of the consideration earned by the performance. Where the amount consideration received from a customer exceeds the amount of services recognised, this gives rise to the contract liabilities.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.4.16 Revenue recognition (continued)

Variable Consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

Significant financing component

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

Measuring progress towards complete satisfaction of a performance obligation

For each performance obligation that is satisfied over time, the Group applies a single method of measuring progress toward complete satisfaction of the obligation. The Group selects an appropriate output or input method and then consistently applies it to similar performance obligations and in similar circumstances.

Contract costs

Any incremental cost of obtaining a contract is recognised as an expense unless the Group has a reasonable expectation to recover these costs from its customers and in cases where these costs are explicitly chargeable to the customers.

2.4.17 Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Provision for zakat for the Company and zakat related to the Company’s ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

2.4.18 Value added tax “VAT” and Real estate transaction tax

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

- When the value of 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 recognised 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 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 4 October 2020. However, as per the RETT law, the licensed real estate developer can recover input VAT on the property sold after 4 October 2020.

2.4.19 Dividends distribution

The Group establishes the obligations related to paying the cash dividends to the Company’s Shareholders when approving the distribution. According to the Saudi Arabian Regulations for Companies, dividends are approved upon approval by the Shareholders. The corresponding amount is directly recognized in equity.

2.4.20 Selling, distribution, general and administration Expenses

Selling, distribution, general and administration expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between cost of revenues and selling, distribution, general and administration expenses, when required, are made on a consistent basis. The Group charges the payments, other than those related to volume-based rebates, made in respect of long-term agreements with customers and distributors to selling and distribution expense.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Group's consolidated financial statements, in conformity with IFRS as endorsed in KSA requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the consolidated statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following note:

Property lease classification

Group as a lessor:

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on 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 all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Going concern

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

Determining the transfer of control for recognition of revenue from rendering of services

Revenue from rendering of services is recognised when the services have been rendered to the customer. In making this assessment, the Group has exercised judgment based on the terms and conditions of the underlying contracts. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes.

Fair valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged an independent valuation specialist to assess fair values as at 31 December 2023 and 31 December 2022. Further where comparable market data is available, the Group revalue the property by relevance to transaction involving the properties of similar nature location and conditions. The Group engaged an independent valuation specialist to assess the fair values as at 31 December 2023 and 31 December 2022.

Defined benefit liability

The Group's net obligation in respect of defined benefit liability is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Credit Unit Method, which recognises each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. In Kingdom of Saudi Arabia, the discount rates used for determining the present value of the obligation under defined benefit plan are determined by reference to US bond yields, (as the Saudi Riyal is pegged to the US dollar) adjusted for an additional risk premium reflecting the possibility of the linkage being broken. Other assumptions include mortality rate, future salary increase and future pension increase.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Judgements (continued)

Equity accounting of investment in associate in which the Group holds less than 50% of voting right (*de facto control*)

First Avenue Real Estate Development Company is an associate to the Group as described in note 9 even though the Group only owns 17.57% interest in the associate. Significant influence arises by virtue of the Group's representation in the board of directors of the associate.

3.2 Assumptions and estimation uncertainties

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including Net assets value ("NAV"). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Estimation of net realisable value for inventory property

Inventory property is stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for property in the same geographical market serving the same real estate segment. NRV in respect of inventory property under development is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material.

Estimate of useful lives and residual values

The useful life used to amortise or depreciate intangible assets or property and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life residual value has a direct effect on the depreciation charged in the consolidated statement of profit or loss. The useful lives and residual values of Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Impairment loss on trade and other receivables

Accounts and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience adjusted appropriately for the future expectations. Individual receivables are written off when management deems them not to be collectible.

Right-of-use assets

The Group recognises 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Assumptions and estimation uncertainties (continued)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in finance charges.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of real estate (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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 of 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.

DAR AI MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES (A SAUDI CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued) 3.2 Assumptions and estimation uncertainties (continued)

Provision for foreseeable losses

The Group recognises an onerous contract provision (IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') for future losses on contracts where it is considered probable that contract costs are likely to exceed revenue at contract completion. Estimating future losses involves making a number of assumptions, (e.g. contractual position with the customer, vendors and subcontractors, negotiations with the customer, vendors and subcontractors, cost to complete estimates, past experience with the customer, vendors and subcontractors, etc.), about the achievement of contract performance targets and the likely levels of future cost escalations over time.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS

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

| Standards | Description | Mandatory effective date |
|--------------------------------|---|---------------------------------|
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements | 1 January 2024 |

DAR AL MAJID REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)

31 December 2023

5. PROPERTY AND EQUIPMENT

| | <i>Land</i> <i>(Note 5.1)</i> <i>SR</i> | <i>Buildings</i> <i>SR</i> | <i>Leasehold</i> <i>improvements</i> <i>SR</i> | <i>Motor</i> <i>vehicles</i> <i>SR</i> | <i>Furniture and</i> <i>office equipment</i> <i>SR</i> | <i>Computers,</i> <i>programs, and</i> <i>electronic devices</i> <i>SR</i> | <i>Total</i> <i>SR</i> |
|---------------------------------|---|-------------------------------|--|--|--|---|---------------------------|
| Cost | | | | | | | |
| As on 1 January 2022 | 18,411,250 | 3,588,750 | 601,950 | 779,673 | 824,718 | 917,782 | 25,124,123 |
| Additions | - | - | 190,680 | 110,765 | 159,286 | 769,147 | 1,229,878 |
| Disposal | - | - | - | (109,050) | - | - | (109,050) |
| As on 31 December 2022 | 18,411,250 | 3,588,750 | 792,630 | 781,388 | 984,004 | 1,686,929 | 26,244,951 |
| Additions | - | - | 863,245 | 185,200 | 105,453 | 237,928 | 1,391,826 |
| Disposal | - | - | - | (44,625) | - | - | (44,625) |
| As on 31 December 2023 | 18,411,250 | 3,588,750 | 1,655,875 | 921,963 | 1,089,457 | 1,924,857 | 27,592,152 |
| Accumulated depreciation | | | | | | | |
| As on 1 January 2022 | - | 92,816 | 32,436 | 392,651 | 522,921 | 128,983 | 1,169,807 |
| Charge for the year | - | 179,438 | 67,827 | 98,134 | 84,300 | 314,622 | 744,321 |
| Disposal | - | - | - | (58,993) | - | - | (58,993) |
| As on 31 December 2022 | - | 272,254 | 100,263 | 431,792 | 607,221 | 443,605 | 1,855,135 |
| Charge for the year | - | 179,437 | 125,906 | 100,487 | 98,382 | 451,444 | 955,656 |
| Disposal | - | - | - | (9,810) | - | - | (9,810) |
| As on 31 December 2023 | - | 451,691 | 226,169 | 522,469 | 705,603 | 895,049 | 2,800,981 |
| Net book value | | | | | | | |
| As at 31 December 2022 | 18,411,250 | 3,316,496 | 692,367 | 349,596 | 376,783 | 1,243,324 | 24,389,816 |
| As at 31 December 2023 | 18,411,250 | 3,137,059 | 1,429,706 | 399,494 | 383,854 | 1,029,808 | 24,791,171 |

5.1 The legal possession of land deed is in the name of two shareholders, due to the inability to transfer the ownership of the property to Dar Al-Majid Real Estate Company (“Parent”) due to the suspension issued by the authorities for transferring the title deeds to the new owners relating to Al-Qirawan district. The shareholders have confirmed that this land is registered in their name for statutory purpose only and they confirmed the ownership of the land to the Group.

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6. RIGHT-OF-USE ASSET AND LEASE LAIBILITY

The Group has a lease contract for residential building, with a lease term of 4.5 years including rent free period. Set out below are the carrying amount of right-of-use asset recognised and the movement during the year:

| | 2023 | 2022 |
|---------------------------------|------------------|------------------|
| | SR | SR |
| Cost | | |
| At 1 January | 2,076,348 | 2,076,348 |
| At 31 December | <u>2,076,348</u> | <u>2,076,348</u> |
| Accumulated amortization | | |
| At 1 January | 1,160,349 | 702,976 |
| Depreciation expense | 457,373 | 457,373 |
| At 31 December | <u>1,617,722</u> | <u>1,160,349</u> |
| Carrying amount | <u>458,626</u> | <u>915,999</u> |

Set out below are the carrying amount of lease liability recognised and the movement during the year:

| | 2023 | 2022 |
|---------------------------------|----------------|------------------|
| | SR | SR |
| At 1 January | 1,551,193 | 2,277,082 |
| Accretion of interest (note 24) | 41,445 | 74,111 |
| Payment | (800,000) | (800,000) |
| At 31 December | <u>792,638</u> | <u>1,551,193</u> |
| Current | 792,638 | 758,554 |
| Non-current | - | 792,639 |

The following are the amounts recognised in consolidated statement of profit or loss:

| | 2023 | 2022 |
|--|----------------|----------------|
| | SR | SR |
| Depreciation expense of right-of-use asset | 457,373 | 457,373 |
| Interest expense on lease liability | 41,445 | 74,111 |
| Total amount recognized in profit or loss | <u>498,818</u> | <u>531,484</u> |

The Group had total cash outflows for lease of SR. 800,000 in 2023 (2022: SR. 800,000).

