

## Agenda of the Ordinary General Assembly Meeting (first meeting) for Emaar the Economic City

Monday 06/01/1448H corresponding to 22/06/2026– 7:00 pm

## جدول أعمال اجتماع الجمعية العامة العادية لشركة إعمار المدينة الاقتصادية (الاجتماع الأول)

يوم الاثنين 06 محرم 1448 هـ الموافق 22 يونيو 2026م في تمام الساعة 07:00 مساءً



Item	البند	
1 Review and discuss the report of the Board of Directors for the fiscal year ending on December 31, 2025 (attached).	1 الاطلاع على تقرير مجلس الإدارة عن السنة المالية المنتهية في 31 ديسمبر 2025م ومناقشته (مرفق).	1
2 Review and discuss the consolidated Financial Statements for the fiscal year ended on December 31, 2025 (attached).	2 الاطلاع على القوائم المالية الموحدة للسنة المالية المنتهية في 31 ديسمبر 2025م ومناقشتها (مرفق).	2
3 Voting on the External Auditor Report for the fiscal year ended on December 31, 2025 (attached).	3 التصويت على تقرير مراجع الحسابات للسنة المالية المنتهية في 31 ديسمبر 2025م (مرفق).	3
4 Voting on the payment of SAR 2,700,000 (two million seven hundred thousand) as remuneration for the Board members for the fiscal year ending on 31 December 2025.	4 التصويت على صرف مبلغ 2,700,000 (مليونان وسبعمائة ألفاً) ريال سعودي مكافأة لأعضاء مجلس الإدارة عن السنة المالية المنتهية في 31 ديسمبر 2025م.	4



Item	البند
<p>5 Voting on the absolving the Board of Directors members from their liabilities pertaining to the management of the Company for the fiscal year ended on December 31, 2025.</p>	<p>5 التصويت على إبراء ذمة أعضاء مجلس الإدارة عن العام المالي المنتهي في 31 ديسمبر 2025م.</p>
<p>6 Voting on the election of the Board of Directors members from among the candidates for the upcoming term, which begins on 26-06-2026 for a duration of (4) four years, ending on 25-06-2030 (Candidates' CVs are attached).</p>	<p>6 التصويت على انتخاب أعضاء مجلس الإدارة من بين المرشحين للدورة القادمة، التي تبدأ بتاريخ 26-06-2026 ولمدة (4) أربع سنوات، وتنتهي بتاريخ 25-06-2030 (مرفق السير الذاتية للمرشحين).</p>
<p>7 Voting on of the request of the external auditor for the cost overrun and increase in audit fees approved previously by the general assembly for the years 2025 by SAR 388,813 (Three Hundred and Eighty-Eight Thousand Eight Hundred and Thirteen), and the total of the revised fees to be amounting to SAR 5,071,763 (Five Million Seventy-One Thousand Seven Hundred and Sixty-Three).</p>	<p>7 التصويت على طلب المراجع الخارجي بشأن زيادة أتعاب المراجعة المعتمدة مسبقًا من قبل الجمعية في عام 2025م بمبلغ 388,813 ريال سعودي (ثلاثمائة وثمانية وثمانون ألفًا وثلاثمائة وثمانمائة وثلاثة وستون ريالًا سعوديًا)، ليصبح إجمالي الأتعاب المعدلة مبلغ 5,071,763 ريال سعودي (خمسة ملايين وواحد وسبعون ألفًا وسبعمائة وثلاثة وستون ريالًا سعوديًا).</p>



	Item	البند
8	<p>Vote on the appointment of the Company's auditor from among the candidates, based on the Audit Committee's recommendation, to examine, review and audit the financial statements for the second, third, and annual statements for the fiscal year 2026; first, second, third quarters and annual statements for fiscal year 2027; first, second, third quarters and annual statements for fiscal year 2028; and first quarter of 2029; and determining their fees (attached).</p>	<p>التصويت على تعيين مراجع حسابات الشركة من بين المرشحين، بناءً على توصية لجنة المراجعة، وذلك لفحص ومراجعة وتدقيق القوائم المالية للربعين الثاني والثالث والقوائم السنوية للسنة المالية 2026م، والربع الأول والثاني والثالث والقوائم السنوية للسنة المالية 2027م، والربع الأول والثاني والثالث والقوائم السنوية للسنة المالية 2028م، والربع الأول من عام 2029م، وتحديد أتعابه. (مرفق)</p>
9	<p>Voting on the Board of Directors' resolution to appoint Engineer Muhannad Kusai Al-Azzawi (Non-Executive Member) to the Board of Directors effective from the date of his appointment on 08-02-2026 until the end of the current term ending on 25-09-2026, succeeding the former member, Mr. Mansour Abdulrahman Al Salem (Non-Executive Member) (CV attached).</p>	<p>التصويت على قرار مجلس الإدارة بتعيين المهندس مهند قصي العزاوي (عضو - غير تنفيذي) بمجلس الإدارة ابتداءً من تاريخ تعيينه في 08-02-2026م لإكمال دورة المجلس حتى تاريخ انتهاء الدورة الحالية في 25-09-2026م خلفاً للعضو السابق الأستاذ منصور عبدالرحمن السالم (عضو - غير تنفيذي) (مرفق السيرة الذاتية).</p>



	Item	البند
10	<p>Voting on the Board of Directors' resolution to appoint Mr. Khalid Mansour Alsalman (Non-Executive Member) to the Board of Directors effective from the date of his appointment on 04-03-2026 until the end of the current term ending on 25-09-2026, succeeding the former member, H.E. Mr. Fahad Abduljalil Alsaif (Non-Executive Member) (CV attached).</p>	<p>التصويت على قرار مجلس الإدارة بتعيين الأستاذ خالد منصور السلطان (عضو) - غير تنفيذي بمجلس الإدارة ابتداءً من تاريخ تعيينه في 04-03-2026م لإكمال دورة المجلس حتى تاريخ انتهاء الدورة الحالية في 25-09-2026م خلفاً للعضو السابق معالي الأستاذ فهد عبدالجليل السيف (عضو) - غير تنفيذي (مرفق السيرة الذاتية).</p>
11	<p>Voting on the transactions and contracts concluded between the Company and the Public Investment Fund ("PIF") for the year 2025 regarding an amendment and restatement agreement to the existing shareholder loan agreement for an additional convertible loan amounting to 1,000,000,000 (one billion) Saudi Riyals whereby the PIF has the right to convert the debt amount into equity in the Company, in which the previous Chairman of the Board of Directors of the Company, His Excellency Mr. Fahad Al-Saif, the Board Member Mr. Naif Al-Hamdan, and the previous Board member Mr. Mansour Al-Salem, each have an indirect interest in as they are/were part of the executive management of Public Investment Fund (a major shareholder of EEC) (Attached).</p>	<p>التصويت على المعاملات والعقود المبرمة بين الشركة وصندوق الاستثمارات العامة ("الصندوق") لعام 2025م بشأن اتفاقية تعديل وإعادة صياغة لاتفاقية قرض المساهم القائمة، وذلك إضافة قرض إضافي قابل للتحويل والبالغ 1,000,000,000 ريال سعودي (مليار ريال سعودي)، بحيث يكون للصندوق الحق في تحويل مبلغ الدين إلى أسهم في الشركة، والتي لكل من رئيس مجلس الإدارة السابق للشركة معالي الأستاذ فهد السيف، وعضو مجلس الإدارة الأستاذ نايف الحمدان، وعضو مجلس الإدارة السابق الأستاذ منصور السالم، مصلحة غير مباشرة فيها، وذلك لكونهم ضمن الإدارة التنفيذية السابقة والحالية لصندوق الاستثمارات العامة (أحد كبار المساهمين لشركة إعمار المدينة الاقتصادية) (مرفق).</p>



	Item	البند
12	<p>Voting on the participation of His Excellency Mr. Fahad Abduljalil Alsaif, previous Board Chairman, in an activity that competes with the Company's business, through his membership on the Board of Directors of NEOM, a large-scale development project in northwest Saudi Arabia focused infrastructure development, logistics, and tourism positioning it as a competing development to King Abdullah Economic City (Attached).</p>	<p>التصويت على اشتراك معالي الأستاذ فهد عبدالجليل السيف، رئيس مجلس الإدارة السابق، في عمل منافس لأعمال الشركة، وذلك من خلال عضويته في مجلس إدارة نيوم، وهو أحد مشاريع التطوير ذات النطاق الواسع في شمال غرب المملكة العربية السعودية يركز على تطوير البنية التحتية والخدمات اللوجستية والسياحة، بما يجعله مشروعًا منافسًا لمدينة الملك عبدالله الاقتصادية. (مرفق)</p>
13	<p>Voting on Delegating the Board of Directors by Ordinary General Assembly of its authorization power referred to in Paragraph (1) of Article (27) of the Companies Law, for a year from the date of Ordinary General Assembly's approval to the delegation or until the end of the current term of the Board of Directors, whichever is earlier. Such delegation or until the end of the requirements stipulated in the Regulatory Rules and Procedure Issued pursuant to the Companies Law relating to Listed Joint Stock Companies.</p>	<p>التصويت على تفويض مجلس الإدارة بصلاحيه الجمعية العامة العادية بالترخيص الوارد في الفقرة (١) من المادة (٢٧) من نظام الشركات، وذلك لمدة عام من تاريخ موافقة الجمعية العامة العادية أو حتى نهاية دورة مجلس الإدارة المفوض أيهما أسبق، وذلك وفقا للائحة التنفيذية لنظام الشركات الخاصة بشركات المساهمة المدرجة.</p>



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**Appendix No. 2**

**2025 Board of Directors Report**

Esteemed Shareholders may review the Board of Directors Report for the year 2025 through the following link:

**[Board of Directors Annual Report for the year 2025](#)**

**الملحق (2)**

**التقرير السنوي لمجلس الإدارة لعام 2025م**

يمكن السادة المساهمين الاطلاع على التقرير السنوي لمجلس الإدارة للعام 2025م عبر الرابط أدناه:

**[التقرير السنوي لمجلس الإدارة لعام 2025م](#)**



Audit Committee  
Report for 2025

تقرير لجنة المراجعة لعام  
2025م



## 14) Audit Committee Report

Below are the results of the annual review of the effectiveness of the internal control procedures of the Company and the opinion of the Audit Committee with respect to the adequacy of the Company's systems of internal and financial controls and risk management:

- **Evaluating internal control system:**

Based on the provisions of the Corporate Governance Regulations (CGR) issued by the Capital Market Authority in Articles 21 (2-d) and 52 in relation to the basic functions of the Board of Directors and the tasks of the Audit Committee and based on the provisions of Article of 87 (10) of the CGR, the Audit Committee presents through this report its opinion on the adequacy of the Internal and Financial Controls and Risk Management Systems in Emaar, the Economic City.

The Audit Committee periodically follows up and performs the responsibilities and tasks entrusted to it by the Board of Directors. The Audit Committee expressed its opinion on the effectiveness of the internal controls system as follows:

- Appointment of Independent External Auditor:** As part of the Audit Committee's mandates with regard to the recommendation to the Board of Directors on appointment, reappointment or removal of external auditor, determining their fees, and evaluates their performance, the committee had reviewed and evaluated the performance of the Independent External Auditor for the previous fiscal year and recommended to the Board of Directors and General Assembly to reappoint the Independent External Auditor to audit the financial statements for the year ended 31 December 2025 and the determined audit fee in accordance of the previous General Assembly resolution to appoint the Independent External Auditor for the three fiscal years from 2023 to 2025.
- The annual audit plan submitted by the Independent External Auditor:** The Audit Committee approved the audit plan submitted by the Independent External Auditor after discussing the same with them and ensure that it covers the main areas of concerns for the company.
- Review the financial statements which include the accounting policies used and discussing the same with Management and the Independent External Auditor:** During its periodic meetings throughout the year, the committee discussed the financial policies used in the preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). After reviewing and discussing these policies, these were approved by the Board of Directors. The Audit Committee also reviewed the quarterly and annual financial statements and special reports which includes comparing the current period with the previous periods and highlighted some observations and also discussed the same with Management and the Independent External Auditor.

This was done prior to the approval of the Financial statements by the by the Board of Directors and being published on the CMA platform. The audit opinion on the Financial Statements was unqualified for the year ended 31 December 2025.

- d. **The “management letter” and the recommendations provided by the Independent External Auditor and the extent to which management is taking corrective action on these recommendations:** The Audit Committee had reviewed the “management letter” submitted by the Independent External Auditor and received from Management the necessary corrective action plan in relation to these observations. The Audit committee followed up with Management the stages of implementation of audit recommendations and made sure that Management is committed to implementing the audit recommendations.
- e. **Reports and recommendations provided by the company’s Internal Auditor and the extent to which management is taking corrective actions on the recommendations:** The Audit Committee periodically follows up with the Internal Auditor and Senior Management the stages of management’s commitment to the agreed action plans in order to take corrective action plan on the recommendations provided by the Internal Auditors. The Internal Auditor submits a follow-up report on Audit Recommendations i.e. open and closed audit recommendations. The Audit Committee discusses this report with Management and the Internal Auditor.
- f. **Annual Audit Plan submitted by the Internal Auditor:** The Internal Audit Department submitted the Risk-Based Internal Audit Annual Plan based on the risk assessment of each department as well as inputs received from Management and the Audit Committee. The Audit Committee approved the Internal Audit Annual Plan after reviewing the above-mentioned criteria. The Audit Committee follows up with the Internal Auditor with regard to the adherence to the approved audit plan. The Audit Committee also approved the amendments to it based on justifications which require these amendments, if any.
- g. **Reviewing and approving the “Internal Audit Charter”:** The Committee reviewed and approved the “Internal Audit Charter” in line with the Global Internal Audit Standards (“GIAS”), Saudi Authority of Internal Auditors (“SAIA”), and International best practices. The Audit Committee also ensured that the Head of Internal Audit is independent, which enhance the objectivity of the Internal Audit’s work.
- h. **Approval of updates in relation to the internal audit manual and protocol:** The Audit Committee reviewed and approved the necessary and suggested updates from the Head of Internal Audit on the internal audit manual, protocols and special procedures in line with the professional developments in this field.
- i. **The various reports that the Audit Committee requests from management for review and discussion during its periodic meetings:** The Audit Committee periodically requests from senior management various reports on the progress of operations, collection processes, legal issues, zakat and tax.

