

**ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023**

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
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FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Enma Al Rawabi Company
(A Saudi Joint Stock Company)

Opinion:

We have audited the financial statements of **Enma Al-Rawabi Company (A Saudi Joint Stock Company) (The Company)**, which comprise the statement of financial position as of 31 December 2023, statement of comprehensive income, statement of changes in equity, and cash flows for the year then ended, and the notes to the financial statements including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

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

Key Audit Matters:

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

The following describes each of the key audit matters and how they were addressed:

Key audit matters	How the matter was addressed
-First: Revenue Recognized: For the year ended 31 December 2023, the Company has revenue amounting to Saudi Riyals 61,737,716 (31 December 2022: amounting to Saudi Riyals 48,126,942). The Company's revenues mainly consist of rental revenues arising from lease contracts. Revenue recognition has been considered a key audit matter due to the existence of risks of management override of internal controls, by recording a revenue may be in excess of its actual amount to increase profitability, as the company focuses on revenues as a key indicator of its performance. The accounting policy and disclosures related to revenue recognition are set out in the notes to the financial statements, refer to Note (3) of the accounting policy and Note (19) for relevant disclosures	Our audit procedures included, in our judgment, the following: • Testing the design and implementation of internal control procedures related to revenue recognition and their operational effectiveness, including control procedures for combating fraud. • Carrying out analytical review procedures for rental revenue by comparing lease contracts and their annual values for the current year with the previous year and determining if there are any significant trends or fluctuations that need additional examination considering our understanding of prevailing market conditions. • Testing on a sample basis of rental income transactions with supporting documents and perform the cut-off procedures to ensure that rental income is recorded in the correct periods. • Evaluating the adequacy of the disclosures related to revenue recognition in the notes to the financial statements.

Key audit matters	How the matter was addressed
Second: Impairment of investment properties and its fair value: The Company owns investment properties, including lands and buildings with amounting of Saudi Riyals 523,260,540 as at 31 December 2023 (31 December 2022: amounting of Saudi Riyals 481,883,281), which represents significant part of the company's total assets by (90%) as at 31 December 2023 (31 December 2022: by (89%)), investment properties are shown in the statement of financial position at cost less accumulated depreciation and impairment (if any). For the purposes of impairment testing and fair value disclosure in the financial statements, the fair value of investment properties has been estimated by an independent, external expert (the "Valuator") who have a professional qualification and have an experience in real estate valuation. Impairment of investment properties and their fair value was considered as a key audit matter since the valuation of investment properties requires significant assumptions and judgments that may lead to material errors in the calculation of impairment losses and the disclosure of investment properties in the financial statements. Refer to Note (3) for the accounting policy for investment properties and Note (6) for related disclosures.	Our audit procedures included, in our judgment, the following: • Understand and evaluate management procedures and accounting policy applied regarding impairment of investment properties. • Evaluate the experiences and qualifications of the appointed real estate expert who is appointed by the management and ensure that the expert is authorized by the Saudi Authority for Accredited Valuers. • Engage our specialists to evaluate the basic assumptions used by the real estate expert when determining the fair value of investment properties. • Testing, on a sample basis, the real estate valuations carried out by the expert with the help of our specialists to ensure the reasonableness of the main assumptions that were used to determine the fair values of the investment properties. • Ensure that the financial statements has been included a sufficient and appropriate disclosures of accounting policies and disclosure related to investment properties.

Other information included in the Company's Annual Report for the year ended 31 December 2023

Management is responsible for the other information. The other information consists of the information included in the Annual Report for the year ended 31 December 2023, but does not include the financial statements and our report thereon, which are expected to be made available to us after the date of our report. Our opinion on the financial statements does not cover the other information and we will not express any kind of assurance thereon. With regard to our review of the financial statements, our responsibility is limited to reading the other information mentioned above, and when reading it, we take into account whether the other information does not materially correspond to the financial statements or information obtained during the audit process or otherwise appears to be materially misstated..

When we read the Annual Report, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

Responsibilities of Management for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 (ISAs), that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

For Al-Kharashi & Co.



Abdullah S. Al-Msned
License No. (456)



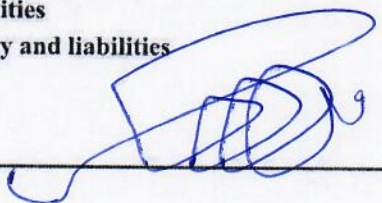
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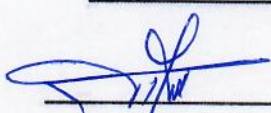
04 Ramadan 1445H

14 March 2024G

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Non-current assets:			
Property, plant and equipment, net	5	1,752,448	1,489,531
Investments properties, net	6	523,260,540	481,883,281
Intangible assets, net	7	19,085	24,122
Total non-current assets		525,032,073	483,396,934
Current assets:			
Cash and cash equivalents	8	45,133,198	51,156,462
Lessees' receivables, net	9	1,918,666	3,151,261
Prepayments and other debit balances	10	3,058,843	1,330,608
Properties under development for sale	11	2,044,726	-
Investments in mutual funds	12	2,749,902	3,189,832
Total current assets		54,905,335	58,828,163
TOTAL ASSETS		579,937,408	542,225,097
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,13	400,000,000	400,000,000
Statutory reserve	3	12,935,404	8,716,970
Retained earnings		143,702,712	115,736,810
Remeasurement reserve for employees' defined benefit obligations		(411,472)	(130,297)
Total equity		556,226,644	524,323,483
Non-current liabilities			
Employees' defined benefit obligations	15	1,039,338	570,583
Total non-current liabilities		1,039,338	570,583
Current liabilities:			
Creditors to purchase investment properties in installments	16	5,043,731	5,043,731
Accrued expenses and other credit balances	17	15,831,698	10,456,605
Zakat provision	18	1,795,997	1,830,695
Total current liabilities		22,671,426	17,331,031
Total liabilities		23,710,764	17,901,614
Total equity and liabilities		579,937,408	542,225,097


Mr. Fahad Ibrahim Al-Mousa
Chairman of Board of Directors

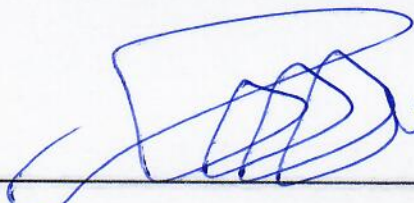

Eng. Saud Sayyaf
Alquaifil
Chief Executive Officer


Mr. Mohamed Saber
Chief Financial Officer

The accompanying notes form an integral part of these financial statements

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

	Note	2023	2022
Revenue	19	61,737,716	48,126,942
Cost of revenue	20	(11,058,162)	(10,381,779)
Gross profit		50,679,554	37,745,163
General and administrative expenses	21	(6,607,677)	(5,118,082)
Selling and distribution expenses	22	(500)	(94,480)
Operating profit		44,071,377	32,532,601
(Loss) gain from revaluation of investments	12	(439,930)	540,613
Finance cost	15	(22,280)	(9,289)
Loss on disposal of property, plant and equipment		(18)	(26,234)
Loss on disposal of investment properties	6	(1,294,723)	-
Provision for expected credit losses no longer required	9	823,129	831,404
Other income		330,023	59,385
Profit before zakat for the year		43,467,578	33,928,480
Zakat	18	(1,283,242)	(2,090,049)
Profit for the year		42,184,336	31,838,431
Other comprehensive income:			
(Loss) on remeasurement for employees' defined benefit obligations	15	(281,175)	(79,994)
Other comprehensive loss		(281,175)	(79,994)
Total comprehensive income for the year		41,903,161	31,758,437
Earnings per share:			
Basic	25	1.05	0.80
Diluted	25	1.05	0.80



Mr. Fahad Ibrahim Al-Mousa
Chairman of Board of Directors



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Alquaifil
Chief Executive Officer

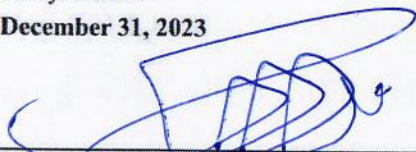


Mr. Mohamed Saber
Chief Financial Officer

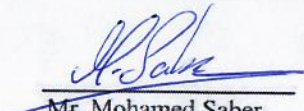
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ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

	Share capital	Statutory reserve	Retained earnings	Remeasurement reserve for employees' defined benefit obligations	Total
Balance at January 1, 2022	400,000,000	5,533,127	87,082,222	(50,303)	492,565,046
Profit of the year	-	-	31,838,431	-	31,838,431
(Loss) of remeasurement of employees' defined benefit obligations	-	-	-	(79,994)	(79,994)
Transfer to statutory reserve	-	3,183,843	(3,183,843)	-	-
Balance at December 31, 2022	400,000,000	8,716,970	115,736,810	(130,297)	524,323,483
Balance at January 1, 2023	400,000,000	8,716,970	115,736,810	(130,297)	524,323,483
Profit of the year	-	-	42,184,336	-	42,184,336
Dividends (Note 26)	-	-	(10,000,000)	-	(10,000,000)
(Loss) of remeasurement of employees' defined benefit obligations	-	-	-	(281,175)	(281,175)
Transfer to statutory reserve	-	4,218,434	(4,218,434)	-	-
Balance as at December 31, 2023	400,000,000	12,935,404	143,702,712	(411,472)	556,226,644


Mr. Fahad Ibrahim Al-Mousa
Chairman of Board of Directors


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Chief Executive Officer


Mr. Mohamed Saber
Chief Financial Officer

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ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