Group as a lessor

The Group has entered into operating leases on its storage space and one residential project. These leases are short term leases. Rental income recognised by the Group during 2023 is SR 5.3 million (2022: SR 0.9) (note 22.1).

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7. INVESTMENT PROPERTIES

| | 2023 SR | 2022 SR |
|----------|--------------------|-------------------|
| Lands | 25,029,719 | 79,532,866 |
| Building | 139,908,936 | - |
| | 164,938,655 | 79,532,866 |

7.1 Movement in investment properties

| | 2023 SR | | | 2022 SR |
|---|-------------------|--------------------|--------------------|-------------------|
| | <i>Lands</i> | <i>Building</i> | <i>Total</i> | <i>Lands</i> |
| At 1 January | 79,532,866 | - | 79,532,866 | 101,553,352 |
| Capital expenditure on owned property | 733,636 | 7,127,206 | 7,860,842 | 4,032,465 |
| Transferred to related parties (note 13) | (71,220,980) | - | (71,220,980) | - |
| Disposals (recognized in cost of sales) (note 22.2) | (11,644,157) | - | (11,644,157) | (35,242,926) |
| Remeasurement adjustment | 8,164,930 | 44,115,480 | 52,280,410 | 9,189,975 |
| Transferred from inventory properties (note 8) | 19,463,424 | 88,666,250 | 108,129,674 | - |
| At 31 December | 25,029,719 | 139,908,936 | 164,938,655 | 79,532,866 |

a) Description of significant observable inputs to valuation

The significant unobservable inputs used in the fair value measurements of investment properties categorised within Level 2 of the fair value hierarchy as at 31 December 2023 and 31 December 2022 are as follows:

| <i>Investment property</i> | <i>Valuation technique</i> | <i>Significant unobservable inputs</i> | <i>Range (weighted average)</i> | |
|----------------------------|---|--|---------------------------------|-------------------|
| | | | 2023 | 2022 |
| Lands | Comparable market approach | Price per sqm | 1268.5 per Sq m | 2,654.19 per Sq m |
| Building | Comparable market approach Income capitalization method (50% weighted each) | Price per sqm | - 6,893 per Sq m (Land) | N/A |
| | | Rental growth p.a. | 6,893 per Sq m (Building) | |
| | | Long term vacancy Rate | - 8.5% | |
| | | | - 70% | |

The fair value of land and building in Qassim and Al Yasmin District, Saudi Arabia is valued using the market comparable approach and income capitalization method.

Under market comparable approach, a property's fair value is estimated based on the market comparison between the property being valued and similar ones located in the same area and newly sold, and the value index of the property being value is derived from applying appropriate comparison units and making adjustments to the sale prices of similar properties based on comparative elements.

The valuations were performed by OPM by Olat Real Estate, an independent valuer with a recognised and relevant professional qualification and recent experience of the location and category of the investment property being valued and accredited from Saudi Authority for Accredited Valuers ("TAQEEM") under membership number 1210000397. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. The valuation model is consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 27.

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8. INVENTORY PROPERTIES

The Group has subsidiaries that develops residential properties, which they sell in the ordinary course of business and has entered into contracts to sell certain of these properties. The Group classified all properties as current asset which are expected to be completed and sold in the next reporting period as current, except for properties under development and are not expected to be completed in the next reporting period.

A summary of movement in inventory property is set out below.

| | 2023 | 2022 |
|--|-----------------------------|----------------------|
| | SR | SR |
| | | <i>Restated</i> |
| | | <i>(Note 30.1)</i> |
| At 1 January | 1,696,361,545 | 1,187,480,476 |
| Development costs incurred | 577,897,364 | 1,222,433,272 |
| Borrowing cost capitalized (note 8.1 and 24) | 19,941,978 | 43,412,750 |
| Transferred to investment properties (note 7) | (108,129,674) | - |
| Disposals (recognized in cost of sales) (note 8.2 and 22.2) | (691,484,756) | (756,964,953) |
| At 31 December | <u>1,494,586,457</u> | <u>1,696,361,545</u> |
| Inventory properties expected to be completed and sold within the next 12 months | 589,582,975 | 275,787,985 |
| Inventory properties under development not expected to be completed and sold within the next 12 months | 905,003,482 | 1,420,573,560 |

8.1 Borrowing costs capitalised

The Group has 28 ongoing projects as at 31 December 2023 (2022: 35). These projects are expected to be at different intervals ranging from form 1-4 years. The carrying amount of these project at 31 December 2023 was SR 1,494.6 million (2022: SR 1,696.4 million).

All these projects are financed by loans and borrowings available to the group. Two real estate properties are secured as mortgage with a value of 150% of the financing amount with Riyad bank. One land in Narjis district is collateralised with Banque Saudi Fransi (note 17).

The amount of borrowing costs capitalised during the year ended 31 December 2023 was SR 19.9 million (2022: SR 43.4 million). The rate used to determine the amount of borrowing costs eligible for capitalisation for these projects ranges between 4.8% – 8.3%, which is the EIR of the specific borrowing.

8.2 The amounts recognized in cost of sales - inventory properties for the year are as follows:

| | 2023 | 2022 |
|--|---------------------------|--------------------|
| | SR | SR |
| In respect of sale of completed inventory properties (note 22.2) | 684,304,648 | 565,401,632 |
| In respect of sale of lands (note 8.2.1 & 22.2) | 7,180,108 | 191,563,321 |
| | <u>691,484,756</u> | <u>756,964,953</u> |

8.2.1 The above represents lands held for sale and classified as inventory properties.

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9. INVESTMENT IN AN ASSOCIATE

The Group has a 17.57% interest in First Avenue Real Estate Development Company, which is involved in real estate development activities in Saudi Arabia. First Avenue Real Estate Development Company is a limited liability company that is not listed on any public exchange. The Group's interest in First Avenue Development Company is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in First Avenue Real Estate Development Company.

| | 2023 | 2022 |
|--|----------------------|---------------|
| | SR | SR |
| Current assets | 173,450,469 | 217,635,254 |
| Non-current assets | 318,499,675 | 194,268,804 |
| Current liabilities | (131,010,111) | (84,734,485) |
| Non-current liabilities | (24,736,857) | (45,423,134) |
| Equity | 336,203,176 | 281,746,439 |
| Group's share in equity – 17.57% (2021: 15%) | 120,847,554 | 113,599,909 |
| Group's share in results | 9,032,831 | 12,581,994 |
| | 2023 | 2022 |
| | SR | SR |
| Revenue | 237,845,342 | 204,650,600 |
| Cost of revenue | (185,913,909) | (153,578,307) |
| Gross profit | 51,931,433 | 51,072,293 |
| Net operating profit | 39,424,306 | 46,006,488 |
| Net profit before zakat | 53,083,906 | 44,961,801 |
| Net profit for the year | 51,603,906 | 42,710,504 |
| Total comprehensive income | 64,631,737 | 74,011,731 |
| Group's share of income | 9,032,831 | 12,581,994 |

A summary of movement in investment in an associate is set out below.

| | 2023 | 2022 |
|-------------------------------------|--------------------|-------------|
| | SR | SR |
| At 1 January | 113,599,909 | 69,506,240 |
| Additions (note 9.1) | - | 31,511,675 |
| Share in profit and loss | 6,723,115 | 7,705,182 |
| Share in other comprehensive income | 2,309,716 | 4,876,812 |
| Dividend | (1,785,186) | - |
| | 120,847,554 | 113,599,909 |

9.1 Effective 1 September 2021, the Group acquired 15% equity of First Avenue Real Estate Development Company for a total consideration of SR 60.75 million. On 22 November 2022, the Group entered into an agreement with the Investee to buy an additional 484,795 shares at a price of SR 65 per share and total value of SR 31.5 million in exchange for 2,442,578 units in Al Shorfa Investment Fund at a price of SR 12.9 per unit shares and a total value of SR 31.5 million resulting in the Group's total shareholdings to 17.57% as at year end.

9.2 The associate has capital commitment related to properties under development amounting to SR. 19.1 million (31 December 2022: SR. 38.6 million).