The committee also reviews the operations carried out with the relevant authorities on a regular basis and provide opinions on them to the Board of Directors prior to approving them. Various reports are discussed during the periodic meetings of the Audit Committee, where management provides adequate information and address the committee's queries.

The committee also discusses and reviews all developments in terms of new laws and regulations in the Kingdom of Saudi Arabia and ensures that the company complies with all requirements of the Capital Market Authority and the Companies Law.

- j. **The annual report on the risks that the Group may face:** The Audit committee reviewed the report on the risks that the Group may face and provide recommendations on it after reviewing the steps taken by management to mitigate the effects of these risks or avoid them completely, if possible. The Audit Committee submits the same to the board of directors for final discussion and approval.
- k. **Reviewing the extent of co-operation and assistance provided by the Independent External Auditor and Internal Auditor and emphasizing their independence and the absence of any restrictions preventing them from completing the assigned tasks:** The Audit Committee asked the auditors to comment on any professional difficulties that would impede them to complete their audit procedures. The Audit Committee did not receive any comments from the auditors in this regard. The Independent External Auditor as well as the Internal Auditor confirmed that they had obtained all the information and documents required in order to complete their audit procedures.
- l. **Verification and clearance of grievances received from stakeholders:** The Audit Committee reviewed the reports received through the system of reporting violations and independently investigated them through the Internal Audit Department and took the necessary corrective actions in accordance with the policy for reporting violations which was approved by the Board. Investigations reports received during the year did not reveal any violations related to fraud or thefts.
- m. **Reviewing the compliance reports:** The Audit Committee periodically reviews the compliance reports that reflect the company's compliance with the statutory requirements issued by the relevant government agencies such as the Economic Cities and Special Zones Authority, and follow up on the points raised and the implementation of the recommendations contained in those reports.

### **The Audit Committee opinion on the adequacy and effectiveness of the systems of the Internal and Financial Controls and Risk Management:**

The reports referred to the above did not show a fundamental weakness in the company's systems of internal and financial controls and risk management, as the majority of observations are mainly in the areas of improving performance, enhancing the effectiveness of the functions, increasing their efficiency and documentation of procedures in order to improve the system of internal controls and make the best utilization of available resources.

Based on all of the above, and bearing in mind that the main objectives of the systems of internal and financial controls and risk management are:

- Ensuring that the accounting records are prepared in an appropriate manner and that they are valid, accurate and complete.
- Safeguarding of assets and property.
- Maintaining Integrity in transactions.
- Increasing the efficiency of the company's performance and the efficient exploitation of its available capabilities.
- Comply with various laws, rules & regulations.

The Audit Committee considers that the objectives of the systems of internal and financial controls and risk management in Emaar, the Economic City have been achieved to a reasonable extent with the need to focus on improving the effectiveness of certain aspects of these Systems from the previous year. The Audit Committee also considers that management position in general regarding internal and financial controls and risk management is positive, as the majority of activities are governed by written policies and procedures, and management reacts positively towards the recommended policies or improvements. Furthermore, there was no conflict between the recommendations and decisions of the Audit Committee with the Board of Directors during the year.

The Audit Committee also stresses that the emerging stage requires the Board of Directors and senior management to work on updating the systems of internal and financial controls and risk management to help overcome current or future changes and challenges at all levels with regard to the efficiencies and effectiveness of the company's operations.

The Audit Committee also would like to highlight that it is not possible to absolutely confirm the comprehensiveness of the examinations and evaluations of internal and financial controls and risk management, as auditing is based on random sampling. Furthermore, there is a diversity in the company's operations. Therefore, improvement and development efforts are on-going by the Audit Committee through the system of the three lines of defense of governance to ensure the efficiency & effectiveness in the mechanism of follow-up and improvement of internal and financial controls and risk management.

The Committee will continue its activities during the next year, and will report any changes on the above-mentioned matters if they occur.



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**Fahad Saleh Alhathloul**

**Audit Committee Chairman**

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Appendix No. 3

الملحق (3)

Financial Statements and External Auditor's Report for the  
year ended 31 December 2025

القوائم المالية السنوية وتقرير مراجع الحسابات للعام المنتهي في 31  
ديسمبر 2025م

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**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2025  
with  
**INDEPENDENT AUDITOR'S REPORT**

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2025

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## KPMG Professional Services Company

Zahrán Business Center  
Prince Sultan Street  
P. O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

Headquarters in Riyadh

## شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

مركز زهران للأعمال  
شارع الأمير سلطان  
ص. ب. 55078  
جده 21534  
المملكة العربية السعودية  
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

# Independent Auditor's Report

## To the Shareholders of Emaar The Economic City

### Opinion

We have audited the consolidated financial statements of Emaar The Economic City ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, as applicable to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Group incurred a net loss of SR 9 million and reported a net operating cashflow deficit of SR 85 million during the year ended 31 December 2025. The Group's ability to achieve sustainable profitability and continue its operations without significant curtailment is highly dependent on the successful execution of management's plans, including obtaining additional funding from shareholders and the sale of properties to generate sufficient cash flows. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



# Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Revenue recognition

See Note 3, 4 and 6 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2025, the Group recognized total net revenue of SR 1,138 million.</p> <p>Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter in particular consideration of:</p> <ul style="list-style-type: none"><li>estimation of total costs required to meet performance obligations under the contracts with customers.</li><li>the analysis of whether the contracts comprise one or more performance obligations; and</li><li>determining whether the performance obligations are satisfied over time or at a point in time.</li></ul> <p>Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to the revenue and Note 6 to the accompanying consolidated financial statements for the disclosure related to revenue.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"><li>Obtained an understanding of the revenue process implemented by the Group and assessed the design and implementation of key relevant controls over revenue recognition.</li><li>Assessed the contracts on a sample basis for the sale of properties and plots of land to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time, based on relevant accounting standards.</li><li>Inspected supporting documents, on a sample basis, to determine whether cost incurred to date on developments are recorded appropriately.</li><li>Recalculated the revenue, on a sample basis, using the input method and compared it with the calculation performed by the Group.</li><li>Assessed the appropriateness of the Group's revenue recognition accounting policies for recognizing revenue on sale of properties and the related disclosures in the consolidated financial statements.</li><li>Involved our own real estate specialist to assess estimated cost of projects on a sample basis, including assessing reasonableness of key underlying assumptions used by the Group.</li></ul>



# Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

## Impairment assessment of property and equipment and investment properties

See Note 3, 4, 13 and 15 to the consolidated financial statements.

### The key audit matter

The Group has property and equipment and investment properties stated at SR 5,114 million and SR 4,667 million, respectively, as at 31 December 2025 which represents significant balances in the Group's consolidated statement of financial position as of that date.

The Group assesses indicators of impairment on its property and equipment and investment properties on an ongoing basis. For the purpose of the consolidated financial statements for the year ended 31 December 2025, management identified the negative operating cash flows as impairment indicator and, accordingly, performed an impairment assessment of property and equipment and investment properties as at 31 December 2025.

We have considered this as a key audit matter as the evaluation of impairment indicator involves significant assumptions and estimates. Any variation in the estimation/ assumptions could have a material impact on the consolidated financial statements.

In addition to the above, the Group involves third party valuers to carry out valuations for its property and equipment and investment properties.

Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to impairment of non-current assets and Notes 13 & 15 to the accompanying consolidated financial statements for the disclosure related to property and equipment and investment properties, respectively.

### How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Obtained an understanding of the process of identifying impairment indicators and tested design and implementation of related key internal controls.
- Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed by considering the requirements of relevant accounting standards.
- Involved our own valuation specialist to assess Groups' impairment assessment, including assessing methodology applied by the Group's valuer and reasonableness of key underlying assumptions used.
- Assessed the qualifications and expertise of the third party valuers, involved in the valuation of investment properties and property and equipment and inspected the terms of their engagement to determine whether there were any matters that might have impacted their objectivity.
- Assessed the appropriateness of the Group's accounting policies for impairment and the related disclosures in the consolidated financial statements.



# Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

## Valuation of development properties

See Note 3, 4 and 18 to the consolidated financial statements.

### The key audit matter

The Group holds development properties stated at SR 1,184 million as at 31 December 2025. Development properties are carried at the lower of cost and net realisable value ("NRV") and principally include completed and under development residential units and free-hold land parcels. The Group estimates NRV as the estimated selling price in the ordinary course of business less estimated costs to complete and estimated cost to make the sale.

For the purpose of estimating the NRV, management engaged professionally qualified external valuer (the "Valuer") licensed by the Saudi Authority for Accredited Valuers. Furthermore, management has also performed an assessment of estimating the future selling price with reference to recent sales transactions of comparable properties.

The valuation of the Group's development properties, for the purpose of NRV, is inherently subjective due to, among other factors, the individual nature of each property, its location and comparable selling prices.

We considered this to be a key audit matter because the significance of the estimates and judgements involved in determining the NRV of development properties, such as the Group's estimate of the sales price, warrants specific audit focus in this area as any significant change in this estimate, could have a material impact on the carrying value of the Group's development properties.

Refer to Note 3 to the accompanying consolidated financial statements for the disclosure of critical accounting estimates and judgements, Note 4 to the accompanying consolidated financial statements for the accounting policy relating to development properties and Note 18 to the accompanying consolidated financial statements for the disclosure of other related financial information.

### How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- Obtained an understanding of the valuation process and assessed design and implementation of key internal controls.
- Assessed the qualifications and expertise of the Valuer engaged by management.
- Involved our own valuation specialist to assess fair values used to determine NRV of development properties, including assessing methodology applied by the Group's valuer and reasonableness of key underlying assumptions used.
- Evaluated the reasonableness of the Group's estimated sales prices, estimated costs to complete and estimated costs to make the sale through a combination of management discussions and inspection of supporting documents.
- Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.



# Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

## Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated-financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

# Independent Auditor's Report

To the Shareholders of Emaar The Economic City (continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Emaar The Economic City ("the Company") (and its subsidiaries) ("the Group").

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

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

### KPMG Professional Services Company



Ebrahim Oboud Baeshen  
License No. 382



Jeddah, 8 April 2026  
Corresponding to 20 Shawal 1447H

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Revenue	6	<b>1,138,223</b>	425,970
Cost of revenue	7	<b>(654,091)</b>	(544,518)
<b>Gross profit / (loss)</b>		<b>484,132</b>	(118,548)
Selling and marketing expenses	8	<b>(44,429)</b>	(54,915)
General and administrative expenses	9	<b>(343,004)</b>	(352,946)
Impairment (loss) / reversal on financial and contract assets	19, 20	<b>(70,630)</b>	69,813
Impairment reversal on non-financial assets	13, 15	<b>316,510</b>	1,094
Other operating income	11	<b>15,570</b>	79,217
Amortization of unearned interest		<b>9,521</b>	15,474
<b>Operating profit / (loss)</b>		<b>367,670</b>	(360,811)
Financial income		<b>7,297</b>	2,857
Fair value gain on derivative financial liability		--	12,705
Financial charges	10	<b>(546,172)</b>	(620,452)
Gain on extinguishment of financial liabilities	25	<b>269,307</b>	--
Share of loss of equity accounted investees	17	<b>(84,812)</b>	(92,832)
<b>Profit / (loss) before zakat</b>		<b>13,290</b>	(1,058,533)
Zakat	30	<b>(22,188)</b>	(76,032)
<b>Loss for the year</b>		<b>(8,898)</b>	(1,134,565)
<b>Other comprehensive (loss) / gain:</b>			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive loss of equity accounted investee	17	<b>(10,071)</b>	(6,966)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement (loss) / gain on defined benefit obligations	27	<b>(1,406)</b>	3,939
<b>Other comprehensive loss for the year</b>		<b>(11,477)</b>	(3,027)
<b>Total comprehensive loss for the year</b>		<b>(20,375)</b>	(1,137,592)
<b>Loss per share:</b>			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	12	<b>(0.02)</b>	(2.17)

  
Chairman Board of Directors

  
Chief Executive Officer

  
Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<b>31 December 2025</b>	31 December 2024
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	5,113,965	4,993,380
Right-of-use assets	14	33,422	45,700
Investment properties	15	4,667,119	4,599,548
Intangible assets	16	2,723	2,981
Investment in equity accounted investees	17	2,571,208	2,711,806
Development properties	18	370,425	483,018
Contract assets and unbilled revenue	20	595,958	196,057
Employees' receivable - home ownership scheme	22	45,630	53,463
Restricted cash	21	--	51
<b>Total non-current assets</b>		<b>13,400,450</b>	<b>13,086,004</b>
<b>Current assets</b>			
Development properties	18	813,988	835,611
Contract assets and unbilled revenue	20	192,499	223,238
Current portion of employees' receivable - home ownership scheme	22	3,397	3,504
Trade receivables and other current assets	19	794,259	686,229
Restricted cash – current portion	21	4,421	3,707
Cash and cash equivalents	21	472,897	252,367
<b>Total current assets</b>		<b>2,281,461</b>	<b>2,004,656</b>
<b>Total assets</b>		<b>15,681,911</b>	<b>15,090,660</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	8,829,299	5,232,599
Share premium	23	502,919	--
Statutory reserve	24	11,536	11,536
Accumulated profit		2,401	22,776
<b>Total equity</b>		<b>9,346,155</b>	<b>5,266,911</b>
<b>Non-current liabilities</b>			
Loans and borrowings	25	4,014,431	--
Lease liabilities	14	10,997	23,683
Employee benefit obligations	27	49,597	45,483
Zakat Liability	30.5	113,199	174,944
<b>Total non-current liabilities</b>		<b>4,188,224</b>	<b>244,110</b>