	Note	2023	2022
Cash flows from operating activities:			
Profit before zakat for the year		43,467,578	33,928,480
Adjustments to reconcile net profit to net cash:			
Depreciation	5,6	8,726,869	8,656,247
Amortization of intangible assets	7	5,037	1,068
Loss on disposal of property, plant and equipment		18	26,234
Loss on disposal of investment properties		1,294,723	-
Provision for employees' defined benefit obligations	15	261,428	124,365
Finance cost from employees' defined benefit	15	22,280	9,289
Provision for expected credit losses no longer required	9	(823,129)	(831,404)
Provision for expected credit losses	9	(63,484)	(333,817)
Loss (Gain) from revaluation of investments	12	439,930	(540,613)
		53,331,250	41,039,849
Adjustments to changes in working capital:			
Lessees' receivables	9	2,119,208	8,956,532
Prepayments and other debit balances	10	(1,728,235)	(357,338)
Accrued expenses and other credit balances	17	5,375,093	406,713
Due to related parties	14	-	(55,798,917)
Cash flows generated from (used in) operating activities		59,097,316	(5,753,161)
Provision for employee defined benefit obligations, paid	15	(96,128)	(8,782)
Zakat provision, paid	18	(1,317,940)	(2,351,493)
Net cash flows generated from (used in) operating activities		57,683,248	(8,113,436)
Cash flows from investing activities:			
Additions to property, plant and equipment	5	(440,920)	(439,424)
Additions to investment properties	6	(53,362,996)	(988,669)
Additions properties under development for sale	11	(2,596)	-
Proceeds from property, plant and equipment	5	-	17,391
Proceeds from investment properties	6	100,000	-
Additions to intangible assets	7	-	(25,188)
Cash flows (used in) investing activities		(53,706,512)	(1,435,890)
Cash flows from financing activities:			
Dividends		(10,000,000)	-
Cash flows (used in) financing activities		(10,000,000)	-
Net (decrease) in cash and cash equivalents		(6,023,264)	(9,549,326)
Cash and cash equivalents at the beginning of the year		51,156,462	60,705,788
Cash and cash equivalents at the end of the year		45,133,198	51,156,462
Non cash transactions			
Transferred from investment properties to properties under development for sale	11	2,042,130	-

Mr. Fahad Ibrahim Al-Mousa
Chairman of Board of Directors

Eng. Saud Sayyaf
Alquaifil
Chief Executive Officer

Mr. Mohamed
Saber
Chief Financial Officer

The accompanying notes form an integral part of these financial statements

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

1. COMPANY AND NATURE OF ACTIVITY:

a. Establishment of the company:

Enma Al Rawabi Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010306291 dated Rabi' Al-Thani 30, 1432H corresponding to 4 April 2011.

- The head office of the company is located in the city of Riyadh, and the registered address of the company is: Al Rawabi Enmaa Company, 4631 Prince Fahd bin Salman bin Abdulaziz Street - Al Namuzajeah District, Riyadh – 8764 postal code 12734, Kingdom of Saudi Arabia.
- The Capital Market Authority announced the issuance of the decision of the Authority's Board on 13 Safr 1443H corresponding to 20 September 2021, which includes the approval of the registration of the company's shares in direct listing in the parallel market. The legal procedures for changing the company's legal entity, the company's Articles of Association and other legal procedures have been completed.
- **The accompanying accounts include the Company accounts (head office) and the following branch account:**
- Enma Al Rawabi Contracting Company Commercial Registration No. 1010794764.

b. Nature of the Company's activity:

The Company is engaged in establishing and owning buildings of all kinds, managing and leasing owned or rented residential and non-residential properties, real estate management activities for a commission.

c. Company capital

The Company was established with a capital of 2,000,000 Saudi riyals divided into 200,000 ordinary shares of equal value, the value of each share being 10 Saudi riyals. On Muharram 14, 1442 H, corresponding to September 2, 2020, the Company's Extraordinary General Assembly approved an increase in the capital from 2,000,000 to 400,000,000 Saudi riyals, divided into 40,000,000 ordinary shares paid in full, the value of each share being 10 Saudi riyals per share.

d. Company's fiscal year:

The Company's fiscal year begins on 1 January and ends on 31 December of each year.

e. Approval of the financial statements:

The Company's financial statements for the financial year ending in December 31, 2023 were approved by the Board of Directors in its session held 29 Shaban 1445H corresponding to 10 March 2024G.

2. BASIS OF PREPARING FINANCIAL STATEMENTS:

Basics of preparation:

Statement of Compliance

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board approved in the Kingdom of Saudi Arabia, and other standards and publications approved by the Saudi Organization for chartered and professional accountants.

Basics of measurement

The accompanying financial statements have been prepared using the measurement bases specified in the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia for each type of assets, liabilities, revenues and expenses, in accordance with the historical cost principle using the accrual accounting principle and the concept of going concern, except for the following items, which are measured on an alternative basis on each date of preparation Financial Statements:

- Investments in investment funds that are measured at fair value, and changes in fair value are recognized in profit or loss directly in the income statement.
- Employee end-of-service benefits are recognized at the present value of future obligations using the projected unit credit method.

Functional and presentation currency

These financial statements are presented in Saudi riyals, which is the company's business and presentation currency.

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation, income statements and cash flows

The company presents the statement of financial position on a current and non-current basis. The company also chose to display the results of the company's business in a single comprehensive income statement, as the single list entry was adopted instead of the two lists' entry, and its expenses were presented according to its job. The company also presents the statement of cash flows from operations using the indirect method. Acquisition of investment properties is presented within the cash flows from investing activities as this best reflects the company's activities.

The following is a statement of the significant accounting policies adopted by the company in preparing its financial statements:

Cash and cash equivalents:

Cash and cash equivalents in the statement of financial position consist of bank balances, cash on hand, short-term deposits and Murabaha with a maturity of three months or less and which are not subject to a significant risk of change in their value. Cash and cash equivalents that are subject to bank restrictions and not available for use are eliminated from cash and cash equivalents for the purpose of preparing the statement of cash flows.

Lessees' receivables:

Lessees' receivables are stated at their net realizable value after making an adequate provision for any uncollectible amounts - a provision for expected credit losses is calculated based on the lifetime of the debts and the management's previous experience in collecting them - and when the amounts cannot be collected in full, these receivables are written off.

Property, plant and equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replacing parts of property, plant and equipment and borrowing costs for long-term construction projects (qualifying assets) if they meet the recognition criteria. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts individually as assets with limited useful lives and depreciates them accordingly. Similarly, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment if the recognition criteria are met. All other maintenance and repair costs are recognized in the income statement as incurred. the present value of the expected cost of removing the assets after their use is included in the cost of the relevant asset if the criteria for recognition of the provision are met. Depreciation of property, plant and equipment is calculated using the straight-line method, after deducting the estimated residual value. As for the buildings whose value is on lands, they are depreciated after reducing the value of the lands on which those buildings are built (scrap), over their expected useful lives according to the following annual percentages:

	The ratio %
• Buildings	3%
• Steel buildings	3%
• Furniture	10%
• Elevators and systems for buildings	3%
• Electrical appliances	20%
• Vehicles	25%

If an item of property, plant and equipment consists of components of individual parts for which other appropriate depreciation methods or rates apply, then each part is depreciated separately. The separate part is a physical part or an intangible part that is a major check or repair.

An item of property, plant and equipment is derecognised when the asset has been disposed of or when no future economic benefits are expected from its use. Any gain or loss on derecognition of the disposal asset (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in the income statement when the asset is derecognised.

ENMA AL RAWABI COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE NOTED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

When there are indications that the estimated residual value or expected useful lives of property, plant and equipment have changed, previous estimates are reviewed by management and based on this review, the estimated residual values, expected useful lives or depreciation methods for property, plant and equipment are revised prospectively.

Transfers from property, plant and equipment to investment property are made only when there is a change in its intended use. This transfer is made using the carrying amount of property, plant and equipment at the date of transfer.

Investment Properties:

Investment properties are initially measured at cost, deducting accumulated depreciation and any impairment losses, in accordance with IAS (40). Where the company chose the cost model to record its investment properties.

Capital work in progress is stated at cost less impairment losses, if any. This cost includes the cost of replacing part of the investment property and borrowing costs related to long-term construction projects, if the evidentiary criteria are met. If significant parts of investment properties are required to be replaced in stages, the Company depreciates these parts separately over their useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying value of the investment properties as a replacement, if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of income when incurred. The present value of the expected cost of decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for the recognition of the provision are recorded.

The following are the annual percentages according to which the depreciation of investment properties is calculated:

Buildings	3%
Elevators and systems for buildings	3%

Any item of investment properties and any material part is derecognised upon disposal or when no future benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between disposal proceeds and carrying value of the asset) is included in the statement of profit or loss and other comprehensive income for the year in which it is derecognised. The residual values, useful lives and depreciation methods of investment properties are reviewed at the end of each fiscal year, and adjustments are made in the future if appropriate.

If the owner occupies any investment property, it is reclassified as property, plant and equipment and its carrying cost on the date of reclassification becomes the cost to be accounted for later as property, plant and equipment.

On the date of each financial report, an independent valuation expert is used to evaluate the investment properties through which to reach the fair value of these properties and disclose their fair value as shown in Note (6), without recording changes in fair value in profit or loss.

Investment properties under construction:

Investment properties under construction principally comprise infrastructure costs, construction costs and all other costs necessary to obtain investment properties, which are capitalized to investment properties upon completion and ready-to-use at their carrying value at the date of reclassification. They are subsequently included in accordance with the policy used to measure investment properties.

Properties under construction for sale:

Developed properties are those properties that are acquired, constructed, or are in the process of being constructed or developed for sale. Developed properties are measured at the lower of cost or net realizable value. The cost of development of properties includes the cost of acquiring land, construction and other expenses related to preparing the properties for sale. Net realizable value is the estimated selling price in the ordinary course of business based on the market price at the statement of financial position date, less any costs to complete the sale. Management reviews the carrying value of development properties on an annual basis. Developed properties are classified as current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Intangible assets:

An intangible asset is an identifiable non-monetary asset that does not have a tangible physical entity.

Intangible assets are initially recognized at cost and subsequently measured at cost minus any amortization and impairment losses, if any.

Expenditures incurred internally by the entity on a intangible item, including all expenditures on research and development activities, are recognized as an expense when incurred, unless they form part of the cost of another asset that meets the recognition criteria.

The company's intangible assets are represented in computer software. Intangible assets are amortized over their expected useful lives as follows:

- Computer software 4 years

When there are indications of a change in the residual value or expected useful lives of intangible assets, previous estimates are reviewed by the management and when current expectations differ, the residual values, expected useful lives or the amortization method are modified, and this change is considered as a change in an accounting estimate. In the event that the enterprise is unable to determine the useful life of the intangible asset in a reliable manner, it is assumed that the useful life is 5 years, the residual value of the intangible assets, their useful lives and indicators of impairment in their value are reviewed at the end of each financial year and adjusted prospectively if that necessary.