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10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023 | 2022 |
|----------------------------------|-------------------|------------|
| | SR | SR |
| Real estate funds (note 10.1) | 30,077,193 | 31,184,280 |
| Listed equity shares (note 10.2) | - | 3,430,351 |
| Murabaha (note 10.3) | 44,037,976 | - |
| | 74,115,169 | 34,614,631 |

The movements during the year were as follows:

| | 2023 | 2022 |
|------------------------------------|--------------------|--------------|
| | SR | SR |
| At 1 January | 34,614,631 | 61,284,486 |
| Addition | 47,251,680 | 22,438,533 |
| Disposal | (5,291,187) | (51,648,612) |
| Valuation (loss) / gains (note 25) | (2,459,955) | 2,540,224 |
| At 31 December | 74,115,169 | 34,614,631 |

The breakup of additions, disposal and valuation gains is as follows:

| | 2023 | 2022 |
|----------------------------------|--------------------|------------|
| | SR | SR |
| Additions | | |
| Real estate funds (note 10.1) | 3,251,680 | 22,000,000 |
| Listed equity shares (note 10.2) | - | 438,533 |
| Murabaha (note 10.3) | 44,000,000 | - |
| | 47,251,680 | 22,438,533 |
| Disposals | | |
| Real estate funds | - | 31,511,675 |
| Listed equity shares (note 10.2) | 5,291,187 | - |
| Murabaha fund (note 10.3) | - | 20,136,937 |
| | 5,291,187 | 51,648,612 |
| Valuation (loss)/gains | | |
| Real estate funds (note 10.1) | (4,358,766) | 1,194,441 |
| Listed equity shares (note 10.2) | 1,860,835 | 1,345,783 |
| Murabaha (note 10.3) | 37,976 | 0 |
| | (2,459,955) | 2,540,224 |

- 10.1 The group has investments in three real estate funds as at 31 December 2023 i.e. Al Shorfa Investment Fund, Bloom Investment Fund and Al Dar Investment Fund II, amounting to SR 5.96 million, SR 3.78 million and SR 20.34 million (2022: SR 8.6 million, SR 2.02 million and SR 20.56 million) respectively. During the year, SR 3.3 million were invested in Bloom Investment Fund. The total unrealized loss on the above real estate funds amounted to SR 4.4 million during the year ended December 2023 (2022: SR: 1.2 million).
- 10.2 The group had invested in four of the listed securities i.e. Elm Company, Power and Water Utility Company, Solutions by STC and ACWA Power amounting SR Nil (2022: SR 3.4 million). During the year, all the above listed equity shared amounting to SR 5.3 million were disposed off. The total realized gain on the above listed equity shares amounted to SR 1.9 million during the year ended December 2023 (2022: SR 1.3 million).
- 10.3 During the year 31 December 2023, the group has invested in 11,672 units of Dawnay Day & Co. Ltd. as Murabaha investment, with a cost amounting to SR 44,000,000. The total unrealized gain on the above Murabaha investment amounted to SR 0.04 million during the year ended December 2023 (2022: SR: Nil).

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11. TRADE RECEIVABLES AND CONTRACT ASSETS

| | 2023 | 2022 |
|--|--------------------------|-------------------|
| | SR | SR |
| Trade receivables (note 11.1) | 69,158,615 | 38,951,997 |
| Less: Provision for expected credit losses | (3,913,312) | (5,486,597) |
| | <u>65,245,303</u> | <u>33,465,400</u> |

11.1 Trade receivables as at 31 December 2023 includes SR 13 million (31 December 2022: SR 13 million) relating to sale of land in the parent company. The land is under government restriction and the legal transfer of the same has not yet been transferred to the buyer. The group has signed an amendment to the agreement with the buyer to confirm that such amount is fully recoverable once transfer completes.

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms of 30 days. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

| | 2023 | 2022 |
|---|-------------------------|------------------|
| | SR | SR |
| Movement of provision for expected credit losses | | |
| At 1 January | 5,486,597 | 1,355,793 |
| (Reversal) / charge for the year (note 25) | (1,573,285) | 4,130,804 |
| At 31 December | <u>3,913,312</u> | <u>5,486,597</u> |

| | 2023 | 2022 |
|-----------------|-------------------|------------|
| | SR | SR |
| Contract assets | 59,805,570 | 18,256,485 |

Contract assets are initially recognised for revenue earned from real estate development and management services rendered but yet to be billed to customers. Upon billing of invoice, amounts that are recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2023 is mainly due to the increase in ongoing real estate development at the end of the current year compared to prior year. Subsequent to year end, the whole amount of SR 59.8 million (2022: SR 18.2 million) has been billed to customers.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

| | 2023 | 2022 |
|---------------------------------|---------------------------|--------------------|
| | SR | SR |
| VAT receivable (note 12.1) | 77,322,385 | 78,755,781 |
| Advances to suppliers | 36,890,053 | 14,287,279 |
| Prepayments | 7,422,228 | 10,243,534 |
| Letter of guarantee (note 12.2) | 4,875,281 | - |
| Real estate tax (note 12.3) | 1,868,845 | 1,641,511 |
| Employees receivable | 1,012,590 | 1,745,224 |
| Others | 979,527 | 2,163,241 |
| | <u>130,370,909</u> | <u>108,836,570</u> |

12.1 The above VAT receivable is relating to inputs for purchase of good and services. Subsequent to year end, the Group has submitted its VAT declaration, the tax advisor and the management of the Group are confident that the above amounts will be reimbursed within the statutory time frame.

12.2 Letter of guarantee represents the balance hold by bank in favor of one supplier by Al Rajhi Bank. The amount is restricted by the bank.

12.3 The above tax represents real estate tax deducted by vendors on purchase of land and it is computed based on 2.5% of the land value. Subsequent to year end, the Group has submitted its related declaration, the tax advisor and the management of the Group are confident that the above amounts will be reimbursed within the statutory time frame.

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13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

13.1 Amounts due from related parties

| <i>Name of related parties</i> | <i>Relationship</i> | <i>Nature of transaction</i> | <i>Amount of transaction</i> | | <i>Balance</i> | |
|--|------------------------------|--|------------------------------|--------------|-------------------|-------------------|
| | | | <i>2023</i> | <i>2022</i> | <i>2023</i> | <i>2022</i> |
| | | | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Mohammed Ibrahim Almajid | Related party to shareholder | Sale of land | - | - | 7,950,817 | 7,950,817 |
| Shareholders (note 13.1.1) | IPO recoverable debts | IPO expenses | 2,393,041 | 4,384,744 | 6,777,785 | 4,384,744 |
| First Avenue Real Estate Development Company | Associate | Collections received | (12,089,111) | (26,138,122) | 6,394,932 | 1,980,400 |
| | | Revenue from services rendered | 12,646,543 | - | | |
| Nader Hassan Atallah Alomari | Shareholder | (Collections received)/withdrawals | - | (400,000) | - | - |
| Dar Almajid Holding Company | Majority shareholder | Expenses paid on behalf | - | 24,788 | 704,259 | 24,788 |
| | | Collections received | (679,471) | - | | |
| Amar Investment Holding Company | Related party to shareholder | Expenses paid on behalf | - | 18,291 | | 19,037 |
| | | Collections received | (19,037) | - | | |
| Maskan Al Rafah Real Estate Company | Related party to shareholder | Expenses paid on behalf | - | 7,768 | - | 7,825 |
| | | Collections received | (7,825) | - | | |
| Almajid Aloula Real Estate Company | Shareholder | Expenses paid on behalf | 1,350 | - | 3,438 | 2,088 |
| Mohammed Abdelrahman Naser Almajid | Shareholder | Collections received | - | (13,436,921) | - | - |
| Khalid Abdelrahman Naser Almajid | Shareholder | Collections received | - | (12,920,071) | - | - |
| | | (Collections received)/Expenses paid on behalf | - | (8,004) | - | - |
| Abdullah Bin Abelrahman Real Estate Company | Related party to shareholder | (Collections received)/Expenses paid on behalf | - | (7,728) | - | - |
| Al Lubna Real Estate Development Company | Related party to shareholder | (Collections received)/Expenses paid on behalf | - | (2,243) | - | - |
| Abdelrahman and Ahmed Bait Almajid Real Estate | Related party to shareholder | (Collections received)/Expenses paid on behalf | - | (666) | - | - |
| Amlak International Finance Company | Related party to shareholder | (Collections received)/Expenses paid on behalf | - | (2,088) | - | - |
| Almajid Al Thanya Real Estate Company | Related party to shareholder | behalf | - | (2,088) | - | - |
| | | | | | 21,831,231 | 14,369,699 |

13.1.1 This amount represents the IPO cost which is agreed to be reimbursed by the shareholders upon successful listing process.