  
Chairman Board of Directors

  
Chief Executive Officer

  
Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

As at 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<b>31 December 2025</b>	31 December <u>2024</u>
<b>Current liabilities</b>			
Lease liabilities - current portion	14	<b>62,266</b>	51,670
Loans and borrowings - current portion	25	<b>535,266</b>	7,871,117
Short-term borrowings	26	--	161,386
Trade and other payables	28	<b>923,365</b>	798,246
Contract liabilities and unearned income	29	<b>527,906</b>	605,044
Other provisions	32	<b>30,229</b>	43,967
Zakat provision	30	<b>68,500</b>	48,209
<b>Total current liabilities</b>		<b>2,147,532</b>	9,579,639
<b>Total liabilities</b>		<b>6,335,756</b>	9,823,749
<b>Total equity and liabilities</b>		<b>15,681,911</b>	15,090,660

  
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Chairman Board of Directors

  
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Chief Executive Officer

  
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Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserve</u>	<u>Accumulated (losses) / profit</u>	<u>Total equity</u>
Balance as at 1 January 2024	11,333,333	--	11,536	(4,938,621)	6,406,248
Loss for the year	--	--	--	(1,134,565)	(1,134,565)
Other comprehensive loss for the year	--	--	--	(3,027)	(3,027)
Total comprehensive loss for the year	--	--	--	(1,137,592)	(1,137,592)
Absorption of losses by capital decrease (note 1)	(6,100,734)	--	--	6,100,734	--
Transaction cost arising from capital decrease	--	--	--	(1,745)	(1,745)
<b>Balance as at 31 December 2024</b>	<b>5,232,599</b>	<b>--</b>	<b>11,536</b>	<b>22,776</b>	<b>5,266,911</b>
<b>Balance as at 1 January 2025</b>	<b>5,232,599</b>	<b>--</b>	<b>11,536</b>	<b>22,776</b>	<b>5,266,911</b>
Loss for the year	--	--	--	(8,898)	(8,898)
Other comprehensive loss for the year	--	--	--	(11,477)	(11,477)
Total comprehensive loss for the year	--	--	--	(20,375)	(20,375)
Debt to equity conversion (note 23 & 25(b))	3,596,700	521,521	--	--	4,118,221
Transaction cost arising from debt-to-equity conversion (note 23 & 25(b))	--	(18,602)	--	--	(18,602)
<b>Balance as at 31 December 2025</b>	<b>8,829,299</b>	<b>502,919</b>	<b>11,536</b>	<b>2,401</b>	<b>9,346,155</b>

  
Chairman Board of Directors

  
Chief Executive Officer

  
Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	2024
<b>OPERATING ACTIVITIES</b>			
Profit / (loss) before zakat		13,290	(1,058,533)
<i>Adjustments for:</i>			
Depreciation on property and equipment	13	205,160	189,272
Depreciation on investment properties	15	48,220	48,799
Depreciation on right-of-use assets	14	12,278	12,338
Impairment loss / (reversal) on financial and contract assets	19 & 20	70,630	(69,813)
Amortization	16	923	1,787
Financial charges	10	544,634	618,453
Financial charges on lease	10 & 14	1,538	1,999
Share of results of equity accounted investees	17	84,812	92,832
Financial income		(7,297)	(2,857)
Interest income on unwinding of unbilled revenue		(8,020)	(13,732)
Fair value gain on derivative financial liability		--	(12,705)
Gain on sale of land to associate		(65,379)	(36,847)
Gain on extinguishment of loan	25	(269,307)	--
Gain on disposal of investment properties	11	(9,287)	(31,386)
Impairment (reversal) / loss on investment properties	15	(109,483)	1,094
Impairment reversal on property and equipment	13	(207,027)	--
Interest income on unwinding of employees' receivable – home ownership scheme		(1,501)	(1,744)
Provision for employees benefit obligations	27	11,904	11,380
Gain on disposal of property and equipment	11	(146)	--
Impairment reversal on development properties	18	(4,059)	(1,453)
Free of cost land transfer		--	(4,273)
		<b>311,883</b>	<b>(255,389)</b>
<i>Changes in operating assets and liabilities:</i>			
Development properties	18	138,274	(13,242)
Employees' receivable – home ownership scheme	22	9,442	6,015
Unbilled revenue	20	(420,855)	232,641
Trade receivables and other current assets	19	(118,324)	(102,591)
Contract liabilities	29	33,957	(44,694)
Trade and other payables	28	108,019	6,196
Other provisions	32	(13,736)	19,155
Restricted cash balances	21	(663)	(353)
Addition to right-of-use assets	14	--	(3,250)
<b>Cash generated from / (used in) operations</b>		<b>47,997</b>	<b>(155,512)</b>
Financial charges paid on loan and borrowings		(56,160)	(39,382)
Zakat paid	28 & 30	(67,373)	(38,141)
Employee benefit obligations paid	27	(9,196)	(5,468)
<b>Net cash used in operating activities</b>		<b>(84,732)</b>	<b>(238,503)</b>

  
Chairman Board of Directors

  
Chief Executive Officer

  
Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

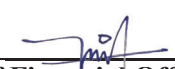
For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	13	(102,377)	(255,768)
Additions to investment properties	15	(12,065)	(13,241)
Financial income		7,297	2,857
Proceeds from sale of investment properties		15,044	43,352
Additions to intangible assets	16	(665)	(1,104)
Proceeds from sale of property and equipment		166	--
<b>Net cash used in investing activities</b>		<u>(92,600)</u>	<u>(223,904)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings		500,000	550,000
Repayments of loans and borrowings		(98,510)	--
Principal element of lease repayments	14.2	(3,628)	(14,303)
<b>Net cash generated from financing activities</b>		<u>397,862</u>	<u>535,697</u>
<b>Net increase in cash and cash equivalents</b>		<b>220,530</b>	<b>73,290</b>
Cash and cash equivalents at the beginning of the year		<u>252,367</u>	<u>179,077</u>
<b>Cash and cash equivalents at the end of the year</b>	21	<u>472,897</u>	<u>252,367</u>
<b>Non-cash supplementary information</b>	15, 18	--	1,328

  
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Chairman Board of Directors

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

The attached notes 1 to 40 form part of these consolidated financial statements.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

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**1. GENERAL INFORMATION**

Emaar The Economic City (the “Company” or the “Parent Company”) is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 2533, dated 3 Ramadan 1427H, corresponding to 21 September 2006. The Company obtained its initial Commercial Registration (“CR”) number 4030164269 (unified number 7001503056) on 8 Ramadan 1427H, corresponding to 26 September 2006. The registered office of the Company has been shifted to Rabigh with a revised Commercial Registration No. 4602005884, dated 6 Rabi Awal 1436H, corresponding to 28 December 2014.

The Company is engaged in the development of real estate in the economic or other zones and other development activities including infrastructures, promotion, marketing and sale of land within development areas, transfer/lease of land, development of buildings/housing units, construction on behalf of other parties, lease of real estate for different purposes, operate educational institutions and hotels. The main activity of the Company is the development of the King Abdullah Economic City (“KAEC”).

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

<u>Branch</u>	<u>CR number</u>
Jeddah	4030164269
Riyadh	1010937549
Rabigh	4602005884

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the ‘Group’). The subsidiaries have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The following subsidiaries are primarily involved in development, investments, marketing, sale/lease, operations and maintenance of properties, providing higher education and establishment of companies:

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership percentage as at 31 December (directly or indirectly)</u>		<u>Nature of activities</u>
			<u>2025</u>	<u>2024</u>	
Economic Cities Investments Company Limited (“ECIC”)	Kingdom of Saudi Arabia	2010	100%	100%	Buying, selling and management of real estate properties and operations of educational and technical institutions.
Industrial Zones Development Company Limited (“IZDCL”)	Kingdom of Saudi Arabia	2011	100%	100%	Sale/lease, investment, development of real estate development in industrial valley in KAEC.

**EMAAR THE ECONOMIC CITY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

**1. GENERAL INFORMATION (continued)**

<u>Name</u>	<u>Country of incorporation</u>	<u>Year of incorporation</u>	<u>Effective ownership percentage as at 31 December (directly or indirectly)</u>		<u>Nature of activities</u>
			<u>2025</u>	<u>2024</u>	
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	100%	100%	Construction, management, development, operation, lease of residential properties.
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	100%	100%	Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	100%	100%	Construct and operate business educational institute in KAEC.

**Going Concern**

The Group incurred a net loss of SR 9 million during the year ended 31 December 2025 (31 December 2024: SR 1,135 million) and incurred a net operating cash flow deficit of SR 85 million (31 December 2024: SR 239 million). The Group had incurred significant losses in prior years, which were successfully extinguished during the year 2024 through capital reduction.

In addition to this, the Group in the past had not complied with the requirements of covenants related to long-term borrowing facilities during the year ended 31 December 2024, resulting in borrowings with outstanding balance of SR 2,461 million as at 31 December 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. During the current year, the Group successfully restructured all outstanding debt and was in compliance with the covenants related to its long-term borrowing facilities as at 31 December 2025, except for certain covenants for which the Group has obtained extension letters from the lenders. The Group does not expect to comply with these covenants within 12 months after the reporting date and has applied for waivers from the lenders. Management expects that such waivers will be obtained (refer to Note 25).

The Group has successfully completed all the elements of the Capital Optimization Plan as elaborated below:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

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**1. GENERAL INFORMATION (continued)**

**Going Concern (continued)**

**Capital reduction**

The Board of Directors initially recommended on 8 September 2024 to reduce the Company's share capital from SR 11,333 million to SR 5,702 million by cancelling 563.1 million shares (0.4969 share for every 1 share held) to offset accumulated losses; this recommendation was later revised on 26 October 2024 to reduce the capital to SR 5,232 million through the cancellation of 610.1 million shares (0.5383 share for every 1 share held) amounting to SR 6,101 million. The Group subsequently submitted the capital reduction request to the Capital Market Authority (CMA), which granted approval, and the Extraordinary General Assembly held on 31 December 2024 approved the reduction, with the impact reflected in the consolidated financial statements for the year ended 31 December 2024.

**Shareholder loan ("SHL2")**

On 18 March 2025, the Group and PIF signed a shareholder loan agreement amounting to SR 1,000 million (also refer note 25(c)).

**Debt restructuring**

On 27 April 2025, the Group entered into binding agreements with the Banks, consisting of two tranches: SR 400 million (Tranche A) and SR 2,992 million (Tranche B). In addition, the Group entered into a new money facility of SR 287 million with the banks to settle accrued markup on existing financing facilities (also refer note 25(a)).

**Debt Conversion**

On 22 December 2025, the shareholders in an extraordinary general assembly approved the increase of the share capital and amendment to the bylaws of the Company from SR 5,233 million to SR 8,829 million. Accordingly, PIF increased its shareholding in the Company through issuance of 359,669,996 new shares, at the nominal value of SR 10 per share, against the debt amount of SR 4,118 million (also refer note 23 & 25(b)).

Despite the successful completion of the Capital Optimization Plan, events or conditions exist that indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In particular, material uncertainties remain regarding the Group's ability to achieve sustainable profitability. As a result, the Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

King Abdullah Economic City ("KAEC" or the "City") was announced in 2005, and development began in 2006. The City is intended to be a hub for various economic sectors, including industry, logistics, and tourism. It is planned to include residential areas, commercial centers, and other amenities, such as schools, hospitals, and recreational facilities. KAEC has faced challenges related to investment and development, besides logistical and infrastructure challenges. Building a city from scratch on a large scale is a complex undertaking. However, over the years, the Group has done significant development in the City. Apart from the Industrial Valley, the City has six distinctive residential districts each with its unique construction, location and facilities. Further, the City has multiple fully developed and functional facilities like luxury hotels, 18-hole championship golf course, resorts, beaches, a cinema, yacht club, karting center, lagoon campsite, art center, retail, schools, college, medical facilities, labor village etc. The Group is currently going through a restructuring and is focusing on the following:

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**1. GENERAL INFORMATION (continued)**

**Going Concern (continued)**

a) Industrial Valley and Special Economic Zone (SEZ)

KAEC's Industrial Valley ("IV") is considered one of the important destinations in the country benefiting from the close proximity to the King Abdullah Port ("KAP" or the "Port"), one of the largest seaports in the region.

The sales and leasing activities for land in IV are demonstrating a positive trend over the past three years, which exhibit the increased demand in the area and reflects the increasing interest in the industrial warehousing and logistics sector as an asset class in the Kingdom of Saudi Arabia as the government has been trying to diversify the economy.

The direct link between the IV and King Abdullah Port in KAEC makes the IV a global logistics hub. It incorporates five industrial clusters: FMCG/foods, logistics, pharmaceuticals, plastics, and building materials. Additionally, it provides ready industrial lands connected to a state-of-the art infrastructure.

The IV is also now becoming a hub for Electric Vehicles (EV) and other automotive manufacturing companies in the Kingdom of Saudi Arabia.

Also, there are other auto vehicle manufacturing companies which are already operating in the IV. Further, the Group is currently in discussion with other local entities, interested in establishing an auto parts business, for sale of land.

On 13 April 2023, the Council of Economic and Development Affairs announced four Special Economic Zones (SEZ) in the Kingdom of Saudi Arabia, which also includes KAEC.