Leases

- IFRS 16 specifies how to recognize, measure, present and disclose lease contracts. The standard introduces a single lessee accounting model, requiring lessees to recognize the assets and liabilities of all leases unless the leases are short-term of 12 months or less or the underlying asset is of low value. Lessors continue to classify leases as operating or financing, with IFRS 16 approaching the lessor accounting largely unchanged from its predecessor, IAS 17. Since some of the company's lease contracts as a short-term tenant are 12 months or less, and as a lessor, it has been found by the company, based on an evaluation of the terms and conditions of the arrangements, that the lease period does not represent an essential part of the useful life of the leased properties and that the present value of the minimum lease payments is not equal to The fair value of the leased properties has significantly decreased and it retains all the benefits and risks related to the ownership of these properties. Therefore, the company continued to account for these contracts as operating leases within the concept of International Financial Reporting Standard No. (16) related to the accounting for lease contracts and without a fundamental change from Section No. (20)) from the International Financial Reporting Standard for Small and Medium-sized Enterprises, which was previously applied. Therefore, the company, as a lessee, recognizes the lease payments associated with these leases as an expense on a straight line basis over the lease term. As a lessor, potential rents are recorded as revenue in the period in which they are earned.

A lease is classified as a finance lease if it transfers nearly all the risks and rewards of ownership, and below that is classified as an operating lease. The determination of whether a lease is finance or operating depends on the substance of the transaction and not on the form of the contract. A classification of the lease is made at the inception of the lease, and is not changed during the lease term, unless the lessor and the lessee agree to change the terms of the lease, in which case the lease classification is re-evaluated.

The Company as a Lessee:

Finance lease contracts

Finance lease contracts are capitalized at the beginning of their term at the fair value of the leased assets and if it is less than that, at the present value of the minimum lease payments.

The lease payments are apportioned between the financing expenses and the decrease in the lease obligations to arrive at a constant rate of return on the remaining balance of the obligation. Finance charges for the leased asset are included in finance costs in profit and loss.

The leased asset is depreciated over the useful life of the asset. In the absence of a reasonable belief that ownership will be transferred to the company at the end of the lease period, the asset is depreciated over its estimated useful life or the lease term, which is lower.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Leases (continued)

Operating leases

The lease payments are recognized as an operating expense in the income statement on a straight line basis over the term of the lease.

The Company as a lessor:

Finance lease contracts

Assets held under a finance lease are recognized in the statement of financial position and presented as receivable in an amount equal to the net investment in the lease. The net investment in the lease is the lessor's total investment in the lease discounted at the interest rate implicit in the lease.

Finance income is recognized on a pattern that reflects a constant periodic rate of return on the net investment of the lessor in the finance lease.

Operating leases

Rental income is recognized in profit or loss on a straight line basis over the term of the lease.

Financial assets:

Initial recognition

The company must recognize any financial asset in the financial position only when the company becomes part of the contractual commitment of the instrument. The classification of financial assets depends on the company's business model for managing its financial assets and the contractual terms of cash flows. The company classifies its assets as follows:

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

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

Initial measurement

On initial measurement, with the exception of trade receivables that do not include a significant financing component, the company measures the financial asset at fair value plus - if the financial asset is not at fair value through profit or loss and other comprehensive income - transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of profit or loss and other comprehensive income are expensed in the statement of profit or loss and other comprehensive income. Trade receivables that have no significant financing component or that have a maturity of less than 12 months are measured at the transaction price in accordance with IFRS 9.

Classification and subsequent measurement

The Company classifies its financial assets into the following measurement categories:

A- those assets that must subsequently be measured at fair value (either through other comprehensive income or through profit or loss)

B- Those assets that should be measured at amortized cost.

The classification depends on the company's business model for managing financial assets and the contractual terms of the cash flows.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Financial assets (continued)

• **Financial assets measured at amortized cost**

A financial asset shall be measured at amortized cost if the following conditions are met:

- Holding a financial asset within a business model that aims to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to fixed dates of cash flows that are payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized value using the effective interest rate method, less impairment for the expected credit loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized within finance income/cost in the statement of profit or loss and other comprehensive income.

• **Financial assets measured at fair value through other comprehensive income**

A financial asset must be measured at fair value through other comprehensive income when the following two conditions are met:

- Maintaining the financial asset within a business model, and the objectives of this model are achieved by collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset raise cash flows on specified dates that are only payments of principal and interest on the remaining loan principal.

These financial assets are subsequently measured at fair value. The fair value gains/losses are recognized in other comprehensive income. Furthermore, on initial recognition of a financial equity asset, the company may elect to designate the instrument measured at fair value through other comprehensive income.

• **Financial assets measured at fair value through profit or loss**

A financial asset must be measured at fair value through profit or loss unless it is required to be measured at amortized cost or at fair value through other comprehensive income.

After initial measurement, those financial assets are subsequently measured at fair value at the reporting date. All changes in fair value and income (interest and dividends) arising from these financial assets are recognized in profit or loss.

• **Reclassification**

When, and only when, an entity changes its business model for managing financial assets, it must reclassify all of its affected financial assets in accordance with the above classification requirements.

• **De-recognition**

The Company derecognizes financial assets when the contractual rights to the cash flows expire, or when it transfers the assets and the significant risks and rewards of ownership of the asset to another party and on disposal of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any A newly acquired asset net of any newly assumed liabilities) (ii) any cumulative gain or loss recognized in the statement of other comprehensive income, in profit or loss. However, with respect to equity shares designated at fair value through other comprehensive income, any cumulative gain (loss) recognized in the statement of other comprehensive income is not recognized in profit or loss upon derecognition.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

• Impairment in the value of financial assets

- IFRS 9 requires an entity to follow the expected credit loss model with respect to impairment of financial assets.

- The company measures loss allowances at an amount equal to lifetime expected credit losses.

Under IFRS 9, loss allowances are measured on any of the following bases:

- 12-month expected credit losses, which result from potential default events within a 12-month period from the date of the financial statements.

- Expected credit losses over the life of the financial instrument, which are the credit losses that result from all probable default events to settlement on default over the expected life of the financial instrument.

- The company considers a financial asset to be in default when it is unlikely that the debtor will pay its credit obligations to the company in full, without resorting to actions by the company such as realizing the guarantee (if any), and more than two years late from the date of commercial agencies.

- Expected credit losses must be measured and provisioned for either an amount equal to (a) 12 month expected losses, or (b) lifetime expected losses. If the credit risk of the financial instrument does not increase significantly initially, a provision is made equal to the expected loss of 12 months. In other cases, a provision for credit losses must be made for life.

For trade receivables that have a significant financing component, a simplified method is used so that there is no need to make an assessment of the increase in credit risk at each financial reporting date. Alternatively, the company can choose to make a provision against expected losses based on lifetime expected losses. The Company has elected to avail the lifetime ECL option. For trade receivables that do not have a significant financing component, the company is required to use lifetime ECL.

- The company at the date of each financial statements assesses whether the financial assets listed at amortized cost are credit-impaired. A financial asset is assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that financial asset occur.

Evidence of impairment of financial assets includes the following observable data:

Significant financial difficulty for the debtor.

- Breach of the contract, such as default or delay from the due date from commercial agencies.

- Restructuring of the loan or advance by the company on terms that the company deems otherwise, it is possible that the debtor will enter into bankruptcy or other financial reorganization or the disappearance of an active stock market due to financial difficulties.

- The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to accrue on the reduced carrying amount using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. Loans are written off together with the provision associated with the loans, when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Company.

If in a subsequent year the amount of the estimated impairment loss increases or decreases due to an event that occurred after the impairment was recorded, the previously recognized impairment loss shall be increased or decreased by adjusting the allowance account. If a write-off is subsequently reversed, it is recognized in profit or loss in the period in which it is recovered.

Financial Liabilities:

Initial recognition

The company should recognize any financial liabilities in the statement of financial position only when the company becomes part of the contractual provisions of the instrument.

Initial measurement

Financial liabilities are designated on initial recognition at fair value through profit or loss. Direct transaction costs are recognized in the statement of profit or loss and other comprehensive income when incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes, including any interest expense, and are recognized in the statement of profit or loss and other comprehensive income.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Financial liabilities:

Non-derivative financial liabilities are initially measured at fair value less any direct transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Classification and subsequent measurement

An entity classifies all financial liabilities as subsequently measured at amortized cost, except for:

A- Financial obligations at fair value through the statement of profit or loss and other comprehensive income.

B- Financial obligations that arise when transferring a financial asset that does not qualify for disposal or when applying the continuing participation method.

C- Financial guarantee contracts.

D- Obligations to provide a loan at a rate lower than the market interest rate.

E- The potential price recorded by the acquiring entity in the business combination to which IFRS 3 applies. This contingent consideration is subsequently measured at fair value with changes recognized in the statement of profit or loss and other comprehensive income.

All of the Company's financial liabilities are subsequently measured at amortized cost using the effective interest rate.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized as a finance cost in profit or loss.

De-recognition

Financial obligations are derecognised when the obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on completely different terms or a modification is made to the terms of an existing obligation substantially, such replacement or modification is treated as derecognition of the original financial liability with recognition of the new liability. The difference between the respective book values is recognized in profit or loss and other income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and recorded net in the statement of financial position only when there is a current legally enforceable right to settle the listed amounts and the company has the intention to settle assets with liabilities on a net basis or to realize assets and pay liabilities at the same time.

Amounts due from trade receivables and others

Most of the revenue is made on the basis of normal credit terms, and does not carry interest. When credit is extended beyond normal credit terms, amounts due from trade and other debtors are measured at amortized cost using the real interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence of impairment, the impairment loss is recognized directly in profit or loss.

Investments in securities

Investments in securities are measured in the statement of financial position on the basis of fair value, and changes in fair value are recognized in profit or loss directly in the income statement.