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13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

13.1.2 The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balance from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate, the management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

13.2 Amount due to related parties

| <i>Name of related parties</i> | <i>Relationship</i> | <i>Nature of transaction</i> | <i>Amount of transaction</i> | | <i>Balance</i> | |
|---|---------------------|---|------------------------------|--------------|--------------------|-------------|
| | | | <i>2023</i> | <i>2022</i> | <i>2023</i> | <i>2022</i> |
| | | | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Prince Saud bin Abdullah bin Mohammed Al Saud | Shareholder | Funding | (42,000,000) | (11,700,000) | 125,672,600 | 131,428,118 |
| | | Repayment | 48,315,989 | | | |
| | | Balances transferred to other shareholder | 560,471 | | | |
| Khaled Abdelrahman Naser Almajid | Shareholder | Funding | (6,727,095) | (41,467,386) | - | 41,467,386 |
| | | Balances transferred to other shareholder | 41,400,000 | | | |
| | | Repayment | 6,920,000 | | | |
| Mohammed Abdelrahman Naser Almajid | Shareholder | Funding | (6,801,473) | (39,518,527) | - | 39,518,527 |
| | | Repayment | 6,920,000 | | | |
| | | Balances transferred to other shareholder | 39,400,000 | | | |
| Prince Faisal bin Abdullah bin Mohammed Al Saud | Shareholder | Repayment / (Funding) | 343,378 | (25,000,000) | 37,849,262 | 38,733,112 |
| | | Balances transferred to other shareholder | 560,471 | | | |
| | | Repayment | 883,850 | | | |
| Majid Abdelrahman Naser Almajid | Shareholder | Funding | (14,000,000) | (8,922,403) | - | 9,487,794 |
| | | Repayment | 23,487,794 | | | |
| Hussam Abdelrahman Naser Almajid | Shareholder | (Funding) / Repayment | 23,487,794 | 7,910,830 | - | 9,487,794 |
| | | | (14,000,000) | | | |
| Opportunity Jewel Real Estate Company | SPV of subsidiary | Finance charges | (12,398,029) | - | 12,398,029 | - |
| | | Repayment / (Finance charges) | 8,505,979 | (25,736,946) | | 8,505,979 |
| Real Estate Construction Opportunities Company | SPV of subsidiary | Finance charges | 164,895 | - | 164,895 | - |
| Emmar Opportunities Real Estate | SPV of subsidiary | | | | | |

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13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

13.2 Amount due to related parties (continued)

| <i>Name of related parties</i> | <i>Relationship</i> | <i>Nature of transaction</i> | <i>Amount of transaction</i> | | <i>Balance</i> | |
|--|------------------------------|---|------------------------------|--------------|--------------------|-------------|
| | | | <i>2023</i> | <i>2022</i> | <i>2023</i> | <i>2022</i> |
| | | | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| Jadwa Investment Company | Fund manager of subsidiary | Management fee (note 23) | 8,426,548 | (10,902,266) | 36,758,771 | 5,131,596 |
| | | Performance fee (note 23) | 33,482,409 | | | |
| | | Debt restructuring fee | - | (2,422,524) | | |
| | | Fund set-up fee | - | (16,000) | | |
| Mohammed and Mosab Alajlan Company | Related party to shareholder | Repayment | 4,515,000 | - | - | 4,515,000 |
| Dar Almajid Real Estate Development Company | Related party to shareholder | Repayment | - | 3,418,550 | 4,392,249 | 3,418,550 |
| | | Funding | (973,699) | | | |
| Abdelsalam Abdelrahman Naser Almajid | Shareholder | Repayment / (Funding) | 15,577,750 | (81,249,675) | | 5,000 |
| | | Land transfer | 42,381,440 | | | |
| | | Balances transferred from other shareholder | (40,400,000) | | | |
| Naser Abdelrahman Naser Almajid | Shareholder | Repayment/(Funding) | 11,565,460 | (81,234,252) | | 5,000 |
| | | Land transfer | 28,839,540 | | | |
| | | Balances transferred from other shareholder | (40,400,000) | | | |
| Albilad Capital | Custodian of subsidiary | Repayment / (Custodian fees) | 71,841 | (82,170) | 10,329 | 82,170 |
| First Avenue Real Estate Development Company | Associate | Expense incurred on our behalf | 3,857,100 | - | 3,857,100 | - |
| | | | | | 221,103,235 | 291,786,026 |

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13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

13.3 Key Management Compensation

| | 2023 SR | 2022 SR |
|---------------------------------|------------------|------------|
| Short term employee benefits | 6,780,000 | 6,540,000 |
| Termination benefits | 1,130,000 | 1,090,000 |
| | 7,910,000 | 7,630,000 |
| Board of Directors remuneration | 1,823,000 | 230,000 |

14. CASH AND CASH EQUIVALENTS

| | 2023 SR | 2022 SR |
|---------------------------------|--------------------|-------------|
| Cash at bank | 141,235,237 | 197,400,378 |
| Short-term deposits (note 14.1) | 27,000,000 | 39,438,000 |
| Cash on hand | 79,684 | 387,202 |
| | 168,314,921 | 237,225,580 |

14.1 Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

15. SHARE CAPITAL

The Group's authorised, issued and fully paid share capital at 31 December 2023 amounted to SR 300 million (31 December 2022: SR 300 million), consisting of 300,000 (31 December 2022: 300,000) shares of SR 1,000 each.

| <i>Name of the shareholder</i> | <i>No. of shares</i> | | <i>% of</i> | | <i>Total SR</i> | |
|--|----------------------|---------|-------------|--------|--------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Dar Almajid Holding Company | 173,250 | 173,250 | 57.75% | 57.75% | 173,250,000 | 173,250,000 |
| AWJ for Real Estate Development and Investment Company | 22,500 | 22,500 | 7.5% | 7.5% | 22,500,000 | 22,500,000 |
| Modern Rufaid Investment Company | 22,500 | 22,500 | 7.5% | 7.5% | 22,500,000 | 22,500,000 |
| Almajd Aloula Real Estate Company | 14,850 | 14,850 | 4.95% | 4.95% | 14,850,000 | 14,850,000 |
| Khalid Abdulrahman Naser Almajid | 11,880 | 11,880 | 3.96% | 3.96% | 11,880,000 | 11,880,000 |
| Mohammed Abdulrahman Naser Almajid | 11,880 | 11,880 | 3.96% | 3.96% | 11,880,000 | 11,880,000 |
| Hussam Abdulrahman Naser Almajid | 8,910 | 8,910 | 2.97% | 2.97% | 8,910,000 | 8,910,000 |
| Abdulsalam Abdulrahman Naser Almajid | 8,910 | 8,910 | 2.97% | 2.97% | 8,910,000 | 8,910,000 |
| Majid Abdulrahman Naser Almajid | 8,910 | 8,910 | 2.97% | 2.97% | 8,910,000 | 8,910,000 |
| Naser Abdulrahman Naser Almajid | 8,910 | 8,910 | 2.97% | 2.97% | 8,910,000 | 8,910,000 |
| Abdullah Abdulrahman Naser Almajid | 4,500 | 4,500 | 1.5% | 1.5% | 4,500,000 | 4,500,000 |
| Nader Hassan Atallah Alomari | 3,000 | 3,000 | 1% | 1% | 3,000,000 | 3,000,000 |
| | 300,000 | 300,000 | 100% | 100% | 300,000,000 | 300,000,000 |

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16. STATUTORY RESERVE

In accordance with the new Companies Law in the Kingdom of Saudi Arabia which became effective on 19 January 2023, the Group is no longer required to maintain a statutory reserve and the reserve balance may be transferred to retained earnings. As of 31 December 2023, the Group is in the process of assessing the legal formalities for the transfer from statutory reserve.

17. LOANS AND BORROWINGS

| | <i>Effective Interest rate (EIR)</i> | <i>Maturity</i> | <i>2023 SR</i> | <i>2022 SR</i> |
|--|--------------------------------------|-----------------|--------------------|--------------------|
| Al Rajhi Bank - Murabaha | SAIBOR + 2.4% | 2025 | 362,140,878 | 314,444,850 |
| Arab National Bank - Tawaruq | SAIBOR+2.4% | 2027 | 26,784,122 | 153,784,122 |
| Riyad Bank - Murabaha | SAIBOR+2% | 2024 | - | 245,828,569 |
| Banque Saudi Fransi - Tawaruq | SAIBOR+2% | 2024 | 241,251,652 | 226,251,652 |
| Amlak International Finance Company- Murabaha | 8% | 2024 | - | 10,270,685 |
| | | | 630,176,652 | 950,579,878 |
| <i>Current</i> | | | 241,251,652 | - |
| <i>Non-current</i> | | | 388,925,000 | 950,579,878 |

Set out below is the movement of interest-bearing loans and borrowings:

| | <i>2023 SR</i> | <i>2022 SR</i> |
|---------------------------------|------------------------|--------------------|
| Principal amount at 1 January | 950,579,878 | 700,331,183 |
| Add: proceeds | 1,196,059,922 | 1,437,562,099 |
| Less: repayment | (1,516,463,148) | (1,186,097,526) |
| Less: Transaction costs | - | (1,215,878) |
| Principal amount at 31 December | 630,176,652 | 950,579,878 |

During 2021, the Group signed an agreement to obtain a loan from Al Rajhi bank amounting to SR 720 million. The loan is for the purpose to finance of the acquisition of real estate land and related development and construction. The terms of the loan span over a tenure of 3 years and to be repaid in one instalment after 3 years. The loan carries a markup of SIBOR+2.4%. The loan is secured against the personal guarantees by the shareholders.

During 2022, the Group signed an agreement to obtain a loan from Arab National Bank. The loan is for the purpose to finance group's investment in assets and other development projects. The loan is to be repaid in annually. The loan carries a markup of SIBOR+2.4%. The loan is secured against promissory notes with the amount of SR 200 million.