The SEZ will help KAEC's primary objective, which is to stimulate growth, boost residency rates and create economic activity within entire city. KAEC has access to geostrategic location at the heart of global trade routes, global trade passes through the Red Sea (also refer note 17.1) and companies can easily connect into global supply chains here, utilizing existing, world-class infrastructure. A 60 square-kilometer area has been allocated for the landmark SEZ in KAEC, near Industrial Valley and King Abdullah Port, to provide businesses in premise a clear path to smooth and successful commercial activity. The SEZ will also provide tremendous opportunities for developing the local economy, generating jobs, stimulating exports, attracting FDI and localizing supply chains, in line with the Kingdom's national industrial strategy.

b) Non-Industrial Sector Development

In addition to the development of light industrial and logistics sectors in the Industrial Valley and SEZ, KAEC is also aiming to attract knowledge-based sectors such as training, education, and technology services. The city has already attracted several training companies and academies to support the tourism industry, and can capitalize on its connectivity to KAUST to support innovation and R&D for its industrial and logistics tenants. On the technology side, the city is well suited as a backup, disaster recovery and data center location, owing to its submarine cable connectivity and secondary location away from the major KSA metro areas. As technology services industries adopt a more remote/hybrid work culture, KAEC is also a suitable location to attract technology talent given the city's lifestyle advantages, yet short commute to major cities in the western region, such as Jeddah. It is also anticipated that the growth of KAP, IV and SEZ will create significant demand for technology services in the city.

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**1. GENERAL INFORMATION (continued)**

**Going Concern (continued)**

c) Tourism

The Group is also working on making KAEC a leading Saudi tourist destination and to provide tourists with a wide-ranging leisure offering. KAEC will be positioned as a midscale to upper upscale leisure destination, capitalizing on pristine Red Sea coastline and leisure assets including a world-class championship golf course, marina, exhibition center, motor track (in development) and other assets/activities on the ground. In the coming years, the Group intends to attract and/or partner with third party developers to develop additional hotels and resorts in the city. The city's aspirations in tourism are closely associated with the country's tourism ambitions as part of Vision 2030.

Aside from the sector focus of KAEC, going forward the Group will be much more focused on its role as master planner, master developer and primary infrastructure developer for KAEC, dedicating most of its efforts and resources on land development. In a departure from its past strategy, the Group will be very selective in its vertical real estate development and asset management activities, and will primarily rely on multiple third-party developers to build up the city.

In asset management, the Group will aim to divest from some of its hospitality and leisure assets, in order to simplify its operations and create a level playing field for asset operators in the city. The sale of these assets will also support the financial restructuring efforts in the coming twelve-month period, as outlined below (see Collection from Existing Sales and Asset Divestment). In future, the Group may participate selectively in the asset development and management business (e.g. hospitality) through partnerships with other developers, along similar lines as the Rixos Emerald Shores projects outlined below. Overall, the Group is expected to benefit from the simplification of its business activities from several perspectives including financial (more capital efficient and higher risk-adjusted returns), operational and risk management.

The Group entered into a framework cooperation arrangement with the Tourism Development Fund, FTG Development Company, Albilad Investment Company and Ekofine Holding BV for the establishment of a SR 1.8 billion closed-ended private investment fund (the "Fund"). The Fund was established to develop and operate the Rixos Emerald Shores project in King Abdullah Economic City (KAEC).

The Group holds a 41.15% interest in the Fund (refer to Note 17), which is accounted for as an equity-accounted investee in the consolidated financial statements.

The project comprises five-star comprehensive resort and hotel with a water park and luxury overwater villas under the brand of Rixos, one of the trademarks owned by Accor International. The Rixos Emerald Shores project is one of the largest tourist resorts targeted to be established in KAEC and is unique in the Kingdom of Saudi Arabia. The resort has already started its operation during the year.

**Going concern plan**

The Group had in the past significantly reduced its development activities pursuant to the continued overall lower economic activity in KAEC. Debt financing has been utilized to fund the development activities in KAEC and working capital requirements of the Group. The projected operating cash flows of the Group, for the next twelve-months, are insufficient to meet the repayment of debt and other obligations therefore the successful execution of management's plans to generate sufficient cash flows from additional funding from shareholders and the sale of properties is important to meet both the Group's obligations when they become due and to continue its operations without significant curtailment.

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**1. GENERAL INFORMATION (continued)**

**Going concern plan (continued)**

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments:

As at 31 December 2025	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>	<u>Total contractual cash flows</u>
Loans and borrowings	570,495	588,015	1,651,125	3,668,831	6,478,466
Trade and other payables	923,365	--	--	--	923,365
Zakat liability	61,745	61,745	51,454	--	174,944
Lease liabilities	64,412	3,902	8,085	--	76,399
<b>Total</b>	<b>1,620,017</b>	<b>653,662</b>	<b>1,710,664</b>	<b>3,668,831</b>	<b>7,653,174</b>

In assessing the appropriateness of applying the going concern basis in the preparation of these consolidated financial statements, the Group’s management has developed a plan which covers a period of at least twelve-months from 31 December 2025 to enable the Group to meet its short term obligations as they become due and to continue its operations without significant curtailment.

Management has concluded that the Group will not be able to fully satisfy its cash requirements from the sale of properties alone and, accordingly, in such a scenario, the Group has already secured additional shareholder funding, which are elaborated below.

The plan comprises the Group’s liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-months period from 31 December 2025. As per the forecasted cashflows, there are no loan repayments in the next 15 months, as part of the newly restructured syndicated loan.

On 18 March 2025, the Group and PIF signed a shareholder loan agreement (“SHL2”) amounting to SR 1,000 million. During the year ended 31 December 2025, SR 500 million have been drawn from this facility, however SAR 500 million remains undrawn as at the reporting date. Management plans to utilize the undrawn portion of SHL2 to fund critical development capital expenditures (CAPEX).

The planned development CAPEX is intended to activate key areas of the City, which management expects will have a positive multiplier effect on the Group’s operating performance. Activation of the City is anticipated to:

- Enhance the overall attractiveness of KAEC to investors and tenants;
- Support the origination of new land sale transactions; and
- Increase footfall within the City, thereby driving higher demand for operating, leasing, and service-based activities.

As a result, management expects an improvement in operating revenues and cash flows from operations over the medium term, supporting the Group’s liquidity position.

In parallel, the Group has initiated measures to accelerate the collection of overdue receivables, including enhanced credit controls and focused collection efforts. These actions are expected to further support near-term liquidity and partially bridge the operating funding gap.

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**1. GENERAL INFORMATION (continued)**

**Going concern plan (continued)**

Management believes that the below plan will provide sufficient liquidity to fund development activities, support ongoing operations, and meet obligations as they fall due.

- utilization of the undrawn SHL2 facility,
- incremental cash inflows from new land sales and enhanced operational activity, and
- improved collections of overdue balances,

Accordingly, the Group has prepared a detailed cash flow forecast covering a fifteen-month period from the reporting date, taking into account the utilization of the undrawn SHL2 facility, which indicates a net positive cash flow position. Management believes that the projected net positive cash flows—supported by the utilization of the remaining SHL2 for critical capital expenditures that facilitate property sales and enhance operating cash flows, together with focused collection efforts on overdue balances—are probable and that the plan will be successfully executed. Accordingly, management considers it appropriate to prepare the consolidated financial statements on a going concern basis, as these measures mitigate any potential liquidity shortfall that may arise over the next twelve months. The consolidated financial statements do not include any adjustments that would be required if the Group were unable to continue as a going concern. Should there be any changes to the circumstances described above, further enhanced disclosures may be required in the Group’s financial statements for subsequent periods.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

The accompanying consolidated financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

**2.3 Functional and presentation currency**

The Group’s consolidated financial statements are presented in Saudi Riyals, which is also the functional currency of all entities within the Group. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The presentation currency of the Group is also Saudi Riyals. All figures are rounded off to the nearest Saudi Riyals thousands except when otherwise indicated.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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For the year ended 31 December 2025

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

**3.1 Judgements**

*Satisfaction of performance obligations*

The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognized.

*Classification of development property and operating cycle*

The Group's normal operating cycle is not clearly identifiable, hence it assumed to be twelve months. Management exercise judgement in determining whether it will be able to realise its development properties during its normal operating cycle, accordingly, development property projects which are launched are expected to be realized by the Group during its normal operating cycle and are classified as current assets while unlaunched projects are not expected to be realised during normal operating cycle of the Group and are classified as non-current assets.

*Going Concern*

The Group's management exercise judgement in assessing of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the consolidated financial statements continue to be prepared on the going concern basis. Refer Note 1.

*Classification of infrastructure assets*

The Group's management has made an assessment that the primary infrastructure of the Group is controlled by the Group and benefits the operations of the Group as a whole. Accordingly, the primary infrastructure has been classified as 'property and equipment' in the consolidated financial statements.

The infrastructure assets include main roads, sidewalks and pavements, signals, bridges, electric substations, electric lines, landscaping, drainage, sewerage lines which have been built around the City (the "Primary infrastructure").

Management has evaluated the following aspects to ascertain whether the primary infrastructure assets meet the definition of asset to the Group;

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**3.1 Judgements (continued)**

a) Rights to the infrastructure assets

The Group holds the control to the infrastructure assets and has no contractual obligation to transfer control over the primary infrastructure assets to any regulatory authority or customers. Where the customers use the primary infrastructure, for example, main roads, the Group has judged the customers have been provided with right of way over the Land of the Group and this does not transfer control to the customers.

b) Potential to produce economic benefit

The Group's infrastructure assets provide benefit to all the revenue streams of the Group as the assets provide support to the operations of the Group.

c) Control

The Group has the present ability to direct the use of the primary infrastructure assets.

Based on the above assessment, management has judged that the Group controls and benefits from the primary infrastructure assets and accordingly the primary infrastructure should be recognized as an asset and classified as 'property and equipment' in the consolidated financial statements.

*Determination of Fair value of syndicated loan*

The Group has determined the fair value of the new syndicated facility, together with the new money facility (refer to Note 25), using a comparable profit/markup rate based on the applicable base rate plus a 1.00% spread/profit margin.

*Debt-to-equity conversion*

Management exercised judgement in determining the accounting treatment for the conversion of shareholder loans obtained from the Public Investment Fund ("PIF") into equity (refer note 1 and 25). IFRIC 19 was assessed and determined to be not applicable, as PIF, a substantial shareholder, is acting in its capacity as an existing shareholder rather than as a third-party creditor. Accordingly, the transaction was accounted for as a capital restructuring with an owner acting in its capacity as owner. The financial liabilities were derecognised in accordance with IFRS 9 upon satisfaction of all conditions precedent, and the equity instruments issued were recognised within equity in accordance with IFRS at the carrying amount of the liabilities extinguished. No gain or loss was recognised in profit or loss, and directly attributable transaction costs were deducted from equity in accordance with IFRS.

*Impairment reversal*

Property and equipment and investment properties are reviewed for impairment or reversal of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or that a previously recognised impairment loss may no longer exist. An impairment or reversal of impairment is recognised for the amount by which the carrying amount of an asset exceeds or falls below its recoverable amount, being the higher of fair value less costs of disposal and value in use.

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**3.1 Judgements (continued)**

Judgement is applied in identifying impairment or reversal indicators, determining cash-generating units, selecting the appropriate recoverable amount methodology and assessing key assumptions used in estimating recoverable amounts, including discount rates, occupancy levels and forecast cash flows. Recoverable amounts are assessed at CGU level using a combination of value in use and fair value less costs of disposal, supported by external valuations. Further details of the impairment assessment methodology are set out in Notes 13 and 15.

**3.2 Estimations and assumptions**

*Provision for expected credit losses (ECLs) of trade receivables and unbilled revenue*

The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue. The provision matrix is initially based on the Group's historically observed rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information at each reporting date. The components that have a major impact on credit loss allowance are probability of default ("PD") and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The information about the ECL on the Group's trade receivables is disclosed in Notes 19 and 20.

An increase or decrease of 10% in the loss rates (PD and LGDs) assuming macro-economic factors remain the same, will result in an increase or a decrease of SR 80.41 million, respectively, in the ECL allowance.

*Useful lives of property and equipment and investment properties*

The Group's management determines the estimated useful lives of its property and equipment and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

*Cost to complete the projects*

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates include, amongst other items, the construction costs, variation orders and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods.

*Estimation of recoverable amount of property and equipment, right-of-use assets and investment properties*

Property and equipment and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For details on the impairment assessment methodology, see Notes 13, 14 and 15.

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**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)**

**3.2 Estimations and assumptions (continued)**

*Estimation of net realisable value of development properties*

Development properties are stated at the lower of cost and net realisable value (“NRV”). NRV is estimated selling prices in the ordinary course of business less estimated cost of completion and estimated cost to make the sale. NRV is assessed with reference to market conditions, planned future mode of disposal and recoverable value of the properties at the reporting date under planned mode of disposal. NRV for these properties are assessed internally by the Group in the light of recent market transactions. Estimated selling price of land parcels is assessed with reference to market prices at the reporting date for similar properties after adjustment for differences in location, size, development status and quality. Estimated costs to complete development are deducted from the estimated selling price to arrive at NRV. For details on the estimation of net realizable value, see Note 18.