Amounts owed to trade payables

Trade payables are obligations based on normal credit terms and do not carry interest. Trade payables denominated in a foreign currency are translated into Saudi Riyals using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or expenses in the statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Impairment of non-financial assets

At the date of each report, the company evaluates whether there are any indications of a decline in the value of non-financial assets, if there is an indication of a possible decline, and if any of these indications are present, the recoverable value of any non-financial asset is estimated. If there are no indications of impairment, it is not necessary to estimate the recoverable amount of the non-financial asset. The recoverable amount of the affected non-financial asset is compared with the carrying amount and if the estimated recoverable amount is less, the carrying amount is reduced to the estimated recoverable amount, and the impairment loss is recognized directly in profit or loss.

If the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, Provided that it does not exceed the value of previously proven losses

In assessing the present value, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, market transactions are taken into account.

If no such transactions are specified, an appropriate valuation form is used. These calculations are recognized by valuation multiples, quoted share prices for publicly traded companies or other fair value indicators.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the company estimates the recoverable amount of the asset or cash-generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is determined so that the carrying amount of the asset exceeds its recoverable amount and exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Basis for measurement and classification of assets and liabilities into "current" and "non-current"

The company presents assets and liabilities in the statement of financial position on a current/non-current basis. Current assets are:

- When it is expected to be realized or intended to be sold or exhausted during the normal cycle of operations.
- If it is acquired primarily for trading purposes.
- When they are cash and cash equivalents unless there are restrictions on their exchange or use to settle any liabilities for a period of not less than 12 months after the financial period.

All other assets are classified as "non-current".

Obligations are considered current because:

- When it is expected to be repaid in the normal course of operations.
- In the case of acquisition mainly for trading purposes.
- When payment is due within 12 months after the financial period or when there is no unconditional right to postpone the payment of obligations for a period of not less than 12 months after the financial period.

All other liabilities are classified as 'non-current'.

Transactions with related parties

A person or a close member of the family of that person is related to the company, if that person:

- A member of the company's senior management personnel, who has control or joint control over the company, or who has a significant influence on the company.
- The employee working in the company is a member of the senior management staff in the company if he has the authority to take administrative decisions affecting the company.

An entity is considered related to the company if any of the following conditions apply:

- The entity and the company are members of the same group.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Transactions with related parties (continued):

- to be from associate or joint venture with the company.
- The entity and the company are joint ventures of the same third party.
- One of the two entities is a joint venture of a third entity, and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees either in the company or in an entity related to the company.
- The fact that the company is under control or joint control by a person specified in the above paragraph.
- The entity or any member of the group of which it is a part provides services to the company's senior management personnel.
- A person specified in the first paragraph above who has an important influence on the company or is a member of the company's senior management staff.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, regardless of when the payment is received. Revenue is measured at the fair value of the amount received or receivable after taking into account specific contractual terms of payment and after excluding taxes or duties.

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

Revenue from main activity (rental income)

The Company's revenue is primarily generated from the rental of investment properties with operating leases. Rental income from operating lease contracts for real estate investments is recognized on a straight-line basis over the lease periods, and is included in the income in the income statement because of its operational nature, with the exception of conditional rental income that is recognized upon its inception. The initial direct costs incurred in negotiating and entering into an operating lease are recognized as an expense over the lease term on the same basis as the rental income.

Lessee lease incentives are recognized as an operating expense on a straight line basis over the term of the lease. The lease term is the non-cancellable lease term plus any other term for which the lessee has an option to continue the lease and for which, at the inception of the lease, management was reasonably confident that the lessee would exercise that option.

Amounts received from tenants to terminate lease contracts or to compensate for vandalism are recognized in the statement of comprehensive income when the right to receive them is established.

Service fees and other expenses recoverable from lessees.

Income from expenses recharged to tenants is recognized in the period in which compensation is due. Service charges and other receivables are included as revenue, while related costs are included as part of cost of revenue, because management considers the Company to be acting as a principal in this matter.

Dividend income

Dividends are recognized when the company's right to receive it is recognized (if it is probable that the economic benefits will flow to the company and the revenue can be measured reliably).

Cost of revenue

The cost of revenue from the activity mainly consists of the cost of rental income, which includes direct operating expenses associated with the operation of investment properties and rental generation, including the costs of services from external sources (such as cleaning, security, maintenance, repair, rental services, property management, etc.), electricity and other utilities expenses and depreciation. Investment real estate, insurance and all other direct expenses. As for other operating expenses, they are considered either general and administrative expenses or marketing expenses.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Expenses

Expenses of managing and maintaining real estate and related electricity and water costs, as well as expenses for its consumption, are considered direct costs and included in activity costs. Expenses related to marketing and selling activities are classified as marketing expenses, and the rest of the expenses associated with the general management of the company's activities are classified as general and administrative expenses. General and administrative expenses include some direct and indirect costs that are not necessarily part of the cost of revenues in accordance with generally accepted accounting principles. The costs are also distributed between the cost of revenues and general and administrative expenses, if necessary, on a regular basis.

Legal zakat

Shariah zakat is calculated in accordance with the instructions issued by the General Authority for Zakat, Income and Customs, and a provision is set aside to meet the legal zakat due on an annual basis and is charged to the income statement. Any differences between the calculated provision and the final assessment are recorded when the final assessment is approved on the income statement at the time.

Value added tax

The company is subject to the value-added tax system, and the tax is calculated immediately upon issuance of the invoice, delivery of the service, receipt of the price or part of it, and the value-added tax return is submitted on a monthly basis.

Loans

Loans are initially recognized at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

Loans are eliminated from the statement of financial position when the obligation specified in the contract is fulfilled, canceled, or expires. Loans are classified as current liabilities when they mature in less than 12 months.

Financial charges

Financial expenses directly related to the purchase, construction or production of an asset that takes a long time to create or prepare to be ready for the purpose for which it was created or for sale are capitalized as part of the cost of that asset. All other financial charges are recorded as an expense and charge on the statement of comprehensive income during the period in which they are incurred. Financial charges consist of commissions and other costs incurred by the entity in obtaining loans.

Foreign currency translation

The company's financial statements are shown in Saudi Riyals, which is also the company's functional currency. Originally, foreign currency transactions are translated at the spot rates of the functional currency on the date that the transaction becomes eligible for recognition. The monetary assets and liabilities recorded in foreign currencies are then converted at the spot conversion rates for the functional currency on the date of preparing the company's financial statements, and all differences resulting from the settlement or translation of monetary items are included at rates different from those that were. Translated upon initial recognition within the profit or loss directly in the period in which it arises.

Employee end-of-service benefits

The company has a system of end-of-service benefits for employees within a defined benefit plan that is consistent with the labor and workers regulations in the Kingdom of Saudi Arabia based on the last salary and number of years of service.

End of service benefit plans are not funded. Thus the assessments of the obligations under the plans are carried out by the management based on the estimated additional unit method. The costs relating to these plans consist principally of the present value of the benefits attributable on an equal basis in each year of service and the interest on this obligation in respect of the employee's previous years' service.

Current and past service costs relating to post-service benefits and the reversal of the obligation at the discount rates used are recognized in profit or loss. Any changes in the net liability due to actuarial valuations and changes in assumptions are considered as a remeasurement in other comprehensive income. Remeasurement of gains and losses arising from experience adjustments and changes in actuarial assumptions in the period in which they occur are recognized directly in other comprehensive income and are presented separately in the separate statement of changes in shareholders' equity in the period in which they occur.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Employee end-of-service benefits (continued)

Changes in the present value of the defined benefit obligation arising from modifications or curtailments of the plan are recognized immediately in the statement of profit or loss and other comprehensive income as past service costs. End of service payments are based primarily on employees' final salaries, allowances and cumulative years of service, as described in the Saudi Arabian Labor Law.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. In cases where the Company expects to recover some or all of the provisions through a third party, for example, under an insurance contract, the recoveries are recognized as a separate asset only when the recovery is actually certain. The expense related to the provision is recognized in the income statement after deducting any recoveries.

Statutory reserve

According to the company's basic system 10% of the net profit for the year is set aside to form a statutory reserve provision in accordance with the provisions. The company may stop setting aside the reserve when it reaches 30% of the capital. It is not distributable.

Unrealized gain

Unrealized gain includes rentals on properties whose lease contracts commence after the end of the financial period.

Segment reports

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

1. He carries on his business in commercial activities through which it is possible to generate revenues and incur expenses, including revenues and expenses related to transactions with other components of the company.
2. The results of its operations are continuously analyzed by the chief operating officer in order to make decisions related to resource allocation and performance evaluation
3. Where accurate financial information is available.

Segment results that are communicated to the chief operating officer include items directly attributable to the segment as well as those that can be identified on a reasonable basis. The company owns two sectors (residential/commercial) for which reports are submitted, which are the strategic units of the company's activities. For more details about the business sectors Note (24).

The company conducts its business in the Kingdom of Saudi Arabia only, and accordingly no geographical sectors are presented in these financial statements.

Contingent assets and liabilities

Contingent assets are not recognized in the financial statements, but are disclosed when it is probable that economic benefits will be generated. An assessment is made at the date of each financial period to recognize contingent liabilities that are contingent liabilities arising from past events that can only occur with the occurrence and non-occurrence of one or more uncertain future events that are not under the Company's complete control.

Compensation of key management personnel:

The compensation of key management personnel is those amounts paid and payable to persons who have the authority and responsibility for planning, directing and controlling the activities of the enterprise, directly or indirectly, including any manager (whether executive or otherwise) where the compensation of key management personnel (benefits) includes short-term, long-term benefits, post-employment benefits, termination benefits, share-based payments).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

New Standards, Amendment to Standards and Interpretations:

The Company has also approved the following standards and amendments for the first time from 1 January 2023.

Amendments to IAS 1 and practice of IFRS 2

This amendment deals with helping entities determine the accounting policies that must be disclosed in the financial statements.

Amendments to IAS 8

The amendments aim to improve accounting policy disclosures and to help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

Amendments IAS 1 – Non-current liabilities with covenants and Classification of Liabilities as Current or Noncurrent Amendments

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendments to IFRS 16 – Leases on sale and leaseback:

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction.

Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

4. USE OF ESTIMATES AND JUDGMENTS:

In preparing these financial statements, the management used judgments, estimates and assumptions that affect the application of the company's accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in estimates is shown in the period in which it occurs if it affects only this period or the year in which the change occurred and future years if the effect of the change extends for more than one year.