During 2022, the Group signed an agreement to obtain a loan from Banque Saudi Fransi. The loan is for the purpose to purchase a land in Riyadh city. The loan is repaid in two instalments during 2024. The loan carries a markup of SIBOR+2%. The loan is secured against land collateral in Riyadh Narjis district having a fair value of SR 369 million and promissory notes with the amount of SR. 245 million.

During 2020, the Group signed an agreement to obtain a loan from Riyad Bank. The loan is for the purpose to finance group's development and construction projects. The terms of the loan span over a tenure of 4 years and to be repaid in one instalment after 4 years The loan carries a markup of SIBOR+2%. The loan is secured against mortgage of two real estate properties with a value of 150% of the financing amount. The loan has been early repaid in full in 2023.

During 2021, the Group signed an agreement to obtain a loan from Amlak International Finance Company. The loan is for the purpose to finance group's development and construction projects. The terms of the loan span over a tenure of 3 years and to be repaid in in one instalment after 3 years. The loan carries a finance cost of 8%. The loan is secured against the personal guarantees by the shareholders. The loan has been early repaid in full in 2023.

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17. LOANS AND BORROWINGS (continued)

Finance charges and amortisation of transaction cost on the loans for the year ended 31 December 2023 amounted to SR 33 million (2022: SR 55.3 million) out of which SR 19.9 million (2022: SR 43.4million) has been capitalized within inventory properties (note 8 and 24).

At 31 December 2023, the Group has available SR 358 million (31 December 2022: SR 405 million) of undrawn committed borrowing facilities.

18. EMPLOYEE DEFINED BENEFIT LIABILITIES

18.1 General description of benefits

The Group operates an unfunded end of service benefits scheme in accordance with the labour laws prevailing in the Kingdom of Saudi Arabia. Provision is created for the benefit of the scheme on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit Method.

| | 2023 SR | 2022 SR |
|-------------------------------|------------|------------|
| Net defined benefit liability | 4,984,678 | 4,244,962 |

18.2 Movement in net defined benefit liability

| | 2023 SR | 2022 SR |
|-------------------------------|------------------|------------------|
| As of 1 January | 4,244,962 | 6,463,352 |
| Charge for the year | 1,658,568 | 2,290,293 |
| Benefits paid | (620,753) | (217,640) |
| Actuarial gains on obligation | (298,099) | (4,291,043) |
| As of 31 December | <u>4,984,678</u> | <u>4,244,962</u> |

18.3 Net benefit expenses

| | 2023 SR | 2022 SR |
|-----------------------------------|------------------|------------------|
| Included in profit or loss | | |
| Current service cost | 1,484,392 | 2,138,200 |
| Interest cost | 174,176 | 152,093 |
| | <u>1,658,568</u> | <u>2,290,293</u> |

| | 2023 SR | 2022 SR |
|---|------------------|--------------------|
| Included in other comprehensive income | | |
| Remeasurement gain due to: | | |
| Financial assumptions | (298,099) | (4,291,043) |
| | <u>(298,099)</u> | <u>(4,291,043)</u> |

18.4 Principle actuarial assumptions

The significant assumptions used in determining end of service benefit obligations for the Group's plan are shown below:

| | 2023 | 2022 |
|---------------------------|-------|-------|
| Discount rate | 4.69% | 4.90% |
| Salary increase rates | 5.57% | 5% |
| Withdrawal rate per annum | 30% | 15% |

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18. EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

18.5 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | <i>2023</i> | <i>2022</i> |
|----------------------------------|----------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| Discount rate | | |
| 1% increase | 157,199 | 550,756 |
| 1% decrease | 267,870 | 597,151 |
| Long term salary increase | | |
| 1% increase | 265,267 | 578,059 |
| 1% decrease | 158,730 | 534,665 |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. It is based on a change in a significant assumption, keeping all other assumptions constant and may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

19. TRADE AND OTHER PAYABLES

| | <i>2023</i> | <i>2022</i> |
|---|---------------------------|--------------------|
| | <i>SR</i> | <i>SR</i> |
| Trade payables | 220,289,391 | 159,221,329 |
| Accrued expenses | 54,557,800 | 30,788,607 |
| Provision for onerous contracts (note 19.1) | 35,865,231 | 34,235,318 |
| Notes payable | 20,164,348 | - |
| VAT payable | 13,752,271 | 392,777 |
| Accrued finance charges | 13,096,328 | 16,665,882 |
| Real estate tax payable | 6,453,154 | 23,687,175 |
| | <u>364,178,523</u> | <u>264,991,088</u> |

19.1 A provision is recognised for certain contracts with suppliers for which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. It is anticipated that these costs will be incurred in the next financial year. During 2023, a further provision was created for SR 30 million for one project where the Group has committed this additional cost with a new contractor in order to complete the project as per the specifications. The group has further in coordination with their legal advisor has decided to pursue to legal claim of the same amount against the previous contractor due to its negligence (note 29.1).

20. CONTRACT LIABILITIES

| | <i>2023</i> | <i>2022</i> |
|---|---------------------------|--------------------|
| | <i>SR</i> | <i>SR</i> |
| Contract liabilities – customer deposits and advance payments | <u>352,378,998</u> | <u>154,524,104</u> |
| Current portion | 302,223,998 | 127,725,515 |
| Non-current portion | 50,155,000 | 26,798,589 |

Contract liabilities include amounts received from customers on conditional exchange of contracts relating to future maintenance obligation as part of completed inventory properties sale contract. The Group received certain non-refundable deposit for a five-year maintenance service. Total contract liabilities relating to customer deposits amounted to SR 66.7 million (31 December 2022: SR 26.8 million).

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20. CONTRACT LIABILITIES (Continued)

Contract liabilities also include SR 285.7 million (31 December 2022: SR. 127.7 million) advance payments from customers in exchange of real estate development and management services performed by the Group.

21. ZAKAT PAYABLE

Charge for the year

The zakat charge consists of the current year provision amounting to SR 12.7 million (31 December 2022:SR 19.2 million)

Movement in the zakat provision:

| | 2023 SR | 2022 SR |
|---------------------------------|---------------------|--------------------|
| As of 1 January | 40,076,231 | 26,377,908 |
| Charge during the year | 12,650,245 | 19,161,340 |
| Prior year reversal (note 21.1) | (8,754,683) | - |
| Paid during the year | <u>(23,854,271)</u> | <u>(5,463,017)</u> |
| As of 31 December | <u>20,117,522</u> | <u>40,076,231</u> |

21.1 This represents the over accrual of zakat based on the respective separate financial statements of the Group. The over accrual has been reversed as a result of Group approval by ZATCA in 2022 after the approval of the consolidated financial statements to submit the zakat return on Group consolidated basis excluding the subsidiaries that are partially owned.

Status of zakat

During 2022, the Company has obtained approval from ZATCA to submit group zakat return which include the results of the Ultimate Parent Company and its wholly owned subsidiaries as mentioned in Note 1. Status of assessments of the Company and its wholly owned subsidiaries where separate returns were filed by respective companies upto the year 2021, are as follows:

Dar Almajid Real Estate Company (Parent Company)

The Company has submitted zakat returns to the Zakat, Tax and Customs Authority ("ZATCA") for all years up to the year ended 2022. The last final assessment received was in 2018 and has been settled.

Hossam and Majed sons of Abdul Rahman Al Majed Real Estate Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Mohammed and Khalid sons of Abdul Rahman Al Majid Real Estate Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Fikra Estesmar for Real Estate Development Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Al Raayea Real Estate Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Jadet AlShatea Real Estate Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Jadet Al Rabea Real Estate Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no assessment has been raised yet.

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21. ZAKAT PAYABLE (continued)

Taj Al Hudo for Real Estate Development Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Nibras Al Amaken for Real Estate Development Company

The Company has submitted zakat returns to ZATCA for all years up to the year ended 2022. However, no zakat assessment has been raised yet.

Al Majdiah Investment Fund, Al Dar Investment Fund and Al Narjis Investment Fund

Under the current system of taxation in the Kingdom of Saudi Arabia the Funds are not liable to pay any Zakat or income tax as they are considered to be the obligation of the Unitholders and as such, these are not provided in the separate financial statements of the funds. Therefore, the zakat has been considered in the separate financial statements of the parent company.

22. OPERATING INCOME AND COST

22.1 OPERATING INCOME

| | 2023 | 2022 |
|--|--------------------|----------------------|
| | SR | SR |
| | | <i>Restated</i> |
| | | <i>(Note 30.1)</i> |
| Revenue from sale of completed inventory properties | 853,853,381 | 712,066,717 |
| Real estate development (note 22.1.1) | 55,506,639 | 29,086,776 |
| Real estate commission income (note 22.1.2) | 39,099,189 | 33,152,944 |
| Maintenance income (note 22.1.3) | 14,625,333 | - |
| Revenue from sale of investment property | 11,290,864 | 39,587,480 |
| Revenue from sale of land (included in inventory properties) | 8,140,800 | 204,191,839 |
| Rental income (note 6) | 5,307,605 | 916,057 |
| | 987,823,811 | <u>1,019,001,813</u> |

22.1.1 Real estate development represents the construction and development services provided to customers.

22.1.2 This represents the amounts charged to customers in respect of the marketing services provided. The commission is charged at 2.5% for each of the property sold for which marketing was done by the group.