**4. MATERIAL ACCOUNTING POLICIES**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

**4.1 Basis of Consolidation**

(a) Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2025. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement(s) with the other shareholders of the investees;
- Rights arising from other contractual arrangements;
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.1 Basis of Consolidation (continued)**

(a) Subsidiaries (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus on statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The financial statements of subsidiaries are prepared for the same reporting period using the same accounting framework as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

(b) Investment in equity accounted investees (associate and joint venture)

Associate is an entity in which the Group has significant influence, but not control, over the financial and operating policies. Joint venture is an entity over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Group's investment in associate and joint venture are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associate and joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The consolidated statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the associate and joint venture. Any change in other comprehensive income ("OCI") of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.1 Basis of Consolidation (continued)**

**(b) Investment in equity accounted investees (associate and joint venture) (continued)**

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The financial statements of the associate and joint venture are prepared for the same reporting period and the same accounting framework as the Group.

After application of the equity method of accounting, the Group determines whether it is necessary to recognize an impairment loss on its investment in associate or its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of profit or loss and other comprehensive income.

Refer to Note 17 for information related to equity accounted investees.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in associate or joint venture, the carrying amount of that interest is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

**4.2 Current versus non-current classification**

**Assets**

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

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

All other assets are classified as non-current.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.2 Current versus non-current classification (continued)**

**Liabilities**

A liability is current when:

- (a) Expected to be settled in the normal operating cycle;
- (b) Held primarily for the purpose of trading;
- (c) Due to be settled within twelve months after the reporting period; or
- (d) No right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**4.3 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Revenue is recognised, when the Group satisfies the performance obligations as specified in the contract with the customer. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over properties to a customer and when the specific criteria have been met for each of the Group's activities.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability and is recognized as advance from customers.

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

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.3 Revenue recognition (continued)**

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised goods or services to a customer. The promised consideration can vary if the Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event. An amount of consideration can vary due to discounts, rebates, refunds, credits, incentives, penalties or other similar items. The variability relating to the consideration promised by a customer, if any, is explicitly stated in the contract. Accordingly, the Group estimates the amount of variable consideration by using the most likely amount in accordance with the terms of the contract.

For arrangements that include deferred payment terms that exceed twelve months, the Group adjusts the transaction price for the financing component, with the impact recognised as interest income using the effective interest rate method over the period of the financing.

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

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

For performance obligations, where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

**Sale of development properties**

Revenue on sale of development properties is recognised when control over the properties has been transferred to the customer, which is considered to be over time, as the performance obligation is satisfied over a period of time. The performance obligations in these arrangements are normally made up of several promises which encompass the unit, land and infrastructure. These promises are not distinct in the context of each contract and are considered to be highly interrelated and interdependent on each other, therefore the sale of property consisting of units or land is typically considered one performance obligation.

Invoices are billed as per the payment schedule agreed with the customers which are payable within 30 days.

The Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date.

The Group considers that the use of the input method, which requires revenue recognition based on the Group's efforts to the satisfaction of the performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the cost to complete the projects in order to determine the amount of the revenue to be recognized and the input method faithfully depicts the development of the properties.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.3 Revenue recognition (continued)**

**Rental income**

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred or incentive in negotiating and arranging an operating lease is considered an integral part of the carrying amount of the leased contract and recognized on a straight-line basis over the lease term.

**Service revenue**

Revenue from rendering of services is recognized over a period of time when the services are provided to customers.

Invoices are billed on a monthly basis to the customers which are payable within 30 days.

**Hospitality and leisure revenue**

It comprises of revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from rooms and other associated services, performance obligation is satisfied over time and revenue is recognized on a daily basis, as the rooms are occupied, and services are rendered, which faithfully depicts the services provided to the customer. In case of foods and beverages, revenue is recognised at a point in time.

Invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are billed. For corporate customers, invoices are payable within 30 days.

Leisure revenue comprises revenue from golf membership and other entertainment activities. Revenue from golf membership is recognised over time, as the performance obligation is satisfied which faithfully depicts the services provided to the customer. Revenue from other entertainment activities is recognised at a point in time.

Annual golf membership fees and payment for other entertainment is received in advance.

**Education revenue**

It comprises of revenue from tuition fees and other fees. The revenue is recognized net of discount and applicable taxes on an accrual basis when the services are rendered. In case of revenue from tuition fees, performance obligation is satisfied over time and revenue is recognized on a monthly basis based on academic year.

In case of other fees, revenue is recognised at a point in time.

Invoices are billed as per the payment terms agreed with the customers in respect of tuition fees which are payable within 30 days.

For other fees, invoices are billed to the customers when the services are rendered. Invoices are payable by the individual customer as the invoices are generated.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.3 Revenue recognition (continued)**

**Significant financing component**

In case of sale of development properties and investment properties where deferred payment terms are agreed in contracts with customers, the transaction price is adjusted to reflect the impact of significant financing component.

**4.4 Cost of revenue**

Cost of revenue includes the cost of land, development and other service-related costs. The cost of revenue is based on the proportion of the actual cost incurred to date related to sold units to the total costs incurred on the project. The costs of revenues from the conduct of facilities management is based on actual cost of providing the services.

**4.5 Selling, marketing and general and administrative expenses**

Selling and marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and marketing expenses are those arising from the Group's efforts underlying the sales and marketing functions. All other expenses, except for financial charges, depreciation, amortization and impairment loss are classified as general and administrative expenses. Allocations of common expenses between cost of revenue, selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

**4.6 Zakat and taxes**

**Zakat**

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

**Withholding tax**

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Saudi Arabian Income Tax Law. Such withholding tax is recorded as a liability.

**Value added tax ("VAT") and real estate transaction tax**

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.6 Zakat and taxes (continued)**

**Value added tax (“VAT”) and real estate transaction tax (continued)**

Other than disposal of real estate transactions covered under RETT law, the Group is subject to Value Added Tax (“VAT”) for the supply of other goods and services in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply (“Output VAT”) less VAT paid on purchases other than claimable under RETT law (“Input VAT”). The Group reports revenue and purchases net of VAT for all the periods presented in the consolidated statement of profit or loss and other comprehensive income. However, Input VAT related to exempt supplies, is added to the cost of purchases whereas Input VAT related to mixed supplies is claimed using the proportional default rate formula.

**4.7 Financial income and financial costs**

Financial income and expenses are recognised within financial income and financial costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the financial income or financial expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Income on Murabaha term deposits with banks is recognized on an effective yield basis.

**4.8 Foreign currencies**

*Functional and presentational currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the respective entity operates (the “functional currency”). The consolidated financial statements are presented in “Saudi Riyals”, which is the Group’s presentation as well as functional currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.8 Foreign currencies (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

**4.9 Property and equipment**

**Recognition and measurement**

Property and equipment are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). Such cost also includes the borrowing costs for long-term construction projects if the recognition criteria are met.

When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

The Group measures the entire class of property and equipment using cost model. After recognition as an asset, an item of property and equipment is carried as its cost less any accumulated depreciation and impairments, if any.

The cost of replacing a major part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.9 Property and equipment (continued)**

**Recognition and measurement (continued)**

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property and equipment may not be recoverable. Whenever the carrying amount of property and equipment exceeds their recoverable amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. The recoverable amount is the higher of fair value less costs to sell of property and equipment and the value in use.

Reversal of impairment losses other than goodwill impairment recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property and equipment no longer exist or have reduced.

**Depreciation**

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. Freehold land and capital work-in-progress are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if required.

**Capital work-in-progress (CWIP)**

Assets in the course of construction or development are capitalised in the capital work-in-progress account. Capital work in progress are carried at cost less any recognized impairment loss. The cost of an item of capital-work-in-progress comprises its purchase price, construction / development cost and any other directly attributable cost to the construction or acquisition of an item intended by management. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies. Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in progress is not depreciated.

**4.10 Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.10 Leases (continued)**

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

**Group as a lessee**

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

**Right-of-use assets**

The Group recognises a right-of-use asset and lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. Subsequently, it is measured at cost less accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of use assets is determined on the same basis as those of property and equipment. The recognised right-of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.10 Leases (continued)**

**Lease liabilities (continued)**

The Group has the option, under some of its leases to lease the assets for additional terms of one to five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate ("IBR") is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms and conditions. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. Lease payments are allocated between principal and financial cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Group as a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The Group enters into leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases. Lease income is recognized in the consolidated statement of profit or loss and other comprehensive income in accordance with the terms of the lease contracts over the lease term on a systematic basis as this method is more representative of the time pattern in which use of benefits are derived from the leased assets. The Group recognises lease income for variable payment that depends on the percentage of sales of the lessor in the period to which it relates to. At the commencement date, the Group assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Lease incentives or any escalation in the lease rental are recognized as an integral part of the total lease receivable and accounted for on a straight-line basis over the term of the lease. Contingent rents are recognized as revenue in the period in which they are earned.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.11 Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the construction of an asset, other than development properties, are capitalized using capitalization rate up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the consolidated statement of profit or loss and other comprehensive income. In case of specific borrowings, all such costs, directly attributable to the acquisition or construction of an asset, other than development properties, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. The general borrowing cost and specific borrowing which is not eligible for capitalization are expensed in the period in which these are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

**4.12 Investment properties**

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

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

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

If an investment property becomes owner-occupied, it is reclassified to property and equipment. It's carrying amount at the date of reclassification becomes its cost for subsequent accounting as property and equipment. Transfers are made from investment properties to development properties only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the properties at the date of transfer. The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.12 Investment properties (continued)**

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

**4.13 Trade receivables**

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**4.14 Impairment of non-financial assets other than development properties**

The Group assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rate that reflects current market assessments of the time value of money. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. 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 limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

**4.15 Development properties**

Properties acquired, constructed or in the course of construction and development for sale are classified as development properties and are stated at the lower of cost and net realizable value. The cost of development properties generally includes the cost of land, construction and other related expenditure necessary to get the properties ready for sale. Such costs are incurred at specific project wide and allocated to each of the development property unit based on its respective saleable area. Net realizable value is the estimated selling price in the ordinary course of business based on the market prices at the reporting date, less the estimated costs of completion and selling expenses.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.15 Development properties(continued)**

The management reviews the carrying values of development properties at each reporting date.

At each reporting date, the management categorizes the development properties as current or non-current based on their expected realisation date during its normally operating cycle, accordingly, management classify launched project in current while the unlaunched projects are classified as non-current.

**4.16 Financial instruments**

**Initial recognition – Financial assets and financial liabilities**

An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

**Financial assets**

*Initial Measurement*

At initial recognition, except for the trade receivables which do not contain a significant financing component, the Group measures a financial asset at its fair value. In the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are added to the fair value of the respective financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and other comprehensive income, if any.

Trade receivables that do not contain a significant financing component or which have a maturity of less than 12 months are measured at the transaction price as per IFRS 15.

*Classification and subsequent measurement*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through consolidated statement of other comprehensive income, or through consolidated statement of profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The category most relevant to the Group is financial assets measured at amortized cost.

The Group has not classified any financial asset as measured at fair value through consolidated statement of profit or loss and other comprehensive income.

*Financial assets measured at amortized cost*

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

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.16 Financial instruments (continued)**

**Financial assets (continued)**

Financial assets measured at amortized cost include trade receivables, employees' receivable – home ownership scheme, due from related parties, Murabaha term deposits with banks and cash and cash equivalents.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (“EIR”) method, less impairment (if any). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortization is included in financial income in the consolidated statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the consolidated statement of profit or loss and other comprehensive income.

*Reclassification*

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

*De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired, or it transfers substantially all the risks and rewards of ownership of the financial asset.

*Impairment of financial assets*

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

IFRS 9 requires an entity to follow an expected credit loss (“ECL”) model for the impairment of financial assets. It is no longer necessary for a credit event to have occurred for the recognition of credit losses. Instead, an entity, using expected credit loss model, always accounts for expected credit losses and changes therein at each reporting date. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

Expected credit loss shall be measured and provided either at an amount equal to (a) 12 month expected losses; or (b) lifetime expected losses. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for the amounts that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.16 Financial instruments (continued)**

**Financial assets (continued)**

For trade receivables, with a significant financing component, a simplified approach is available, whereby an assessment of increase in credit risk need not be performed at each reporting date. Instead, an entity can choose to provide for the expected losses based on lifetime ECL. The Group has chosen to avail the option of lifetime expected credit losses (“ECL”). Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors (forecasted gross domestic product and inflation rate) specific to the debtors and the economic environment.

For trade receivables with no significant financing component, an entity is required to follow lifetime ECL.

A default on trade receivable occurs when the counterparty fails to make contractual payments within 180 days when they fall due.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

***Credit-impaired financial assets***

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganizations; or the disappearance of an active market for a security because of financial difficulties.

**Financial liabilities**

***Initial measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income, loans and borrowings and payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of long-term borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade payables, lease liabilities, accrued expenses and borrowings.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.16 Financial instruments (continued)**

**Financial liabilities (continued)**

*Classification and subsequent measurement*

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

- financial liabilities at fair value through consolidated statement of profit or loss and other comprehensive income.
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts.
- commitments to provide a loan at a below-market commission rate.
- contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in consolidated statement of profit or loss and other comprehensive income.

All of the Group's financial liabilities are subsequently measured at amortized cost using the EIR method, if applicable. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

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

*Reclassification*

The Group cannot reclassify any financial liability.

*Derecognition*

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

*Financial guarantee contracts*

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.17 Offsetting of financial instruments**

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

**4.18 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the EIR method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised for liquidity services and amortised over the period of the facility to which it relates. This fee is presented within bank borrowings and shown as a reduction from total outstanding amount.