Measurement of employee benefits obligations

The Company's obligations in relation to a defined benefit plan are calculated by estimating the future benefits that employees have earned in the current and prior periods and discounting that value to arrive at the present value. The defined benefit obligation is calculated annually by management. Judgments are used to estimate actuarial assumptions.

Classification of investment properties

The company determines whether the contract is qualified as investment property under IAS 40 "Investment properties" In making such a judgment, the Company considers whether the property is substantially cash flow-in and independent of other assets held by the Company. The company has decided that all the land and real estate owned by the company, except for the typical Al-namuzajeah district land on which the company's workers are located, should be classified as investment properties instead of property and equipment.

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4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED):

Investment properties valuation

Investment properties are stated at cost and an evaluation of their fair value is carried out at the date of each report with the assistance of an external real estate appraiser who has recognized professional qualifications and recent experience in the location and quality of the investment properties being valued. In order to determine the value, the valuer uses the comparable market approach and the residual value approach. The valuations are sensitive to the key assumptions that the external evaluator applies when deriving the discount rate and selling rates.

Classification of operating lease contracts - the company as a lessor:

The Company has entered into lease contracts for commercial properties and investment lands for some investment properties. The company has found, based on the evaluation of the terms and conditions of the arrangements, that the lease period does not represent an essential part of the useful life of the leased property and that the present value of the minimum lease payments is not to a large extent equal to the fair value of the leased property and that it retains all the benefits and risks related to the ownership of these properties. thus accounting for these contracts as operating leases.

Useful lives of property, plant and equipment, investment properties and intangible assets

Management determines the estimated useful lives of real estate, machinery and equipment, investment properties and intangible assets for the purpose of calculating their depreciation and amortization. This estimate is determined after taking into account the expected use of these assets and the physical damage to which they are exposed. The management reviews the residual value, useful lives and depreciation method annually to ensure that it reflects the expected benefit, and in the event of a difference, it is treated as variables in the accounting estimates (in the year of change and subsequent years).

Impairment of trade and other receivables

The impairment of trade and other receivables is generated by applying the simplified approach which requires the use of an allowance for expected credit losses for all trade receivables and when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties facing the customer, the possibility of the customer entering into bankruptcy or financial restructuring, and the default or delay in payments are all indicators of the existence of objective evidence of impairment in the value of trade receivables. For significant individual amounts, an assessment is made on an individual basis. Amounts that are not individually significant, but which are overdue, are assessed collectively and impairment is recognized by considering the length of time based on historical recovery rates.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured on the basis of quoted prices in active markets, the fair value is determined using valuation methods including the discounted cash flow model. Inputs to these models are taken from observable markets where possible and, when this is not feasible, a degree of judgment is required to determine fair values. The estimates include considerations of inputs such as liquidity risk, credit risk and price risk.

Impairment of fair value

IFRS requires management to perform an annual impairment test of fixed-term and indefinite assets to test for impairment if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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5.PROPERTY, PLANT AND EQUIPMENT, NET:

	<u>Land</u>	<u>Steel Buildings</u>	<u>Electrical Appliances</u>	<u>Furniture</u>	<u>Vehicles</u>	<u>Total</u>
Cost:						
Balance January 1, 2023	1,000,000	36,700	261,495	335,698	422,129	2,056,022
Additions	-	-	134,359	157,299	149,262	440,920
Disposals	-	-	(40,375)	-	-	(40,375)
Balance at December 31, 2023	<u>1,000,000</u>	<u>36,700</u>	<u>355,479</u>	<u>492,997</u>	<u>571,391</u>	<u>2,456,567</u>
Accumulated Depreciation:						
Balance January 1, 2023	-	12,470	204,013	252,477	97,531	566,491
Depreciation	-	1,101	24,221	31,002	121,661	177,985
Disposals	-	-	(40,357)	-	-	(40,357)
Balance at December 31, 2023	<u>-</u>	<u>13,571</u>	<u>187,877</u>	<u>283,479</u>	<u>219,192</u>	<u>704,119</u>
Net Book Value:						
As at December 31, 2023	<u>1,000,000</u>	<u>23,129</u>	<u>167,602</u>	<u>209,518</u>	<u>352,199</u>	<u>1,752,448</u>

There was no impairment of property, plant and equipment in the years 2023 and 2022. Also, no borrowing costs on property, plant and equipment have been capitalized during 2023 and 2022.

There are no mortgages, pledges or restrictions on property, plant and equipment as at 31 December 2023.

The depreciation charged during the year ended 31 December was as follows:

	<u>2023</u>	<u>2022</u>
General and administrative expenses	<u>177,985</u>	<u>126,159</u>

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5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED):

	Land	Steel Buildings	Electrical Appliances	Furniture	Vehicles	Total
Cost:						
Balance January 1, 2022	1,000,000	36,700	228,795	308,953	87,150	1,661,598
Additions	-	-	32,700	26,745	379,979	439,424
Disposals	-	-	-	-	(45,000)	(45,000)
Balance at December 31, 2022	1,000,000	36,700	261,495	335,698	422,129	2,056,022
Accumulated Depreciation:						
Balance January 1, 2022	-	11,369	193,766	221,928	14,644	441,707
Depreciation	-	1,101	10,247	30,549	84,262	126,159
Disposals	-	-	-	-	(1,375)	(1,375)
Balance at December 31, 2022	-	12,470	204,013	252,477	97,531	566,491
Net Book Value:						
As at December 31, 2022	1,000,000	24,230	57,482	83,221	324,598	1,489,531

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6. INVESTMENT PROPERTIES, NET:

	Land	Buildings	Elevators and systems for buildings	Buildings under construction (1/6)	Total
Cost:					
Balance January 1, 2023	299,440,052	268,327,714	17,190,903	660,773	585,619,442
Additions	40,312,500	164,999	162,645	12,722,852	53,362,996
Disposals	-	(3,000,000)	-	-	(3,000,000)
Transferred to Properties under development for sale (Note 11)	(2,000,000)	-	-	(42,130)	(2,042,130)
Transferred Buildings under construction	-	65,604	-	(65,604)	-
Balance at December 31, 2023	<u>337,752,552</u>	<u>265,558,317</u>	<u>17,353,548</u>	<u>13,275,891</u>	<u>633,940,308</u>
Accumulated Depreciation:					
Balance January 1, 2023	-	99,961,548	3,774,613	-	103,736,161
Depreciation during the year	-	8,029,172	519,712	-	8,548,884
Disposals during the year	-	(1,605,277)	-	-	(1,605,277)
Balance at December 31, 2023	<u>-</u>	<u>106,385,443</u>	<u>4,294,325</u>	<u>-</u>	<u>110,679,768</u>
Net Book Value:					
at December 31, 2023	<u>337,752,552</u>	<u>159,172,874</u>	<u>13,059,223</u>	<u>13,275,891</u>	<u>523,260,540</u>

Investment properties are measured at cost less accumulated depreciation and any impairment losses, if any. The Company has contracted with Saudi Asset Valuation Company for Professional Consulting (An independent external real estate valuer accredited by the Saudi Authority for Accredited Valuers) specialized in evaluating these investment properties, license No. (1210000273) and the fair value for investment properties is amounted to SAR 1,564,750,000 for the year ended 31 December 2023 SAR 1,395,150,074 for the fiscal year ended 31 December 2022.

The lands above mentioned include a units was added during the year 2018 for an amount of 27,714,374 Saudi riyals according to a contract for the sale of an off-plan real estate unit concluded between the Company and Tharawat Riyadh Industrial Fund on 10/07/2018 represented by purchase of real estate units with plot numbers (434-433-432- 431-400-399-398-397-396-395-394-393), where the total area of these real estate units is 17,411,36 m2 at a total cost of 27,714,374 Saudi riyals included value-added tax. During 2018, an amount of 11,491,326 saudi riyals was paid from the value of the real estate unit, which is the value of the pursuit of 675,961 Saudi riyals paid at the signing of the agreement, and the value of the first and second payments of the agreement amounted to 10,815,366 Saudi riyals deducted from the Company's investments in Tharawat Riyadh Industrial Fund. During 2019, the third and part of the fourth payments were deducted from the Company's investments in Tharawat Riyadh Industrial Fund for the value of 8,696,830 Saudi riyals. Thus, a total amount of 20,188,156 Saudi riyals has been paid, and the remaining amount of 7,526,218 Saudi riyals. During 2022, a partial liquidation was carried out, and the remaining amount after the liquidation became 5,043,731 Saudi riyals, to be paid according to the terms of the agreement between the two parties. It was expected The land should be ready by the company on 02/01/1441H corresponding to 1/9/2019, according to that agreement, but until the end of the fiscal year the project has not been completed, note that the percentage of completion according to the fund's evaluation as of 31/12/2019 amounted to 100%.

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6. INVESTMENT PROPERTIES, NET (CONTINUED):

	Land	Buildings	Elevators and systems for buildings	Buildings under construction (1/6)	Total
Cost :					
Balance January 1, 2022	299,440,052	268,240,048	15,886,955	1,063,718	584,630,773
Additions	-	19,596	603,729	365,344	988,669
Transferred Buildings under construction	-	68,070	700,219	(768,289)	-
Balance at December 31, 2022	299,440,052	268,327,714	17,190,903	660,773	585,619,442
Accumulated Depreciation:					
Balance January 1, 2022	-	91,913,718	3,292,355	-	95,206,073
Depreciation during the year	-	8,047,830	482,258	-	8,530,088
Balance at December 31, 2022	-	99,961,548	3,774,613	-	103,736,161
Net Book Value:					
As at December 31, 2022	299,440,052	168,366,166	13,416,290	660,773	481,883,281

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6. INVESTMENT PROPERTIES, NET (CONTINUED):

An authorization agreement was signed to deduct the investment units in Tharwat Riyadh Industrial Fund between the Company and Tharawat for Financial Securities Company for the full value of the Company's contribution to the fund, which is its fair value of 19,512,195 Saudi riyals On the same date of signing a contract for the sale of an off-plan real estate unit.

There was no impairment in the value of investment properties in 2023 and 2022. No borrowing costs on investment properties above mentioned were capitalized during 2023 and 2022.