22.1.3 Maintenance income represents the straight line revenue recorded against the amounts received from customers on conditional exchange of contracts relating to future maintenance obligation for five years as part of completed inventory properties sale contract.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated primarily by geographical market and timing of revenue recognition.

| | 2023 | 2022 |
|---|--------------------|---------------|
| | SR | SR |
| Primary geographical markets | | |
| Saudi Arabia | 987,823,811 | 1,019,001,813 |
| Timing of recognition of revenue | | |
| Services provided at point of time | 912,384,234 | 988,998,980 |
| Service provided over time | 75,439,577 | 30,002,833 |

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22.2 OPERATING COST

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | SR | SR |
| | | <i>Restated</i> |
| | | <i>(Note 30.1)</i> |
| Cost of sales of completed inventory properties (note 8) | 684,304,648 | 565,401,632 |
| Other operating costs – development, commission, rent and maintenance | 58,809,843 | 12,502,963 |
| Cost of sale of investment property (note 7.1) | 11,644,157 | 35,242,926 |
| Cost of sales of land (included in inventory properties) (note 8) | 7,180,108 | 191,563,321 |
| Depreciation expense of right-of-use asset (note 6) | 457,373 | 457,373 |
| | 762,396,129 | 805,168,215 |

23. GENERAL AND ADMINISTRATIVE EXPENSES

| | 2023 | 2022 |
|--|--------------------|-------------|
| | SR | SR |
| Performance fee (note 23.1) | 33,482,409 | - |
| Salaries and other benefits | 19,946,032 | 20,414,132 |
| Management fees (note 23.2 and 13) | 8,426,548 | 10,902,266 |
| Professional fees | 8,741,047 | 9,182,484 |
| Governmental fees | 3,509,234 | 516,427 |
| Rent | 2,732,556 | - |
| Donations and gifts | 2,354,831 | 955,920 |
| Maintenance and repair | 1,709,621 | 161,275 |
| (Reversal) / provision for expected credit loss on trade receivables (note 11) | (1,573,285) | 4,130,804 |
| Depreciation (note 5) | 955,656 | 744,321 |
| Utilities | 455,912 | 460,018 |
| Hospitality | 311,368 | 325,402 |
| Office improvements | 177,461 | 155,229 |
| Improvements | 22,130 | 295,688 |
| Reversal for expected credit loss on due from related parties | - | (2,524,930) |
| Others | 11,262,125 | 4,722,115 |
| | 92,513,645 | 50,441,151 |

23.1 Performance fees represent one off fee paid to the Fund manager in consideration of managing the funds' asset if the overall completed projects of the fund generates an IRR of 12% or more in accordance with Funds' terms and conditions.

23.2 Management fees represent an annual management fee paid to the Fund manager in consideration of managing the funds' asset for a fee equal to 0.75% to 2% of the fund's invested capital in accordance with Funds' terms and conditions.

24. FINANCE COST - NET

| | 2023 | 2022 |
|--|---------------------|--------------|
| | SR | SR |
| Finance cost on loans and borrowings | 30,956,790 | 52,302,838 |
| Unwinding of transaction cost | 2,090,090 | 1,962,029 |
| Finance income on Murabaha deposits | (42,507) | - |
| Bank charges | 4,600 | 998,096 |
| Interest on lease liability (note 6) | 41,445 | 74,111 |
| Total borrowing costs | 33,050,418 | 55,337,074 |
| Less: Finance and transaction cost capitalised (note 8 and 17) | (19,941,978) | (43,412,750) |
| Total finance costs charged to profit or loss | 13,108,440 | 11,924,324 |

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25. OTHER INCOME

| | 2023 SR | 2022 SR |
|---|------------------|------------------|
| Valuation (loss) / gains from financial assets at fair value through profit or loss (note 10) | (2,459,955) | 2,540,224 |
| Other (note 25.1) | 6,965,648 | 3,831,955 |
| | 4,505,693 | 6,372,179 |

25.1 Others contains one off developer fees by the two fund managers amounting to SR 3.98 million in consideration for meeting the KPIs for the development services for certain projects in accordance with development agreement.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 FINANCIAL ASSETS

| | 2023 SR | 2022 SR |
|--|-------------------|------------|
| Financial assets at fair value through profit or loss | | |
| Real estate funds | 30,077,193 | 31,184,280 |
| Quoted equity shares | - | 3,430,351 |
| Murabaha fund | 44,037,976 | - |
| Total financial assets at fair value | 74,115,169 | 34,614,631 |
| Debt instruments at amortized cost | | |
| Trade receivables | 65,245,303 | 33,465,400 |
| Amounts due from related parties | 21,831,231 | 14,369,699 |
| Total financial assets at amortized cost* | 87,076,534 | 47,835,099 |
| Total current | 87,076,534 | 47,835,099 |
| Total non-current | 74,115,169 | 34,614,631 |

* Financial assets, other than cash and short-term deposits

26.2 FINANCIAL LIABILITIES

| | <i>Effective Interest rate (EIR)</i> | <i>Maturity</i> | 2023 SR | 2022 SR |
|------------------------------------|--|-----------------|----------------------|---------------|
| Loans and borrowings | SAIBOR + 2% to 8% | 2024-2027 | 630,176,652 | 950,579,878 |
| Lease liability | 4.5% | 2024 | 792,638 | 1,551,193 |
| Trade and other payables | | On demand | 308,107,868 | 206,675,818 |
| Amounts due to related parties | | On demand | 221,103,235 | 291,786,026 |
| Total financial liabilities | | | 1,160,180,393 | 1,450,592,915 |

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26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 FAIR VALUES

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial assets and liabilities.

| | 2023 | | 2022 | |
|----------------------------------|------------------------|----------------------|------------------------|-------------------|
| | SR | | SR | |
| | <i>Carrying amount</i> | <i>Fair value</i> | <i>Carrying amount</i> | <i>Fair Value</i> |
| Financial assets | | | | |
| Trade receivables | 65,245,303 | 65,245,303 | 33,465,400 | 33,465,400 |
| Amounts due from related parties | 21,831,231 | 21,831,231 | 14,369,699 | 14,369,699 |
| Real estate funds | 30,077,193 | 30,077,193 | 31,184,280 | 31,184,280 |
| Quoted equity shares at FVTPL | - | - | 3,430,351 | 3,430,351 |
| Murabaha fund | 44,037,976 | 44,037,976 | - | - |
| | 161,191,703 | 161,191,703 | 82,449,730 | 82,449,730 |
| Financial liabilities | | | | |
| Loans and borrowings | 630,176,652 | 630,176,652 | 950,579,878 | 950,579,878 |
| Trade and other payables | 308,107,868 | 308,107,868 | 206,675,818 | 206,675,818 |
| Amounts due to related parties | 221,103,235 | 221,103,235 | 291,786,026 | 291,786,026 |
| Lease liability | 792,638 | 792,638 | 1,551,193 | 1,551,193 |
| | 1,160,180,393 | 1,160,180,393 | 1,450,592,915 | 1,450,592,915 |

- a. The fair value of unquoted instruments and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.
- b. The fair values of investment in private funds are estimated using either the net assets value (NAV) or fair value provided by the private funds on monthly, quarterly or annual basis.

26.4 Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, accounts and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include accounts and other receivables, financial assets held at amortised cost, financial assets held at FVTPL and cash that derive directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks.

26.4.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and financial assets measured at FVTPL. The sensitivity analyses in the following sections relate to the position as at 31 December 2023 and 31 December 2022.

26.4.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings.

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26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.4 Financial instruments risk management objectives and policies (continued)

26.4.2 Interest rate risk (continued)

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

| | | <i>2023</i> | <i>2022</i> |
|--|-----|------------------|-------------|
| | | <i>SR</i> | <i>SR</i> |
| Increase in basis points of interest rates | +10 | (630,177) | (950,580) |
| Decrease in basis points of interest rates | -10 | 630,177 | 950,580 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly lower volatility than in prior periods.

26.4.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group's exposure to foreign currency changes for all currencies is not material.

26.4.4 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. For unquoted equity instruments and investments in discretionary portfolios, the maximum risk is equal to the carrying amount of those investments.