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

When an existing borrowing is replaced by another from the same lender on substantially different terms, or the terms of an existing borrowing are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss. If the modification or exchange is not accounted for as an extinguishment (i.e., the modified instrument is not considered substantially different from the original debt instrument), the Group recalculates the borrowing's carrying amount by discounting the new modified cash flows at the original effective interest rate. The difference i.e., the modification gain or loss, if related to finance a qualifying asset are included in borrowing costs and added to the cost of the qualifying asset. Otherwise, it is immediately recognised in the profit or loss.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**4.19 Provisions**

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

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.19 Provisions (continued)**

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss and other comprehensive income.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

**4.20 Employee benefits**

***Short-term employee benefits***

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

***Defined benefit plans***

The Group maintains an unfunded defined benefit plan for employees' termination / end of service benefits in accordance with the Saudi Arabian Labor Law.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

For the liability relating to employees' terminal benefits, the actuarial valuation process takes into account the provisions of the Saudi Arabian Labor Law as well as the Group's policy.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the consolidated statement of financial position date on government bonds issued in the Kingdom of Saudi Arabia.

**4.21 Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.22 Restricted cash**

Restricted cash is the deposits that are subject to certain restrictions and not available for general use by the Group. Restricted cash is not part of cash and cash equivalents.

**4.23 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

**4.24 Segment reporting**

An operating segment is a component of an entity:

- that is engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- whose operating results are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

For further details of business segments, refer Note 34.

A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. Since the Group operates in the Kingdom of Saudi Arabia only, hence, no geographical segments are being presented in these consolidated financial statements.

**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS**

**New and amended standards adopted by the Group**

Several amendments and interpretations apply for the first time in 2025, which are effective for annual periods beginning on or after 1 January 2025 which do not have a material effect on these consolidated financial statements.

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2025:

<b><i>Standard / Interpretation</i></b>	<b><i>Description</i></b>
IAS 21	Lack of Exchangeability (Amendments to IAS 21)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to affect the current or future periods.

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**5. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**

**Standards, interpretations and amendments issued but not yet effective**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective:

<b><u>Standard / Interpretation</u></b>	<b><u>Description</u></b>	<b><u>Effective from periods beginning on or after the following date</u></b>
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	January 1, 2026
Annual Improvements to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Amendments to: <ul style="list-style-type: none"> <li>• IFRS 1 First-time Adoption of International Financial Reporting Standards;</li> <li>• IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;</li> <li>• IFRS 9 Financial Instruments;</li> <li>• IFRS 10 Consolidated Financial Statements; and</li> <li>• IAS 7 Statement of Cash flows</li> </ul>	January 1, 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	January 1, 2026
IFRS 18*	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IFRS 10 and IAS 28	Sale or contribution of assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	To be determined

\* During 2024, International Accounting Standards Board (IASB) issued IFRS 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements. IFRS 18 provides guidance on items in the statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures (MPMs)'. The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences. Management is currently assessing the impact of the adoption of IFRS 18 and will apply the standard from its mandatory adoption date of 1 January 2027.

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

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**6. REVENUE**

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
<b>Revenue from contracts with customers:</b>		
Sale of development properties	722,586	121,902
Utilities and other related services (“City operations”)	155,922	117,957
Accommodation	45,284	36,916
Tuition and other fees (“Education”)	99,021	74,934
Food and beverages and other related services	14,047	13,133
Leisure services	9,201	9,482
<b>Total</b>	<b>1,046,061</b>	<b>374,324</b>
<b>Timing of revenue recognition</b>		
Over time	694,808	358,904
Point-in-time (*)	351,253	15,420
<b>Revenue from contract with customers</b>	<b>1,046,061</b>	<b>374,324</b>
<b>Lease rental income</b>		
Industrial	69,832	42,519
Residential	22,330	9,127
<b>Total lease rental income</b>	<b>92,162</b>	<b>51,646</b>
<b>Total revenue (**)</b>	<b>1,138,223</b>	<b>425,970</b>

(\*) Revenue from point-in-time includes sale of development properties amounting to 335.72 million, food and beverage services amounting to SR 14.05 million and leisure services amounting to SR 1.49 million.

(\*\*) All the revenue from contract with customers is generated within the Kingdom of Saudi Arabia.

**7. COST OF REVENUE**

	<u>Notes</u>	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Depreciation		240,048	225,485
Cost of development properties sold		149,862	32,959
Salaries, wages and benefits		96,902	94,802
Maintenance		83,347	98,859
Refurbishment cost		15,948	19,343
Utilities		43,850	25,337
Hospitality		20,189	21,371
Impairment reversal on development properties	18	(4,059)	(1,453)
Others		8,004	27,815
		<b>654,091</b>	<b>544,518</b>

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**8. SELLING AND MARKETING EXPENSES**

	<b>31 December 2025</b>	31 December 2024
Promotional expenses	12,321	8,442
Salaries and benefits	14,059	12,716
Branding and marketing costs	6,206	14,145
Advertising costs	3,880	12,645
Others	7,963	6,967
	<u>44,429</u>	<u>54,915</u>

**9. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>31 December 2025</b>	31 December 2024
Salaries and benefits	210,394	206,820
Professional and legal charges	69,076	78,837
Communication and office costs	15,758	16,355
Facility and city management services	3,804	6,045
Repairs and maintenance	2,723	4,849
Depreciation	25,612	24,924
Amortization	923	1,787
Others	14,714	13,329
	<u>343,004</u>	<u>352,946</u>

**10. FINANCIAL CHARGES**

	<u>Note</u>	<b>31 December 2025</b>	31 December 2024
Financial charges on loans and borrowings		540,729	615,328
Financial charges on leases	14	1,538	1,999
Bank charges		3,905	3,125
		<u>546,172</u>	<u>620,452</u>

**11. OTHER OPERATING INCOME**

	<b>31 December 2025</b>	31 December 2024
Gain on disposal of investment properties (see note 11.1 below)	9,287	31,386
Gain on disposal of property and equipment	146	--
Others (see note 11.2 below)	6,137	47,831
	<u>15,570</u>	<u>79,217</u>

11.1 During the year, the Group has entered into agreements with certain customers for the sale of investment properties resulting in a gain of SR 9.2 million (31 December 2024: SR 31.4 million).

11.2 Other income includes income derived from non-core activities that are not classified as revenue.

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**12. LOSS PER SHARE**

Loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

The loss per share calculation is given below:

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Loss attributable to ordinary equity holders of the parent	<b>(8,898)</b>	(1,134,565)
Weighted average number of ordinary shares ('000)	<b>532,128**</b>	523,260*
Loss per share (SR) – Basic and diluted	<b>(0.02)</b>	(2.17)

The Company does not have any dilutive potential share and therefore diluted loss per share is the same as basic loss per share.

\* On 31 December 2024, the Company reduced its share capital from SR 11,333,333,340 to SR 5,232,599,090 (refer note 1).

\*\* On 31 December 2025, the Company increased its share capital from SR 5,232,599,090 to SR 8,829,299,050 through debt conversion (refer note 23 and 25(b)). Hence, the weight average number of ordinary shares on 31 December 2025 are 532,128,484.

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**13. PROPERTY AND EQUIPMENT**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings 10-50 years
- Heavy equipment & machinery 5-10 years
- Office equipment 2-3 years
- Infrastructure assets 10-30 years
- Furniture and fixtures 4 years
- Motor vehicles 4 years

	<u>Freehold land</u>	<u>Buildings</u>	<u>Heavy equipment &amp; machinery</u>	<u>Furniture &amp; fixtures</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Infrastructure assets</u>	<u>Capital work in progress (CWIP)</u>	<u>Total 2025</u>
<b><u>Cost:</u></b>									
At the beginning of the year	135,283	1,683,058	93,390	161,906	109,663	15,431	3,214,004	1,969,652	7,382,387
Additions	--	287	1,102	1,275	2,669	--	--	113,385	118,718
Transfers	--	--	--	--	--	--	701,158	(701,158)	--
Disposal	--	--	--	--	--	(2,284)	--	--	(2,284)
At the end of the year	<u>135,283</u>	<u>1,683,345</u>	<u>94,492</u>	<u>163,181</u>	<u>112,332</u>	<u>13,147</u>	<u>3,915,162</u>	<u>1,381,879</u>	<u>7,498,821</u>
<b><u>Accumulated depreciation and impairment:</u></b>									
At the beginning of the year	--	802,494	77,380	161,906	103,919	15,431	1,227,877	--	2,389,007
Depreciation charge for the year	--	68,241	1,720	852	1,969	--	132,378	--	205,160
Impairment reversal (13.5)	--	(207,027)	--	--	--	--	--	--	(207,027)
Disposal	--	--	--	--	--	(2,284)	--	--	(2,284)
At the end of the year	<u>--</u>	<u>663,708</u>	<u>79,100</u>	<u>162,758</u>	<u>105,888</u>	<u>13,147</u>	<u>1,360,255</u>	<u>--</u>	<u>2,384,856</u>
<b><u>Net book value:</u></b>									
At 31 December 2025	<u>135,283</u>	<u>1,019,637</u>	<u>15,392</u>	<u>423</u>	<u>6,444</u>	<u>--</u>	<u>2,554,907</u>	<u>1,381,879</u>	<u>5,113,965</u>

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**13. PROPERTY AND EQUIPMENT (continued)**

	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2024
<u>Cost:</u>									
At the beginning of the year	135,283	1,681,265	93,340	161,906	107,066	15,431	3,210,843	1,711,826	7,116,960
Additions	--	1,793	50	--	2,603	--	3,161	282,471	290,078
Transfer to investment properties	--	--	--	--	--	--	--	(24,645)	(24,645)
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	<u>135,283</u>	<u>1,683,058</u>	<u>93,390</u>	<u>161,906</u>	<u>109,663</u>	<u>15,431</u>	<u>3,214,004</u>	<u>1,969,652</u>	<u>7,382,387</u>
<u>Accumulated depreciation and impairment:</u>									
At the beginning of the year	--	734,785	74,507	161,906	100,880	15,431	1,112,232	--	2,199,741
Depreciation charge for the year	--	67,709	2,873	--	3,045	--	115,645	--	189,272
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	<u>--</u>	<u>802,494</u>	<u>77,380</u>	<u>161,906</u>	<u>103,919</u>	<u>15,431</u>	<u>1,227,877</u>	<u>--</u>	<u>2,389,007</u>
<u>Net book value:</u>									
At 31 December 2024	<u>135,283</u>	<u>880,564</u>	<u>16,010</u>	<u>--</u>	<u>5,744</u>	<u>--</u>	<u>1,986,127</u>	<u>1,969,652</u>	<u>4,993,380</u>

13.1 Depreciation charge for the year has been allocated as follows:

	<b>31 December 2025</b>	31 December 2024
Cost of revenue	<b>182,378</b>	166,996
General and administrative expenses	<b>22,782</b>	22,276
	<b><u>205,160</u></b>	<u>189,272</u>

13.2 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC.

13.3 Freehold land amounting to SR 135 million (2024: SR 135 million), mainly relates to infrastructure and operating assets.

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**13. PROPERTY AND EQUIPMENT (continued)**

13.4 During the year ended 31 December 2025, borrowing cost amounting to SR 16.36 million (2024: SR 16.62) has been capitalized on certain CWIP projects.

13.5 During the year ended 31 December 2025, the Group recognized reversal of previously recognized impairment losses in respect of certain CGUs within the property and equipment. The reversal was recognized following reassessment of recoverable amounts based on updated market evidence and changes in key valuation assumptions, including improvements in trading performance, occupancy / vacancy levels, pricing metrics, and other asset-specific inputs used in the valuation models. The total reversal recognized during the year in relation to property and equipment amounted to SR 207 million and has been presented within impairment reversal on non-financial asset. The affected CGUs are included within the Group's residential and hospitality & leisure segments.

**13.6 Impairment**

The Group witnessed negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

At each reporting date, the Group assesses whether there are any indicators that non-financial assets may be impaired in accordance with IAS 36 – Impairment of Assets. Where such indicators exist, the Group estimates the recoverable amount of the relevant cash-generating units (CGUs) to determine whether the carrying amount exceeds the recoverable amount. Recoverable amount is determined as the higher of value in use and fair value less costs of disposal ("FVLCO").

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the FVLCO of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Costs of disposal represent estimated direct incremental costs that would be incurred to dispose of the relevant CGU.

***i) The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCO are as follows:***

The Group engaged independent professionally qualified valuation expert i.e. ESNAD who holds recognised relevant professional qualification and has recent experience under IFRS 13 – Fair Value Measurement, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ESNAD is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer. Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates.

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**13. PROPERTY AND EQUIPMENT (continued)**

**13.6 Impairment (continued)**

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The Group has a number of commercial centers, residential units, hotel and other leisure assets and under development properties. The Group considered each individual commercial center, hotel and other leisure asset as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated each of them as separate CGUs.

In determining the fair value, the valuer has used an income approach for income-generating assets and residual approach for under construction properties.