The depreciation charged during the year ended 31 December was as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue	8,548,884	8,530,088
	<u>8,548,884</u>	<u>8,530,088</u>

1/6. Buildings under construction:

	<u>2023</u>	<u>2022</u>
Balance at January 1	660,773	1,063,718
Additions during the year	12,722,852	365,344
Transferred to investment properties	(65,604)	(768,289)
Transferred to properties under development for the purpose of sale	(42,130)	-
Balance at December 31	<u>13,275,891</u>	<u>660,773</u>

The investment properties under construction above mentioned are represented in the amounts that have been spent on several projects represented in improvements and civil defense works. At the beginning of the year there were (5) projects and (7) projects as on 31 December 2023. Work is underway to complete them and have not been completed until the date of the Company's financial statements.

Additions during the year include an amount of 10,000.00 Saudi riyals, which is an advance payment based on the agreement between the Al Rawabi Development Company (first party lessor) and the Advanced Schools Company (second party lessee) to terminate the lease contract for the land of the Hittin neighborhood in the city of Riyadh concluded on Muharram 21, 1440 AH corresponding to October 1, 2018 AD by mutual consent through the purchase of buildings built by the second party on the land leased from the first party at a value of 180,000,000 Saudi riyals, excluding taxes, where the first party is obligated to pay an amount of 18,000,000 Saudi riyals, representing 10% of the value of purchasing the buildings upon signing the contract and the remainder of the amount. The purchase, amounting to 162,000,000 Saudi riyals, represents 90% of the building purchase value, to be paid by check, checks, or bank transfers to the second party upon the first party receiving the construction completion certificate and the civil defense certificate from the second party.

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7. INTANGIBLE ASSETS, NET:

	Computer Software
Cost:	
Balance January 1, 2023	50,188
Additions	-
Balance at December 31, 2023	<u>50,188</u>
Accumulated Amortization:	
Balance January 1, 2023	26,066
Amortization during the year	5,037
Balance at December 31, 2023	<u>31,103</u>
Net Book Value:	
As at December 31, 2023	<u><u>19,085</u></u>

The amortization for intangible assets charged to Income statement for the financial year ended on 31 December 2023 amounted to (5,037) Saudi Riyals (31 December 2022 amounted to (1,068) Saudi Riyals).

	Computer Software
Cost:	
Balance January 1, 2022	25,000
Additions	25,188
Balance at December 31, 2022	<u>50,188</u>
Accumulated Amortization:	
Balance January 1, 2022	24,998
Amortization during the year	1,068
Balance at December 31, 2022	<u>26,066</u>
Net Book Value:	
As at December 31, 2022	<u><u>24,122</u></u>

8. CASH AND CASH EQUIVALENTS:

	2023	2022
Current accounts at banks	45,116,653	51,080,644
Cash on hand	16,545	75,818
	<u><u>45,133,198</u></u>	<u><u>51,156,462</u></u>

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9. LESSEES' RECEIVABLES, NET:

	2023	2022
Total Lessees' receivables	4,392,419	6,511,627
Less: Provision for expected credit losses	(2,473,753)	(3,360,366)
Net Lessees' receivables	<u>1,918,666</u>	<u>3,151,261</u>

The movement in the provision for expected credit losses during the year was as follows:

	2023	2022
Balance at January, 1	3,360,366	4,525,587
Used during the year	(63,484)	(333,817)
Provision no longer needed during the year	(823,129)	(831,404)
Balance at December, 31	<u>2,473,753</u>	<u>3,360,366</u>

Most of Lessees' receivables are represented of the rental revenues of the buildings and housing units owned by the Company. The receivables are due immediately after the date of renewal of the building lease contracts and the issuance of invoices and due payments according to what was agreed upon in those contracts. The amounts due are collected immediately upon the renewal date of these contracts and the issuance of invoices, a maximum of 30 days after their due date. A Provision for expected credit losses is made on Lessees' balances for amounts older than (30) days. The Company applies the simplified approach of IFRS 9 to measure expected credit losses lifetime of Lessees' receivables. A provision for expected credit losses was calculated as of 31 December 2023 and 2022 as follows:

Number of days	Lessees' receivables		Provision for expected credit losses	
	2023	2022	2023	2022
from - to				
0-30	388,153	869,182	81,530	240,024
31-60	713,987	629,527	145,847	196,886
61-90	312,869	430,808	69,550	156,808
91-120	680,922	823,333	155,856	205,833
121-150	398,573	328,384	124,555	132,839
From 151 and over	1,897,915	3,430,393	1,896,415	2,427,976
	<u>4,392,419</u>	<u>6,511,627</u>	<u>2,473,753</u>	<u>3,360,366</u>

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10. PREPAYMENTS AND OTHER DEBIT BALANCES:

	<u>2023</u>	<u>2022</u>
Advances to suppliers	2,003,882	497,585
Advance medical insurance	417,165	284,455
employess laons and petty cash	278,004	124,051
Paid in advance fees and subscriptions	53,369	28,905
VAT receivables	18,253	-
Advance maintenance of elevators, alarm systems and air conditioning	18,000	21,983
Advance employees benefits	13,858	149,535
Other debit balances	256,312	224,094
	<u>3,058,843</u>	<u>1,330,608</u>

11. PROPERTIES UNDER DEVELOPMENT FOR SALE:

	<u>Mohammedia Villas Complex</u>	<u>Total</u>
Cost:		
Balance at 1 January 2023	-	-
Transferred from Investment properties - Lands (Note 6)	2,000,000	2,000,000
Transferred from Investment properties - Buildings under construction (Note 6)	42,130	42,130
Additions during the year	2,596	2,596
Balance as at 31 December 2023	<u>2,044,726</u>	<u>2,044,726</u>

The lands and buildings of the Muhammadiyah Villas complex were transferred from Investment properties to Properties under development for sale. According to management decision dated 8 October 2023, and the buildings on those lands were demolished, with a net book value of 1,394,723 Saudi Riyals for development. Which resulted in capital losses with a net value of 1,294,723 riyals after deducting 100,000 Saudi Riyals for sale of scrap and demolition.

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12. INVESTMENTS IN MUTUAL FUNDS:

	Tharwat Riyadh Industrial Fund		Gravity Ranch Gross Fund		Total at December 31	
	2023	2022	2023	2022	2023	2022
Balance at January, 1	3,189,832	5,131,707	-	5,634,000	3,189,832	10,765,707
Impairment provision	-	-	-	(5,634,000)	-	(5,634,000)
Partial liquidation	-	(2,482,488)	-	-	-	(2,482,488)
(loss) gain from Revaluation	(439,930)	540,613	-	-	(439,930)	540,613
Balance at December 31	<u>2,749,902</u>	<u>3,189,832</u>	<u>-</u>	<u>-</u>	<u>2,749,902</u>	<u>3,189,832</u>

Tharawat Riyadh Industrial Fund:

The balance above mentioned represented in fair value of the investment in Tharawat Riyadh Industrial Fund as on 31 December 2023, which is managed by Tharawat for Financial Securities Company. Note that the cost of the investment during 2017 was recorded with the value of what was paid for subscribing to the fund and for a number of units amounting to 1,951,219.50 unit, the value of the unit amounting to 10 Saudi riyals, and what was paid as subscription fees in the fund amounting to SAR 487,805 was processed through profit and loss.

As of date 26 Shawwal 1439H corresponding to 10 July 2018, an authorization agreement was signed to deduct the investment units in Tharawat Riyadh Industrial Fund between the Company and Tharawat for Financial Securities Company for the full value of the Company's contribution to the fund, represented by its fair value of 19,512,195 Saudi riyals as on that date against the amounts dues on the Company due to the purchase of land under the off-plan real estate unit sale contract concluded between the Company and Tharawat Riyadh Industrial Fund on 26 Shawwal 1439H corresponding to 10 July 2018.

The investment in Tharwat Riyadh Industrial Fund was evaluated at fair value as on December 31, 2023 at an amount of SAR 2,749,902 which resulted in losses amounting to SAR (439,930) that was recorded as loss from revaluation of investments as on December 31, 2023 in the statement of profits or losses.

Gravity Ranch Fund:

The fund is a US investment fund for technological transformation. Note that the cost of the investment during 2019 has been recorded with the value of what was paid in return for subscribing to the fund in the amount of 1,500,000 US dollars, equivalent to (5,634,000 Saudi riyals). Due to there being no valuation of the investment, an investment impairment recorded is equivalent to 100% of the investment.

In accordance with the Board of Directors held on 8 Shaban 1444H corresponding to 28 February 2023, the members of the Board of Directors unanimously agreed to write off the investment in the Gravity Ranch Fund amounting to \$1,500,000, equivalent to (5,634,000 Saudi riyals). Accordingly, the investment was written off by netting it off against the full value of provision.

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13. CAPITAL:

The Company's capital was set at 400,000,000 Saudi riyals divided into 40,000,000 shares of equal value. the nominal value of the share is 10 Saudi riyals, All shares are common shares, and the founders subscribed to all the Company's shares and were paid in full.

14. DUE TO RELATED PARTIES:

The relevant authorities are represented by the shareholders and members of the board of directors, and these transactions were approved by the Company's management.

	Nature of the relationship	Transaction type	Transaction value as at December 31	
			2023	2022
Sheikh Ibrahim bin Saad Al-Mousa	Shareholder and former Chairman of the Board of Directors	Expenses paid on behalf	-	55,798,917
Claro real estate company	The CEO owns 30% of its officers	Consulting fees	85,300	-
Senior management compensation:				
			2023	2022
Remuneration of members of the Board of Directors			743,000	690,856

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15. EMPLOYEE DEFINED BENEFIT OBLIGATIONS:

The Company applies a defined benefit plan that complies with the requirements of the labor law in the Kingdom of Saudi Arabia. The amounts paid at the end of service under the plan are calculated on the basis of the employees' last salaries and allowances and the number of their cumulative years of service as on the date of the end of their service, as described in the labor law in the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and obligations to pay benefits are met when due.