26.4.5 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivables) and from its financing activities, including deposits with banks and financial institutions, Murabaha and other receivables, foreign exchange transactions and other financial instruments. The Group is exposed to credit risk on its bank balances and trade receivables as follows:

| | <i>2023</i> | <i>2022</i> |
|----------------------------------|--------------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| Cash at bank | 141,235,237 | 197,400,378 |
| Short term deposits | 27,000,000 | 39,438,000 |
| Letter of guarantees | 4,875,281 | - |
| Trade receivables | 65,245,303 | 33,465,400 |
| Amounts due from related parties | 21,831,231 | 14,369,699 |
| | 260,187,052 | 284,673,477 |

The carrying amount of financial assets represent the maximum credit exposure. Credit risk on receivables and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings.
- The receivables are shown net of allowance for expected credit loss.
- Financial position of related parties is stable.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss were as follows:

| | <i>2023</i> | <i>2022</i> |
|---|--------------------|-------------|
| | <i>SR</i> | <i>SR</i> |
| (Reversal)/provision of expected credit loss on trade receivables | (1,573,285) | 4,130,804 |
| Reversal of expected credit loss on related parties | - | (2,524,930) |
| | (1,573,285) | 1,605,874 |

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(A CLOSED JOINT STOCK COMPANY)

Notes to the consolidated financial statements (continued)
31 December 2023

26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
26.4 Financial instruments risk management objectives and policies (continued)
26.4.5 Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from accounts receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively. In respect of loans provided by Group to related parties and other companies, the Group believes that the related parties and other companies have a sound financial strength, and the loans will be fully recovered within stated timelines.

None of the Group's customers' balances have been written off at the reporting date. In monitoring customer credit risk, customers are categorised according to their credit characteristics, including whether they are an individual or a legal entity, their geographic location, industry, past history with the Group and existence of previous financial difficulties.

The Group accounts receivables are from counterparties in the Kingdom of Saudi Arabia. The Group's exposure to credit risk in accounts receivable as per geographic basis is as follows:

| | <i>2023</i> | <i>2022</i> |
|-------------------------|-------------------|-------------------|
| | <i>SR</i> | <i>SR</i> |
| Kingdom of Saudi Arabia | 65,245,303 | 33,465,400 |
| | 65,245,303 | 33,465,400 |

Expected credit loss assessment for accounts and other receivables:

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts and other receivables.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before 31 December 2023 and 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. 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 the GDP of the countries in which it conducts transactions to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows for accounts and other receivables.

| | <i>Expected credit loss rate</i> | <i>Gross carrying amount at default SR</i> | <i>Expected credit loss allowance SR</i> |
|-----------------------------|----------------------------------|--|--|
| 2023 | | | |
| 0-90 days past due | 0% | 47,020,067 | - |
| 90-180 days past due | 0% | - | - |
| 180-270 days past due | 0% | - | - |
| 270-360 days past due | 0% | - | - |
| More than 360 days past due | 18% | 22,138,548 | (3,913,312) |
| | | 69,158,615 | (3,913,312) |

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Notes to the consolidated financial statements (continued)
31 December 2023

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
26.4 Financial instruments risk management objectives and policies (continued)
26.4.5 Credit risk (continued)

| 2022 | <i>Expected credit loss rate</i> | <i>Gross carrying amount at default SR</i> | <i>Expected credit loss allowance SR</i> |
|-----------------------------|--|--|--|
| 0-90 days past due | 0% | 15,527,771 | - |
| 90-180 days past due | 0% | - | - |
| 180-270 days past due | 16% | 7,816,500 | (1,228,352) |
| 270-360 days past due | 0% | - | - |
| More than 360 days past due | 27% | 15,607,726 | (4,258,245) |
| | | <u>38,951,997</u> | <u>(5,486,597)</u> |

Impairment losses on accounts and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The ageing for the contract assets for the year ended 31 December, was as follows:

| 2023 | <i>Gross carrying amount</i> | |
|-----------------------------|------------------------------|-------------------|
| | 2023 | 2022 |
| | SR | SR |
| 0-90 days past due | 47,066,167 | 4,691,008 |
| 90-180 days past due | 12,739,403 | 3,508,510 |
| 180-270 days past due | - | - |
| 270-360 days past due | - | 10,056,967 |
| More than 360 days past due | - | - |
| | <u>59,805,570</u> | <u>18,256,485</u> |

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

26.4.6 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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31 December 2023

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)
26.4 Financial instruments risk management objectives and policies (continued)
26.4.6 Liquidity risk (continued)

| | <i>Less than 3 months</i> | <i>3 to 12 months</i> | <i>1 to 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
|--------------------------------|-------------------------------|---------------------------|-------------------------|------------------------------|----------------------|
| 31 December 2023: | SR | SR | SR | SR | SR |
| Loans and borrowings | - | 241,251,652 | 388,925,000 | - | 630,176,652 |
| Trade and other payables | 308,107,868 | - | - | - | 308,107,868 |
| Lease liability | 800,000 | - | - | - | 800,000 |
| Amounts due to related parties | - | 221,103,235 | - | - | 221,103,235 |
| | 308,907,868 | 462,354,887 | 388,925,000 | - | 1,160,187,755 |

| | <i>Less than 3 months</i> | <i>3 to 12 months</i> | <i>1 to 5 years</i> | <i>More than 5 years</i> | <i>Total</i> |
|--------------------------------|-------------------------------|-----------------------|-------------------------|------------------------------|----------------------|
| 31 December 2022: | SR | SR | SR | SR | SR |
| Loans and borrowings | - | - | 950,579,878 | - | 950,579,878 |
| Trade and other payables | 206,675,818 | - | - | - | 206,675,818 |
| Lease liability | - | 800,000 | 800,000 | - | 1,600,000 |
| Amounts due to related parties | - | 291,786,026 | - | - | 291,786,026 |
| | 206,675,818 | 292,586,026 | 951,379,878 | - | 1,450,641,722 |

26.4.7 Capital management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants, wherever applicable for the Group entities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using multiple leverage ratios including gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, long term borrowings, payables and accrued expense, due to shareholders less cash and cash equivalents, excluding discontinued operations.

| | 2023 | 2022 |
|---------------------------------|----------------------|---------------|
| | SR | SR |
| Loans and borrowings | 630,176,652 | 950,579,878 |
| Amounts due to related parties | 221,103,235 | 291,786,026 |
| Trade and other payables | 364,178,523 | 264,991,089 |
| Less: Cash and cash equivalents | (173,190,202) | (237,225,580) |
| Net debt | 1,042,268,208 | 1,270,131,413 |
| Equity | 731,573,320 | 653,815,019 |
| Equity and net debt | 1,773,841,528 | 1,923,946,432 |
| Gearing ratio | 59% | 66% |

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Notes to the consolidated financial statements (continued)
31 December 2023

27. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets:

| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|--|------------------|--------------------|-------------------|--------------------|
| | <i>SR</i> | <i>SR</i> | <i>SR</i> | <i>SR</i> |
| <i>31 December 2023</i> | | | | |
| Investment property | | | | |
| Lands | - | 25,029,719 | - | 25,029,719 |
| Building | - | 139,908,936 | - | 139,908,936 |
| Financial assets at fair value through profit or loss | | | | |
| Real estate funds | - | - | 30,077,193 | 30,077,193 |
| Murabaha Fund | - | - | 44,037,976 | 44,037,976 |
| Total | - | 164,938,655 | 74,115,169 | 239,053,824 |
| <i>31 December 2022</i> | | | | |
| Investment property | | | | |
| Land | - | 79,532,866 | - | 79,532,866 |
| Financial assets at fair value through profit or loss | | | | |
| Real estate funds | - | - | 31,184,280 | 31,184,280 |
| Quoted equity shares | 3,430,351 | - | - | 3,430,351 |
| Total | 3,430,351 | 79,532,866 | 31,184,280 | 114,147,497 |

The fair values of other financial instruments are not significantly different from the carrying values included in the consolidated financial statements.

28. DIVIDENDS DISTRIBUTION

There were no dividends announced or distributed during the year ended 31 December 2023 and 2022.

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

- a. The Group has provided letters of guarantee, i.e. financial guarantees, bid bonds and performance guarantees through their local banks for its own business activities and on behalf of certain subsidiaries, limited to SR 362 million as on 31 December 2023 (31 December 2022: SR 314 million).
- b. The Group have certain projects sold in 2023 for which the subdivisions and legal titles have not been transferred to the buyers as of 31 December 2023 and the subdivision for the same have not yet been applied for the same subsequently.

Managements expects no claims expected to arise from the delay in the transfer subdivision and transfer of legal titles.

- c. During 2023, the Group has made a provision amounting to SR 30 million in respect of the additional cost expected to arise in future as a result of appointing a new contractor to reperform the development of one project to meet the Group standards. Group management has decided to pursue a legal case against the previous contractor for the same amount on account their negligence. (note 19.1)

29.2 Capital commitments

At 31 December 2023, the Group has future capital commitments amounting to SR 550 million (31 December 2022: SR 397 million) in respect of inventory property under development.