<b>Valuation approach</b>	<b>Description</b>
Income approach	<p>Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.</p> <p>Cash flows have been projected over a 10-year explicit forecast period. A terminal value has been estimated by capitalizing the terminal year net operating income at the capitalization rate, reflecting an assumed long-run stabilized growth rate. An inflation rate of 2.2% per annum has been applied to projected revenues and costs.</p>
Market approach	<p>Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect, condition, tenure and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.</p>

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**13. PROPERTY AND EQUIPMENT (continued)**

Following are the key assumptions and sensitivity analysis for those cash-generating units where an impairment reversal was recognized during the year:

<b>Class of CGU</b>	<b>Valuation approach</b>	<b>Carrying amount (SR in 000)</b>	<b>Recoverable amount (SR in 000)</b>
Hospitality-1	Income approach	213,600	537,489
Hospitality-2	Income approach	153,692	410,167
Commercial-1	Market approach	82,874	125,950
Commercial-2	Income approach	48,686	52,158
Commercial-3	Income approach	144,046	176,779

**Key assumptions**

**Hospitality – 1**

The key assumptions applied are:

- Average daily rate (ADR): **SAR 854**
- Average occupancy: **63%**
- Capitalization rate: **9%**
- Discount rate: **11%**
- EBITDA margin: **40%**

**Hospitality – 2**

The key assumptions applied are:

- Average room rate: **SAR 87**
- Average vacancy: **27%**
- Capitalization rate: **10%**
- Operating expenses: **10% of revenue**

**Commercial – 1**

The key assumption applied is:

- Average price per square meter: **SAR 2,950**

**Commercial – 2**

The key assumptions applied are:

- Discount rate: **10%**
- Capitalization rate: **8.5%**
- Average vacancy: **5%**
- Operating expenses: **15% of revenue**

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**13. PROPERTY AND EQUIPMENT (continued)**

**Key assumptions (continued)**

**Commercial – 3**

The key assumptions applied are:

- Average occupancy: **95%**
- Operating expenses: **13% of revenue**
- Capitalization rate: **9%**
- Discount rate: **10%**

**Sensitivity Analysis**

The valuations are sensitive to changes in key assumptions including pricing, occupancy or vacancy levels, operating expenses, capitalization rates and discount rates. The impact of reasonably possible changes is summarized below:

**Hospitality – 1**

- A 5% increase (decrease) in ADR, occupancy or EBITDA margin results in an approximate 5% increase (decrease) in recoverable amount.
- A 5% increase (decrease) in capitalization rate results in an approximate 2% decrease (increase) in recoverable amount.
- A 5% increase (decrease) in discount rate results in an approximate 3% decrease (increase) in recoverable amount.

**Hospitality – 2**

- A 5% increase (decrease) in average room rate results in an approximate 5% increase (decrease) in recoverable amount.
- A 5% increase (decrease) in capitalization rate results in an approximate 5% decrease (increase) in recoverable amount.
- A 5% increase (decrease) in vacancy levels results in an approximate 2% decrease (increase) in recoverable amount.
- A 5% increase (decrease) in operating expenses results in an approximate 1% decrease (increase) in recoverable amount.

**Commercial – 1**

- A 5% increase (decrease) in price per square meter results in an approximate 5% increase (decrease) in recoverable amount.

**Commercial – 2**

- A 5% increase (decrease) in discount rate results in an approximate 3% decrease (increase) in recoverable amount.
- A 5% increase (decrease) in capitalization rate results in an approximate 2% decrease (increase) in recoverable amount.
- Changes in vacancy levels are not expected to have a material impact.
- A 5% increase (decrease) in operating expenses results in an approximate 1% decrease (increase) in recoverable amount.

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**13. PROPERTY AND EQUIPMENT (continued)**

**Commercial – 3**

- A 5% increase (decrease) in occupancy would result in an approximate 5% increase (decrease) in the recoverable amount.
- A 5% increase (decrease) in operating expenses would result in an approximate 1% decrease (increase) in the recoverable amount.
- A 5% increase (decrease) in the capitalization rate would result in an approximate 2% decrease (increase) in the recoverable amount.
- A 5% increase (decrease) in the discount rate would result in an approximate 3% decrease (increase) in the recoverable amount.

**14. LEASES**

**14.1 Right-of-use assets**

The Group leases various properties such as offices, a resort, machinery & equipment and vehicles. Rental contracts are typically made for fixed periods ranging from 2 to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets may not be used as security for borrowing purposes.

The estimated useful lives of the right-of-use assets for the calculation of depreciation are as follows:

- Buildings 3-10 years
- Heavy equipment & machinery 3-4 years

	<b><u>Buildings</u></b>	<b><u>Heavy equipment and machinery</u></b>	<b><u>Total</u></b>
<b>Cost:</b>			
Balance as at 1 January 2025	<u>105,685</u>	--	<u>105,685</u>
Balance as at 31 December 2025	<u>105,685</u>	--	<u>105,685</u>
<b>Accumulated depreciation:</b>			
As at 1 January 2025	<u>59,985</u>	--	<u>59,985</u>
Charge for the year	<u>12,278</u>	--	<u>12,278</u>
As at 31 December 2025	<u>72,263</u>	--	<u>72,263</u>
<b>Net book value:</b>			
As at 31 December 2025	<u>33,422</u>	--	<u>33,422</u>

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**14. LEASES (continued)**

**14.1 Right-of-use assets (continued)**

	<u>Buildings</u>	<u>Heavy equipment and machinery</u>	<u>Total</u>
<b>Cost:</b>			
Balance as at 1 January 2024	103,097	1,207	104,304
Additions during the year	4,423	--	4,423
Cessation of lease	(1,835)	(1,207)	(3,042)
Balance as at 31 December 2024	<u>105,685</u>	<u>--</u>	<u>105,685</u>
<b>Accumulated depreciation:</b>			
As at 1 January 2024	48,554	966	49,520
Charge for the year	12,097	241	12,338
Cessation of lease	(666)	(1,207)	(1,873)
As at 31 December 2024	<u>59,985</u>	<u>--</u>	<u>59,985</u>
<b>Net book value:</b>			
As at 31 December 2024	<u>45,700</u>	<u>--</u>	<u>45,700</u>

Depreciation charge for the year has been allocated as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cost of revenue	9,449	9,690
General and administrative expenses	2,829	2,648
	<u>12,278</u>	<u>12,338</u>

**14.2 Lease liabilities**

At 31 December, the lease liabilities are presented in the consolidated statement of financial position as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Non-current portion	10,997	23,683
Current portion	62,266	51,670
	<u>73,263</u>	<u>75,353</u>

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**14. LEASES (continued)**

**14.2 Lease liabilities (continued)**

Movement of lease liabilities:

	<b>31 December 2025</b>	31 December <u>2024</u>
As at 1 January	75,353	89,006
Financial charges (Note 10)	1,538	1,999
Addition during the year	--	4,423
Repayments during the year	<b>(3,628)</b>	(18,725)
Reclassification to lease payable	--	(1,350)
As at 31 December	<b><u>73,263</u></b>	<u>75,353</u>

The aging of minimum lease payments together with the present value of minimum lease payments, as of 31 December, are as follows:

	<u>2025</u>		<u>2024</u>	
	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	Minimum lease payments	Present value of minimum lease payments
Within twelve months	64,412	62,266	53,102	51,670
One to five years	11,987	10,997	25,249	23,683
Total minimum lease payments	<b>76,399</b>	<b>73,263</b>	78,351	75,353
Less: financial charges	<b>(3,136)</b>	--	(2,998)	--
<b>Present value of minimum lease payments</b>	<b><u>73,263</u></b>	<b><u>73,263</u></b>	<u>75,353</u>	<u>75,353</u>

At each reporting date, the Group assesses whether there are any indicators that non-financial assets may be impaired in accordance with IAS 36 – Impairment of Assets. Where such indicators exist, the Group estimates the recoverable amount of the relevant cash-generating units (CGUs) to determine whether the carrying amount exceeds the recoverable amount. Recoverable amount is determined as the higher of value in use and fair value less costs of disposal (“FVLCOD”).

**14.3 Impairment**

The Group witnessed negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group’s operations will be higher than the recoverable amounts.

The management reviews carrying amounts of its non-financial assets to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (“CGU”). The management has determined that the resort is a separate CGU.

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**14. LEASES (continued)**

**14.3 Impairment (continued)**

Value-in-use has been determined by discounting the future cash flows of the respective CGU by using weighted average cost of capital of the Group.

The key estimates used by the Group's management for the value in use calculations were as follows:

- Projected cash flows using approved business plans.
- Average occupancy rate of 24%.
- Discount rate of 8.08%.

**(i) Average occupancy rate**

The occupancy growth in the forecast period has been estimated to be average occupancy rate of 24%. If all other assumptions are kept the same, a reduction of this growth rate by 2.20% across all expected cashflows would give a value-in-use equal to the current carrying amount.

**(ii) Discount rate**

The discount was an estimate of the weighted average cost of capital as of 31 December 2025 based on market rates adjusted to reflect management's estimate of the specific risks relating operations and the related industry. If all other assumptions are kept the same, an increase of the discount rate by 4.46% across all expected cashflows would give a value-in-use equal to the current carrying amount.

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**15. INVESTMENT PROPERTIES**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

- Buildings 10-50 years
- Leasehold improvements 2 - 10 years
- Infrastructure assets 10-30 years

	<b>2025</b>					
	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Infrastructure assets</u>	<u>Capital work-in-progress (CWIP)</u>	<u>Total</u>
<b><u>Cost:</u></b>						
At the beginning of the year	2,790,274	861,569	945	425,016	1,011,034	5,088,838
Additions	--	1,289	--	--	10,776	12,065
Disposals	(403)	(2,628)	--	--	(3,398)	(6,429)
At the end of the year	<u>2,789,871</u>	<u>860,230</u>	<u>945</u>	<u>425,016</u>	<u>1,018,412</u>	<u>5,094,474</u>
<b><u>Accumulated depreciation and impairment:</u></b>						
At the beginning of the year	--	311,366	945	176,979	--	489,290
Depreciation charge for the year	--	31,744	--	16,476	--	48,220
Reversal of impairment (Note 15.11)	--	(109,483)	--	--	--	(109,483)
Disposals	--	(672)	--	--	--	(672)
At the end of the year	<u>--</u>	<u>232,955</u>	<u>945</u>	<u>193,455</u>	<u>--</u>	<u>427,355</u>
<b><u>Net book value</u></b>						
At 31 December 2025	<u>2,789,871</u>	<u>627,275</u>	<u>--</u>	<u>231,561</u>	<u>1,018,412</u>	<u>4,667,119</u>

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**15. INVESTMENT PROPERTIES (continued)**

	2024					Total
	Land	Buildings	Leasehold improvements	Infrastructure assets	Capital work-in-progress (CWIP)	
<u>Cost:</u>						
At the beginning of the year	2,790,874	862,629	945	430,078	974,679	5,059,205
Additions	4,273	--	--	-	13,241	17,514
Disposals	(3,545)	(1,060)	--	(5,062)	(1,531)	(11,198)
Transfer from property and equipment	--	--	--	--	24,645	24,645
Transfer to development properties (Note 18)	(1,328)	--	--	--	--	(1,328)
At the end of the year	<u>2,790,274</u>	<u>861,569</u>	<u>945</u>	<u>425,016</u>	<u>1,011,034</u>	<u>5,088,838</u>
<u>Accumulated depreciation and impairment:</u>						
At the beginning of the year	--	278,663	945	160,347	--	439,955
Depreciation charge for the year	--	32,167	--	16,632	--	48,799
Reversal of impairment	--	(1,094)	--	--	--	(1,094)
Disposals	--	1,630	--	--	--	1,630
At the end of the year	<u>--</u>	<u>311,366</u>	<u>945</u>	<u>176,979</u>	<u>--</u>	<u>489,290</u>
<u>Net book value</u>						
At 31 December 2024	<u>2,790,274</u>	<u>550,203</u>	<u>--</u>	<u>248,037</u>	<u>1,011,034</u>	<u>4,599,548</u>

**15.1** Investment properties comprises commercial centers, serviced lands, residential units, properties with undetermined future use and properties under development. Commercial centers, serviced lands and residential units generate rental income through lease agreements. Properties with undetermined future use mainly comprise raw land parcels that do not generate any income and no expense is incurred on those properties.

**15.2** Capital work in progress represents assets under construction relating to a commercial center's expansion and infrastructure development work on the land parcels.

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**15. INVESTMENT PROPERTIES (continued)**

**15.3** Greenfield land measures approximately 168 million square meters and includes land measuring approximately 37 million square meters contributed by a shareholder as part of its capital contribution for an agreed sum of SR 1,700 million in lieu of shares of the same value in the Company (Note 23). The specific allocation of the Greenfield land to be used by different projects, which could be for sale or rental, has not yet been completed. Therefore, the Greenfield land and associated costs, amounting to SR 2,512 million (31 December 2024: SR 2,518 million), has been classified as investment properties. No depreciation has been charged as these comprise only freehold land. Greenfield land includes 24.5 million square meters pledged in favour of the PIF (Ministry of Finance loan novated to PIF) against a long-term loan of SR 2,911 million which now has been converted to Equity. The Group is currently in discussion with PIF to release the lands, as a result of the loan conversion to equity. Loans obtained from commercial banks are also secured against Greenfield land.

**15.4** Amounts recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties held for rental income for the year are as follows:

	<b>31 December 2025</b>	31 December 2024
Rental income from operating leases	<b>89,973</b>	50,419
Rental income from operating leases – variable	<b>2,189</b>	1,227
Direct operating expenses on investments properties that generated rental income	<b>809</b>	1,387

**15.5** There were no direct operating expenses on investment properties that did not generate rental income during 2025 and 2024.

**15.6** At 31 December 2025 the Group's investment properties with a carrying amount of SR 923 million (31 December 2024: SR 923 million) were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2025 and 2024, no borrowing cost was capitalized as no development or construction of investment properties was carried out.

**15.7** During the year ended 31 December 2025, properties amounting to SR Nil (31 December 2024: SR 1.3 million) were transferred from 'investment properties' to 'development properties' as they underwent a change in use, evidenced by commencement of development with a view to sell along with active marketing for such sale. The development of the property was planned after the feasibility study and receipt of sale proposal and the basic infrastructure development in the surrounding area was already completed beforehand. Accordingly, this property is classified and transferred to development properties.

**15.8** Some of the investment properties are leased to tenants under operating leases with rentals payable on a monthly, quarterly and semi-annual basis. Rental payments for some contracts are variable and are based on percentage of sales, and not on an index rate.

**15.9** As at 31 December 2025 and 2024, the Group has no contractual obligation for future repairs and maintenance which are not recognized as liability.