	<u>2023</u>	<u>2022</u>
The present value of the defined benefit obligation at 31 December	<u>1,039,338</u>	<u>570,583</u>

Movement of liability was as follows:

Balance at 1 January	570,583	365,717
Included in the statement of comprehensive income:		
The present value of the defined benefit obligation is included in profits or losses	261,428	124,365
Interest cost	22,280	9,289
Remeasurement of the defined benefit obligation in other comprehensive income	281,175	79,994
Net included in the statement of other comprehensive income	564,883	213,648
Paid during the year	(96,128)	(8,782)
The present value of the defined benefit obligation at 31 December	<u>1,039,338</u>	<u>570,583</u>

The key actuarial assumptions used are:

The key actuarial assumptions that are significant to the valuation of the obligations relating to the calculation of employee-end-of-service benefit obligations are as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	4.75%	4.5%
Annual salary growth rate	5.00%	2.0%
Mortality rate	1.20%	1.2%
Recruitment turnover	1.00%	1%
Retirement age	60-65 years old	60-65 years old

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16. CREDITORS FOR THE PURCHASE OF INVESTMENT PROPERTIES IN INSTALLMENTS:

The purchase of investment properties in installments is represented by the value of the land sold to the Company by Tharawat Riyadh Industrial Fund, whose value is (27,038,414) Saudi Riyals, according to (the off-plan real estate unit sale contract) concluded on 26 Shawwal 1439H corresponding to 10 July 2018, which stipulates the payment of the value of the real estate unit amounting to (5,407,683) Saudi Riyals as advance payment upon signing the contract and the remaining payments amounting to (21,630,731) Saudi Riyals to be paid in successive installments distributed over of 5 installments dates will determined according to the percentage of completion in the works of the scheme according to the report of the engineering consultant from the date of concluding the contract, as it was expected to be completed on 31 December 2019, but until the end of fiscal year the project has not been completed, note that the percentage of completion according to the fund's evaluation as on 31 December 2019 was 100%, and after the total amounts deducted to Tharawat Company during 2019 reached to 19,512,196 Saudi Riyals, which is equal to the subscription amount in the Tharawat Riyadh Industrial Fund. During 2022, partial liquidation took place, so that the amount required to be paid was made 5,043,731 Saudi Riyals, and the following schedule shows the payment:

Payment	Percentage of payment from total value	Payment amount	Percentage of completion (Cumulative)	Description of completion
1	20%	5,407,683	0%	When signing the contract
2	20%	5,407,683	40%	When the percentage of completion in the scheme' work reaches to 40%
3	20%	5,407,683	60%	When the percentage of completion in the scheme' work reaches to 60%
4	20%	5,407,683	80%	When the percentage of completion in the scheme' work reaches to 80%
5	9%	2,482,488	100%	Partial liquidation during 2022
6	11%	2,925,194	100%	Due upon completion
		2023	2022	
Balance at December 31		5,043,731	5,043,731	

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17. ACCRUED EXPENSES AND OTHER CREDIT BALANCES:

	2023	2022
Advance rentals (Unearned)	14,193,184	9,363,936
Remuneration of members of the Board of Directors	503,000	487,000
Value Added Tax (Note 17/1)	402,474	243,597
Accrued expenses	382,781	40,489
Accrued salaries, vacation and tickets	218,068	191,906
Accrued professional fees	88,000	95,000
Accrued social insurance	39,691	34,677
Withholding tax	3,000	-
Advance payments from leasees' receivables	1,500	-
	<u>15,831,698</u>	<u>10,456,605</u>

17/1. Value added tax:

	2023	2022
Balance at January 1	243,597	55,762
Output tax during the year	9,710,507	6,895,298
Input tax during the year	(1,038,018)	(328,134)
Tax payable for the year	8,916,086	6,622,926
Tax paid during the year	(8,513,612)	(6,379,329)
Balance at December 31	<u>402,474</u>	<u>243,597</u>

Value added tax status:

The Company registered with Zakat, Tax and Customs Authority for value added tax under registration certificate No. 300776508800003 and the Company submitted its monthly returns until December 2023 and paid the tax due on it until the end of November, and the balance above mentioned is represented in the tax to be paid to Zakat, Tax and Customs Authority for December 2023.

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18. ZAKAT PROVISION:

	2023	2022
Profit of the year before zakat	43,467,578	33,928,480
Adjustment	283,708	133,654
Adjusted net profit	43,751,286	34,062,134
Added items	532,382,095	511,912,122
Discounted items	(525,032,073)	(483,396,934)
Maximizing the Zakat base between the Hijri and Gregorian dates	228,391	886,065
Zakat base	51,329,699	63,463,387
Zakat due	1,283,242	1,586,585
Zakat differences	-	503,464
Total zakat	1,283,242	2,090,049

The movement of the zakat provision was as follows:

	2023	2022
Balance at January 1	1,830,695	2,092,139
component during the year	1,283,242	1,586,585
Paid during the year	(1,317,940)	(1,848,029)
Balance at December 31	1,795,997	1,830,695

The accrued zakat calculated and charged to the Company's income for the fiscal year ended 31 December 2023 amounted to 1,283,242 Saudi riyals, which appeared as a separate item in the profits or losses statement. During 2023, an amount of 1,317,940 Saudi riyals was paid for zakat payable for 2022. It is calculated at 2.5% of the adjusted net income for the year in addition to 2.5% of the Net zakat base without adjusted net income. If the net zakat base is higher than the adjusted net income, it is calculated at 2.5% of the adjusted net income only.

Zakat Status:

The Company submitted its zakat declaration to Zakat, Tax and Customs Authority in Riyadh for the financial year ended on 31 December 2022, were issued by Zakat, Tax and Customs Authority on the zakat returns and financial statements of the Company for the year 2019 with a total value of 503,464 Saudi Riyals. paid it during 2022, and received a zakat certificate that expires on 10 Shawal 1444H, corresponding to 30 April 2023.

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19. REVENUE:

	2023	2022
Aban Commercial Center	11,309,664	10,575,337
Rawabi Al Zahraa Hotel in Madinah	7,996,746	2,805,061
Rawabi Zamzam Hotel in Makkah	7,500,000	3,420,335
Aban Business Center	6,370,996	5,400,000
Rawabi Defense Industrial Complex	4,225,776	3,408,404
Rawabi Al-Tahlia	4,100,000	4,016,712
Hittin neighborhood land	4,000,000	4,000,000
Al Kharj Road Buildings	3,517,554	3,289,389
Rawabi Olaya Commercial	3,276,092	3,292,120
Rawabi Al-Shati	2,000,000	2,000,000
Rawabi Al Ansar	2,000,000	2,000,000
Rawabi Al Faisaliah Industrial 1	1,386,906	1,234,861
Rawabi Al Dabab	1,081,796	800,000
Post office building in Al-Sahafa district	1,000,000	-
Coryard	674,665	139,512
The new Company building	573,624	562,010
Al-Kharj Road Building	501,366	500,000
Rawabi Mecca warehouses	173,002	126,786
Al Mohammedia Villas	49,529	556,415
	<u>61,737,716</u>	<u>48,126,942</u>

Based on the circular issued on Jumada II 18, 1445 AH, corresponding to December 31, 2023 AD, new names were approved for some properties.

20. COST OF REVENUE:

	2023	2022
Depreciation of investment properties (Note 6)	8,548,884	8,530,088
Electricity, water, sanitation, maintenance and utilities	1,132,915	832,273
Employee salaries, wages and benefits	754,183	553,958
Discounts	558,325	376,368
Finance compensation Ejar system	47,700	65,100
End of service	16,155	23,992
	<u>11,058,162</u>	<u>10,381,779</u>

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21. GENERAL AND ADMINISTRATIVE EXPENSES:

	2023	2022
Salaries, wages and equivalent	3,481,303	2,769,730
Remuneration of members of the Board of Directors	743,000	690,856
Fees and subscriptions	677,716	490,122
Professional, consulting and audit fees	514,074	344,844
Medical insurance	408,688	200,042
End of service	245,273	100,373
Depreciation and amortization	183,022	127,227
Electricity, water, telephone, maintenance and repairs expenses	139,467	258,653
Travel and transportation	55,032	18,474
Advertisements	27,736	37,207
Stationery	14,842	15,775
Other	117,524	64,779
	<u>6,607,677</u>	<u>5,118,082</u>

22. SELLING AND DISTRIBUTION EXPENSES:

	2023	2022
Posters and advertisements	500	3,370
Commissions	-	91,110
	<u>500</u>	<u>94,480</u>

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23. CONTINGENT ASSETS:

Lease contracts

*** Classification of lease contracts**

The lease contracts of the Company are classified as a lessee / as a lessor and concluded between the Company and its property lessees are classified as operating leases based on the substance of the transaction where the lease is classified as an operating lease if it does not transfer nearly all the risks and rewards related to ownership.

*** Minimum future rental payments:**

The total minimum future lease payments from non-cancellable operating leases as on 31 December 2023 (for the Company as lessor) are as follows:

Cost center	Time period for future rent payments			Total
	Less than one year	one year and less than five years	five years and more	
Hittin neighborhood land (Tarbyh Namouthajyah Schools)	2,000,000	-	-	2,000,000
Aban Commercial Center	9,731,265	23,717,153	4,233,333	37,681,751
Rawabi Al-Shati	2,000,000	8,000,000	20,000,000	30,000,000
Rawabi Al Ansar	2,000,000	8,000,000	20,000,000	30,000,000
Rawabi Zamzam Hotel	750,000	27,870,000	-	28,620,000
Aban Business Center	5,400,000	12,711,110	-	18,111,110
Al-Kharj Road (Four buildings)	2,668,001	4,746,422	1,588,325	9,002,748
Al-Kharj Road Building 5	500,000	2,500,000	-	3,000,000
Rawabi Olaya Commercial	3,138,538	5,148,963	-	8,287,501
Rawabi Al Zahraa Hotel	650,000	7,326,271	-	7,976,271
Al Sahafa Bulding	1,000,000	-	-	1,000,000
Rawabi Defense Industrial Complex	4,699,552	1,844,659	-	6,544,211
Rawabi Al-Tahlia	4,866,102	244,068	-	5,110,170
Rawabi Al Faisaliah Industrial 1	1,133,192	724,388	-	1,857,580
Rawabi Al Dabab	800,000	851,111	-	1,651,111
Company's building in Namudhajiya	572,000	571,773	-	1,143,773
Mohammedia Villas	590,000	441,040	-	1,031,040
Rawabi Mecca warehouses	170,000	97,403	-	267,403
Al-Yasmin lands	85,000	67,205	-	152,205
	<u>42,753,650</u>	<u>104,861,566</u>	<u>45,821,658</u>	<u>193,436,874</u>

*** Conditional rents:**

The conditional rents recognised as income amounted to (zero) Saudi Riyals for the year 2023 compared to (zero for the year 2022), as the Company did not have any conditional lease contracts during the financial year ended on 31 December 2023, whether (as a Lessee) or (as a lessor).