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Notes to the consolidated financial statements (continued)
31 December 2023

30. PRIOR PERIOD ADJUSTMENTS

30.1 Management identified certain errors on relating to prior year which were adjusted retrospectively as follows:

| | <i>Note</i> | <i>Reported as at 31 Dec 2022 SR</i> | <i>Restatement SR</i> | <i>Restated as at 31 Dec 2022 SR</i> |
|---|-------------|--|---------------------------|--|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Inventory properties under development | a | 1,396,076,018 | 24,497,542 | 1,420,573,560 |
| Goodwill | a | 24,497,542 | (24,497,542) | - |
| EQUITY | | | | |
| Statutory reserve | b | 46,316,044 | (1,717,343) | 44,598,701 |
| Retained earnings | b | 186,824,212 | <u>(15,456,090)</u> | 171,368,122 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | | | | |
| Non-controlling interest | b | 145,244,762 | <u>(7,396,567)</u> | 137,848,195 |
| TOTAL EQUITY | | | <u>(24,570,000)</u> | |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | b | 240,421,088 | 24,570,000 | 264,991,088 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | | | | |
| Revenue from sale of completed inventory properties | b | 759,806,717 | (47,740,000) | 712,066,717 |
| Cost of sales – inventory properties | b | (780,134,953) | <u>23,170,000</u> | (756,964,953) |
| | | | <u>(24,570,000)</u> | |
| STATEMENT OF CASH FLOWS | | | | |
| Change in operating cash flows | | (190,519,822) | (24,497,542) | (215,017,364) |
| Change in investing cash flows | b | (61,559,458) | 93,639,000 | 32,079,542 |
| Change in financing cash flows | | 199,172,740 | (69,141,458) | 130,031,282 |

a. This misstatement pertains to recognition of goodwill on account of consolidating Al Dar Investment Fund in prior year as result of increasing the shareholding from 52% to 70%.

b. This misstatement pertains to deferral of revenue and related cost in respect of maintenance obligation identified as part of the sales contracts with customers in accordance with IFRS. The error was made in one of the components i.e. Al Dar Investment Fund, in which the revenue and related cost in respect of performance obligation were not deferred over a period of 5 years rather were recorded in 2022 at gross amounts.

Therefore the above have been corrected as a prior year adjustment in the separate financial statements of the component and the related impact have also been taken in these consolidated financial statements.

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Notes to the consolidated financial statements (continued)
31 December 2023

31 MATERIAL PARTIALLY OWNED SUBSIDIARIES

31.1 Accumulated balances of non-controlling interests

| | 2023 | 2022 |
|-------------------------------------|-------------------|--------------------|
| | SR | SR |
| Al Dar Investment Fund | 18,667,007 | 88,535,769 |
| Jadet Al Rabea Real Estate Company | (1,097,965) | (763,024) |
| Jadet Al Shatea Real Estate Company | 2,716,404 | 2,703,366 |
| Al Narjis Investment Fund | 45,332,362 | 47,372,084 |
| | <u>65,617,808</u> | <u>137,848,195</u> |

31.2 Movement in non-controlling interests

| | 2023 | 2022 |
|-----------------------|-------------------|--------------------|
| | SR | SR |
| At 1 January | 137,848,195 | 181,333,745 |
| Share of profit | 19,586,987 | 32,885,655 |
| Dividend distribution | (91,817,374) | (60,208,114) |
| Repurchase of NCI | - | (16,163,091) |
| At 31 December | <u>65,617,808</u> | <u>137,848,195</u> |

31.3 Total comprehensive income allocated to material non-controlling interests

| | 2023 | 2022 |
|-------------------------------------|-------------------|-------------------|
| | SR | SR |
| Al Dar Investment Fund | 21,948,612 | 32,623,539 |
| Jadet Al Rabea Real Estate Company | (334,942) | (884,402) |
| Jadet Al Shatea Real Estate Company | 13,037 | 2,574,434 |
| Al Narjis Investment Fund | (2,039,720) | (1,427,916) |
| | <u>19,586,987</u> | <u>32,885,655</u> |

31.4 Summarised financial information

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for the year ended 31 December 2023

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|--|--|-----------------------------------|------------------------------------|---|
| Revenue | 726,960,971 | - | - | - |
| Gain on the sale of financial asset at FVTPL / | | | | - |
| Other income | 319,268 | 343,378 | 344,931 | |
| Operating costs | (584,092,248) | - | - | - |
| General and administrative expenses | (70,278,842) | (789,967) | (55,321) | (5,592,511) |
| Profit/(Loss) before Zakat | 72,909,149 | (446,589) | 289,610 | (5,592,511) |
| Zakat | - | - | (246,152) | - |
| Profit/(Loss) for the year | <u>72,909,149</u> | <u>(446,589)</u> | <u>43,458</u> | <u>(5,592,511)</u> |
| Attributable to non-controlling interest | <u>21,948,612</u> | <u>(334,942)</u> | <u>13,037</u> | <u>(2,039,720)</u> |

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31. MATERIAL PARTIALLY OWNED SUBSIDIARIES (continued)

31.4 Summarised financial information (continued)

Summarised statement of profit or loss for the year ended 31 December 2022

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|---|--|-----------------------------------|------------------------------------|---|
| Revenue | 606,874,625 | - | 90,441,000 | - |
| Realised gain on the sale of financial asset at FVTPL | 101,682 | - | - | - |
| Operating costs | (489,946,666) | - | (81,123,652) | - |
| General and administrative expenses | (8,660,395) | (1,179,203) | (492,524) | (3,915,065) |
| Profit/(Loss) before Zakat | 108,369,246 | (1,179,203) | 8,824,824 | (3,915,065) |
| Zakat | - | - | (243,378) | - |
| Profit/(Loss) for the year | 108,369,246 | (1,179,203) | 8,581,446 | (3,915,065) |
| Attributable to non-controlling interest | 32,623,539 | (884,402) | 2,574,434 | (1,427,916) |

Summarised statement of financial position as at 31 December 2023

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|---|--|-----------------------------------|------------------------------------|---|
| Properties under development | 51,197,451 | 300,655,087 | - | 382,745,104 |
| Due from related parties | - | 14,559,374 | 9,373,625 | - |
| Investment at FVTPL | 44,037,976 | - | - | - |
| Accounts and other receivables | 17,114,651 | 22,038,950 | 54,367 | 4,247,406 |
| Cash and cash equivalents | 43,737,418 | 28,759,857 | 99,971 | 3,218,195 |
| Long-term loans | - | - | - | (241,251,652) |
| Accounts payables, accruals & other credit balances | (26,613,043) | (203,985,359) | (63,374) | (329,575) |
| Due to related parties | (67,466,176) | (163,491,863) | - | (24,337,054) |
| Zakat provision | - | - | (409,910) | - |
| Total equity | 62,008,277 | (1,463,954) | 9,054,679 | 124,292,424 |
| Attributable to: | | | | |
| Equity holders of parent | 43,341,270 | (365,989) | 6,338,275 | 78,960,062 |
| Non-controlling interest | 18,667,007 | (1,097,965) | 2,716,404 | 45,332,362 |

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31 December 2023

31. MATERIAL PARTIALLY OWNED SUBSIDIARIES (continued)

31.4 Summarised financial information (continued)

Summarised statement of financial position as at 31 December 2022.

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|---|--|-----------------------------------|------------------------------------|---|
| Properties under development | 562,650,160 | 201,900,673 | | 336,064,455 |
| Due from related parties | 13,720,000 | - | 3,023,925 | |
| Accounts and other receivables | 41,214,682 | 4,974,258 | 6,125,087 | 7,543,919 |
| Cash and cash equivalents | 72,319,032 | 264,695 | 179,712 | 23,898,043 |
| Long-term loans | (245,828,569) | - | - | (226,251,652) |
| Accounts payables, accruals & other credit balances | (145,825,862) | (178,750) | (74,125) | (7,646,064) |
| Due to related parties | (4,150,315) | (207,488,362) | - | (3,723,766) |
| Zakat provision | - | (489,879) | (243,378) | - |
| Total equity | 294,099,128 | (1,017,365) | 9,011,221 | 129,884,935 |
| Attributable to: | | | | |
| Equity holders of parent | 205,563,359 | (254,341) | 6,307,855 | 82,512,851 |
| Non-controlling interest | 88,535,769 | (763,024) | 2,703,366 | 47,372,084 |

Summarised cash flow information for the year ended 31 December 2023

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|-----------|--|-----------------------------------|------------------------------------|---|
| Operating | 46,342,766 | 28,495,162 | (79,741) | (35,679,848) |
| Investing | 475,904,188 | - | - | - |
| Financing | (550,828,569) | - | - | 15,000,000 |

Summarised cash flow information for the year ended 31 December 2022

| | <i>Al Dar Investment Fund SR</i> | <i>Jadet AL- Rabea SR</i> | <i>Jadet AL- Shatea SR</i> | <i>Al Narjes Investment Fund SR</i> |
|-----------|--|-----------------------------------|------------------------------------|---|
| Operating | 698,674,456 | (114,623,931) | (374) | (334,901,957) |
| Investing | (297,615,779) | - | - | - |
| Financing | (341,705,873) | 73,853,542 | - | (358,800,000) |

32. SUBSEQUENT EVENTS

32.1 A disclosure has been made for certain subsequent events and disclosed to its relevant notes. The management believes there have been no any other significant subsequent events since the year ended 31 December 2023 that would have material impact on the consolidated statement of financial position of the Group.

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33. COMPARATIVE AMOUNTS

Certain of the prior period numbers have been reclassified to conform with the presentation of current year.

34. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on 15 Shawwal 1445 H (corresponding to 24 April 2024) by the board of directors of the Group.