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24. OPERATING SEGMENTS:

For administrative purposes, the Company consists of business units based on the nature of its operations that it provides, and it has two sectors for which the report is prepared as follows:

A - Residential sector

B - Commercial sector

Segment performance is evaluated on the basis of profit or loss and is measured on a consistent basis in line with the profit or loss in the financial statements. However, the Company's financing (including financial charges) is managed on a company level basis and is not allocated to operating and revenue segments. All operating assets are located within the Kingdom of Saudi Arabia and the Company carries out its commercial activities within the Kingdom of Saudi Arabia only and does not have any branches outside, and therefore no information was disclosed about the geographical sectors, and the segments information is as follows:

	Commercial Sector	Residential Sector	Headquarter	Total
For the year ended 31 December 2023:				
Revenue	60,056,685	1,681,031	-	61,737,716
Cost of revenue	(10,757,057)	(301,105)	-	(11,058,162)
Gross profit	49,299,628	1,379,926	-	50,679,554
General and administrative expenses	-	-	(6,607,677)	(6,607,677)
Selling and distribution expenses	-	-	(500)	(500)
(Loss) gain from revaluation of investments	-	-	(439,930)	(439,930)
Finance cost	-	-	(22,280)	(22,280)
Loss on disposal of property, plant and equipment	-	-	(18)	(18)
Loss on disposal of investment properties	-	-	(1,294,723)	(1,294,723)
Provision for expected credit losses no longer required	-	-	823,129	823,129
Other income	-	-	330,023	330,023
Profit before zakat for the year	49,299,628	1,379,926	(7,211,976)	43,467,578
Total Assets	481,552,770	33,752,495	64,632,143	579,937,408
Total Liabilities	18,880,720	356,195	4,473,849	23,710,764
For the year ended 31 December 2022:				
Revenue	45,960,685	2,166,257	-	48,126,942
Cost of revenue	(9,861,796)	(519,983)	-	(10,381,779)
Gross profit	36,098,889	1,646,274	-	37,745,163
General and administrative expenses	-	-	(5,118,082)	(5,118,082)
Selling and distribution expenses	-	-	(94,480)	(94,480)
(Loss) gain from revaluation of investments	-	-	540,613	540,613
Finance cost	-	-	(9,289)	(9,289)
Loss on disposal of property, plant and equipment	-	-	(26,234)	(26,234)
Provision for expected credit losses no longer required	-	-	831,404	831,404
Other income	-	-	59,385	59,385
Profit before zakat for the year	36,098,889	1,646,274	(3,816,683)	33,928,480
Total Assets	444,733,163	37,146,117	60,345,817	542,225,097
Total Liabilities	15,587,280	406,972	1,907,362	17,901,614

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25. EARNINGS PER SHARE:

Basic and diluted earnings per share have been calculated by dividing net earnings per share by the weighted average shares for the year as follows:

	2023	2022
Profit attributable to the Company's shareholders	42,184,336	31,838,431
Weighted average of shares outstanding	40,000,000	40,000,000
Basic EPS	1.05	0.80
Diluted EPS	1.05	0.80

26. DISTRIBUTION

Interim Dividends are recorded in the period that is approved by the Board of Directors. Final dividends are also recorded in the period during which they are approved by the General Assembly Meeting of shareholders.

On 9 October 2023, corresponding to 24 Rabi' al-Awwal 1445H, the Extraordinary General Assembly Meeting of Shareholders approved, based on recommendation of the Board of Directors on 21 August 2023, corresponding to 5 Safar 1445H, to distribute dividends for the first half of the year 2023 in the amount of (10,000,000 Saudi Riyals), at 0.25 Saudi Riyals per share, which It represents 2.50% of the nominal value of one share, provided that the dividends will be distributed on Thursday, 19 October 2023, corresponding to 4 Rabi' Thani 1445H.

27. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT:

The Company's financial assets consist of cash and cash equivalents, lessees' receivables, other debit balances, properties under development for sale, and investments in mutual funds. The main financial liabilities consist of creditors for the purchase of investment properties in installments and other credit balances.

The Company is exposed to many financial risks represented in: market risks (, fair value risks, cash flows for interest rates and price risks), credit risks, and liquidity risks. The Company's management seeks to support the Company's liquidity position by generating cash flows from realized annual profits and seeks to reduce the impact of potential market variables that could affect the Company's operational performance.

Foreign currency risk:

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign currency risk arises when future business transactions, assets and liabilities are denominated in a currency other than the Saudi riyal.

Management monitors fluctuations in foreign exchange rates and believes that the Company is not significantly exposed to changes in exchange rates, the Company's transactions are conducted in Saudi riyals.

Interest rate risk:

Interest rate risk is exposure to various risks associated with the impact of fluctuations in prevailing interest rates on the Company's financial position and cash flows. The company is not exposed to interest rate risks on its assets, as there are no balances of loans or bank facilities as of 31 December 2023.

Price risk:

Risk is the exposure of the value of a financial instrument to change as a result of changes in market prices, whether these changes result from factors specific to each financial instrument individually or to its source, or as a result of factors affecting all financial instruments traded in the market.

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27. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED):

Credit risk:

Credit risk represents the inability of one party to fulfill its obligations, which leads to the other party incurring a financial loss. The company manages its credit risk in relation to lessees' receivables by setting credit limits for each customer and monitoring the outstanding receivables.

Exposure to credit risk

The company's accounts are deposited with reputable financial institutions. The Company does not have a significant focus on credit risk for accounts receivable and other debit balances due to the distribution of risks over a large number of customers. The Company maintains a credit policy that stipulates dealing only with parties with high creditworthiness and obtaining adequate insurance where appropriate as a means of reducing the risk of financial loss from failure to fulfill the obligation. The Company regularly monitors the credit rating of its customers and the volume of transactions with them during the year, and a continuous credit evaluation is conducted on their positions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	45,133,198	51,156,462
Lessees' receivables, net	1,918,666	3,151,261
	<u>47,051,864</u>	<u>54,307,723</u>

Liquidity risk:

Liquidity risk represents the difficulties that the company faces in providing funds to meet commitments related to financial instruments. Liquidity risk initiated from the inability to sell a financial asset quickly and at an amount equivalent to its fair value. Liquidity risk is managed through regular monitoring to ensure that sufficient liquidity is available through cash flows from the Company's main activities to meet any future obligations.

The Company's approach to liquidity management is to ensure that it will always have ability of sufficient liquidity to meet its obligations as they fall due, under normal and emergency circumstances, without incurring unacceptable losses or risking the Company's reputation.

The contractual maturities of non-derivative financial liabilities are as follows:

	<u>Less than one year</u>	<u>One year or more</u>	<u>No specific due date</u>	<u>Total</u>
Non-derivative financial liabilities				
31 December 2023				
Creditors for purchasing investment properties in installments	5,043,731	-	-	5,043,731
Accrued expenses and other credit balances	15,831,698	-	-	15,831,698
Zakat provision	1,795,997	-		1,795,997
Defined benefit obligations to employees	-	-	1,039,338	1,039,338
	<u>22,671,426</u>	<u>-</u>	<u>1,039,338</u>	<u>23,710,764</u>

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27. FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (CONTINUED):

Liquidity risk (continued)

	Less than one year	One year or more	No specific due date	Total
Non-derivative financial liabilities				
31 December 2022				
Creditors for purchasing investment properties in installments	5,043,731	-	-	5,043,731
Accrued expenses and other credit balances	10,456,605	-	-	10,456,605
Zakat provision	1,830,695	-	-	1,830,695
Defined benefit obligations to employees	-	-	570,583	570,583
	17,331,031	-	570,583	17,901,614

Risk Management

The Company's objectives when managing capital are to keep the Company's ability to continue to operate on a commercial basis with the aim of providing returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is the equity attributable to shareholders. The main object of managing capital is to support its business and maximize value to shareholder.

It is the policy of the Board of Directors to maintain a strong capital base that works to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Board of Directors monitors the return on capital, and the Board of Directors also monitors the level of dividends to shareholders.

28. Contingent Liabilities and Commitments:

The Company does not have any contingent liabilities and capital commitments as of December 31, 2023 and December 31, 2022.

29. SUBSEQUENT EVENTS:

- On Shaaban 15, 1445 AH, corresponding to February 25, 2024 AD, a loan was obtained from the Arab National Bank in the amount of 170,000,000 Saudi riyals based on the agreement concluded on Jumada al-Thani 5, 1445 AH, corresponding to December 18, 2023 AD, as the aim of the financing is to purchase buildings built on the land of the Hittin district in the city of Riyadh and related to By terminating the lease contract by mutual consent between Enmaa Al Rawabi Company (the lessor) and the Al-Motaqadimah Schools Company (the lessee), the financing value is paid in five equal annual installments, the value of each installment amounting to 34,000,000 Saudi riyals. The first installment is due on December 31, 2024 AD and the last installment is due on December 31, 2028 AD. .

In exchange for the following conditions and guarantees:

- 1- A promissory note for the full financing value.
 - 2- Mortgaging the land of the Hittin district in the city of Riyadh.
 - 3- The original waiver in favor of the bank of the property rental returns.
 - 4- Any other guarantees required by the bank.
- On Shaban 15, 1445 AH, corresponding to February 25, 2024 AD, a lease contract was signed for an educational complex in the Hittin district in the city of Riyadh for a period of 25 years at a value of 29,325,000 Saudi riyals, including value-added tax, for the first year of rent, and the rent value increases progressively until the end of the contract. The value of the entire contract amounted to 1,001,676,427 Saudi riyals, including value-added tax.