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**15. INVESTMENT PROPERTIES (continued)**

**15.10 Group as lessor**

The Group has entered into leases on its investment property portfolio. The future minimum rentals receivable under operating leases contracted for as at the reporting date but not recognized as receivables, are as follows:

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Less than one year	<b>56,263</b>	54,521
One to two years	<b>55,788</b>	54,521
Two to three years	<b>54,937</b>	54,465
Three to four years	<b>53,640</b>	54,195
Four to five years	<b>48,785</b>	53,057
More than five years	<b>520,465</b>	562,194
	<b><u>789,878</u></b>	<u>832,953</u>

**15.11** During the year ended 31 December 2025, the Group recognized reversal of previously recognized impairment losses in respect of certain investment property CGUs amounting to SR 109 million. The reversal was recognized following reassessment of recoverable amounts based on updated market evidence and changes in key valuation assumptions, including improvements in performance, pricing metrics, and other asset-specific inputs used in the valuation models, which has been presented within Impairment reversal on non-financial asset. The affected CGUs are included within the Group's residential segments.

**15.12 Impairment**

The Group witnessed negative operating cash flows from the Group operations. As a result, management considered indicators of impairment to exist. There is a risk that the carrying value of non-financial assets associated with the Group's operations will be higher than the recoverable amounts.

At each reporting date, the Group assesses whether there are any indicators that non-financial assets may be impaired in accordance with IAS 36 – Impairment of Assets. Where such indicators exist, the Group estimates the recoverable amount of the relevant cash-generating units (CGUs) to determine whether the carrying amount exceeds the recoverable amount. Recoverable amount is determined as the higher of value in use and fair value less costs of disposal ("FVL COD").

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs as follows:

- For certain CGUs by assessing the FVL COD of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. Costs of disposal represent estimated direct incremental costs that would be incurred to dispose of the relevant CGU.

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**15. INVESTMENT PROPERTIES (continued)**

*The valuation methodology and related significant inputs and assumptions used by valuer in estimation of net recoverable amount for the CGUs where recoverable amount has been determined based on FVLCOB are as follows:*

The fair value of the Group's investment property, as at 31 December 2025, has been arrived on the basis of the valuation exercise carried out by independent professionally qualified valuation expert i.e. ESNAD who holds recognised relevant professional qualification and has recent experience under IFRS 13, in determining the fair values for properties in the locations and segments where the Group's properties are situated. ESNAD is accredited by the Saudi Authority for Accredited Valuers and performed their work in accordance with the International Valuation Standards Council (IVSC) as well as the regulations issued by the Saudi Authority for Accredited Valuers (TAQEEM).

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer (CFO) of the Group. Discussions of valuation processes and results are held between the CFO, business and finance department and the independent valuer.

Discussions of valuation processes and results are held at least once in every quarter, in line with the Group's quarterly reporting dates

There were no changes in the valuation techniques during the year.

At each financial year-end the finance department:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO, finance department and the independent valuer. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The valuation methodology and related significant inputs and assumptions used by valuers in estimation of net recoverable amount are as follows:

<b>Valuation approach</b>	<b>Description</b>
Income approach	Under this approach, the valuer has utilized the discounted cash flow approach. The discount rate reflects the growth assumed in the cash flow (both costs and revenues) and the risks associated with the assumptions, including occupancy, rents, operating expenses etc. Since these valuations are based on significant unobservable inputs, the fair value measurement was classified as Level 3.

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**15. INVESTMENT PROPERTIES (continued)**

**15.12 Impairment (continued)**

<b>Valuation approach</b>	<b>Description</b>
Market approach	Under this approach, the valuer makes assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. The differences in specification of the Group's properties are then adjusted, taking into account size, location, aspect, condition, tenure and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

The Group has performed impairment assessment on investment properties held for rental income at CGU level. The group considered the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets and accordingly designated such assets as CGU.

Following are the key assumptions and sensitivity analysis for those cash-generating units where an impairment reversal was recognized during the year.

<b>Class of CGU</b>	<b>Valuation approach</b>	<b>Carrying amount (SR in 000)</b>	<b>Recoverable amount (SR in 000)</b>
Residential	Market approach	269,800	471,358

**Key assumption for residential CGU:**

- Average price per square meter: SAR 9,900

**Sensitivity analysis for residential CGU:**

A 5% increase (decrease) in the average price per square meter would result in a corresponding 5% increase (decrease) in the recoverable amount.

**15.13** The Group uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>31 December 2025</b>	<u>                    </u>	<u>                    </u>	<u><b>40,497,476</b></u>	<u><b>40,497,476</b></u>
31 December 2024	<u>                    </u>	<u>                    </u>	<u>39,269,702</u>	<u>39,269,702</u>

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**15. INVESTMENT PROPERTIES (continued)**

15.14 Following is the fair value and carrying amount of investment properties held for various purposes:

	<u>Fair value</u>		<u>Carrying amount</u>	
	<u>31 December 2025</u>	31 December 2024	<u>31 December 2025</u>	31 December 2024
Rental income	9,564,252	9,510,000	1,877,252	1,809,278
Currently undetermined future use	30,933,224	29,759,702	2,789,867	2,790,270
	<u>40,497,476</u>	<u>39,269,702</u>	<u>4,667,119</u>	<u>4,599,548</u>

Any significant movement in the assumptions used for fair valuation of investment property such as discount rate etc. would result in significantly lower / higher fair values of these assets.

**16. INTANGIBLE ASSETS**

The movement in the intangible assets is as follows:

	<u>31 December 2025</u>	31 December 2024
<b>Cost:</b>		
At the beginning of the year	114,405	113,301
Additions	665	1,104
At the end of the year	<u>115,070</u>	<u>114,405</u>
<b>Amortization:</b>		
At the beginning of the year	111,424	109,637
Charge for the year	923	1,787
At the end of the year	<u>112,347</u>	<u>111,424</u>
<b>Net book value</b>	<u>2,723</u>	<u>2,981</u>

**17. INTEREST IN OTHER ENTITIES**

**17.1 Investment in equity accounted investees**

The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The entities are incorporated in the Kingdom of Saudi Arabia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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**17. INTEREST IN OTHER ENTITIES (continued)**

**17.1 Investment in equity accounted investees (continued)**

	<u>Effective ownership interest (%)</u>		<u>Balance as at</u>	
	<u>31 December 2025</u>	<u>31 December 2024</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Investment in Ports Development Company (“PDC”) (see note (a) below)	<b>50%</b>	50%	<b>2,366,547</b>	2,456,361
Investment in Biyouat Progressive Company for Real Estate Investment & Development (“Biyouat”) (see note (b) below)	<b>20%</b>	20%	<b>45,790</b>	45,790
Investment in Albilad Tourism Fund (see note (c) below)	<b>41.15%</b>	41.15%	<b>158,871</b>	209,655
			<b>2,571,208</b>	<b>2,711,806</b>

**a) Ports Development Company**

Movement in investment in PDC for the year is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	<b>2,456,361</b>	2,552,079
Share of results for the year, net of Zakat charge	<b>(79,743)</b>	(88,752)
Share of other comprehensive loss	<b>(10,071)</b>	(6,966)
Balance at the end of the year	<b>2,366,547</b>	<b>2,456,361</b>

Summarized financial information of PDC is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Non-current assets	<b>7,390,697</b>	7,534,339
Current assets	<b>196,215</b>	274,759
Cash and cash equivalents	<b>42,666</b>	134,742
Non-current liabilities	<b>(1,972,485)</b>	(2,033,927)
Current liabilities (**)	<b>(298,631)</b>	(282,147)
Non-current financial liabilities	<b>(1,951,139)</b>	(1,991,496)
<b>Equity</b>	<b>5,313,396</b>	5,493,024
Group’s share in equity – 50% (31 December 2024: 50%)	<b>2,656,698</b>	2,746,512
Elimination of share of profit on sale of land and commission income*	<b>(290,151)</b>	(290,151)
<b>Group’s carrying amount of the investment</b>	<b>2,366,547</b>	<b>2,456,361</b>

(\*) The amount pertains to profit derived by the Group on sale of land to PDC to develop and operate the port.

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**17. INTEREST IN OTHER ENTITIES (continued)**

**17.1 Investment in equity accounted investees (continued)**

(\*\*) Includes trade payable amounting to SR 134.12 million (31 December 2024: SR 143.04 million).

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Revenue	<b>281,330</b>	293,120
Depreciation	<b>151,433</b>	153,260
Interest expense	<b>168,578</b>	179,717
Zakat and tax charge	<b>4,100</b>	7,470
Net loss for the year	<b>(159,486)</b>	(167,819)
Other comprehensive loss to be reclassified to profit or loss in subsequent years	<b>(20,143)</b>	(13,820)
Total comprehensive loss for the year	<b>(179,629)</b>	(181,639)
<b>Group's share of loss for the year, net of related Zakat charge</b>	<b>(79,743)</b>	(88,752)
<b>Group's share of other comprehensive loss for the year</b>	<b>(10,071)</b>	(6,966)

On 14 Jumada Awal 1431H (corresponding to 29 April 2010), the Ports Development Company ("PDC"), a Closed Joint Stock Company, was incorporated in the Kingdom of Saudi Arabia, which is engaged in development, operation and maintenance of the King Abdullah Port (the "Port") at KAEC. During 2011, the shareholders of PDC entered into an agreement, whereby, the shareholding structure and funding mechanism of PDC was agreed.

Considering the 50% shareholding by the Group as per the shareholding structure that was last amended in 2014, and pursuant to the terms of the shareholders agreement, the shareholders of PDC have concluded that they have joint control over PDC and hence the Group has classified the investment as "Investment in an equity accounted investee".

The management of PDC makes the decision regarding the pricing and the government does not control the price being charged to the customers. Accordingly, management has performed an assessment and concluded that the operations of PDC do not fall within the scope of IFRIC 12 'Service Concession Arrangements'.

The Group has provided a corporate guarantee to a commercial bank, limited for SR 1,070 million plus any Murabaha profits due to be paid by the PDC, that allowed PDC to secure a Shariah compliant Murabaha facility to partially finance the construction costs of the Port. Moreover, such loan is also secured by a pledge of the shares of the Group in PDC.

On December 20, 2023, the National Container Terminal ("NCT") declared Force Majeure ("FM"), followed by a detailed report on December 31, 2023, citing the immediate suspension of services by its main customer, MSC. This decision was in response to Houthi attacks on merchant ships passing through the Bab al-Mandab Strait in the Red Sea.

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(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

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**17. INTEREST IN OTHER ENTITIES (continued)**

**17.1 Investment in equity accounted investees (continued)**

NCT noted that MSC contributes approximately 90% of its throughput, primarily through transshipment containers, which will be lost due to the suspension or rerouting of MSC services. As a result, NCT has asserted that the security crisis in the Red Sea and MSC's suspension will impact its Concession Agreement ("CA") obligations, particularly regarding the Minimum Charge Guarantee ("MCG").

Following this, PDC reached a settlement agreement with NCT, under which NCT will pay PDC 50% of the Minimum Charge Guarantee that would have been payable to the Granter had the Red Sea disruption not occurred. This settlement has led to a significant reduction in PDC's revenue and cashflow for 2025.

As a result of this development, an objective indication of impairment existed in the Group's financial statements. Accordingly, an impairment assessment was conducted to evaluate the recoverable amount of the related assets. The assessment concluded that no impairment was required, as the recoverable amount remained well above the carrying value, with sufficient headroom.

The management has determined the fair value of financial guarantees to be immaterial.

PDC has also entered into interest rate swaps arrangement (the "Swap Contracts"), with local commercial banks, to hedge future adverse fluctuation in interest rates on its long-term loan. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

PDC designated the Swap Contracts, at its outset, as a cash flow hedge. The Swap Contracts are intended to effectively convert the interest rate cash flow on the long-term loan from a floating rate to a fixed rate, during the entire tenure of the loan agreements. Cash flow hedges which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss on the effective portion of the hedging instrument to the other comprehensive income, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

**b) Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat")**

During 2016, the Group entered into an arrangement with an entity owned by a local Saudi group to incorporate a new entity, namely Biyoutat, a Limited Liability Company, to build, own and manage a residential compound at KAEC.

The Group owns 20% shares in the share capital of Biyoutat. As per the shareholders' agreement, during 2016, the Group also made an additional investment of SR 53.75 million, in the form of a contributed land, for the development of the project.

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**17. INTEREST IN OTHER ENTITIES (continued)**

**17.1 Investment in equity accounted investees (continued)**

The movement in investment in Biyouat during the year is as follows:

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Initial investment	200	200
Additional investment	53,755	53,755
Elimination of share of profit on sale of land (*)	<b>(8,165)</b>	(8,165)
	<b><u>45,790</u></b>	<u>45,790</u>

(\*) The amount pertains to profit derived by the Group on sale of land to Biyouat for development of a residential compound.

**c) Investment in Albilad Tourism Fund - Equity investment**

During 2023, the Group invested in the Albilad Tourism Fund (the "Fund"). The Group entered into a property sale agreement to sell a prime beachfront land plot, in Murooj Golf Community District in KAEC, as an in-kind contribution to the Fund.

In return for the land sale, the Group acquired units in the Fund amounting to Saudi Riyals 269.2 million, representing 41.15% of the Fund's equity. The Fund's term is 12 years and is extendable up to 3 additional years. The Group has performed an assessment of the criteria to determine whether the Group has control over the Fund and concluded that the Group does not have control, but significant influence over the Fund. Accordingly, the Fund is being accounted as equity investment in the consolidated financial statements for the year ended 31 December 2025.

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Initial investment	209,655	239,499
Elimination of share of profit on contribution of land (*)	<b>(45,715)</b>	(25,764)
	<b><u>163,940</u></b>	<u>213,735</u>
Share of loss for the period	<b>(5,069)</b>	(4,080)
Closing investment	<b><u>158,871</u></b>	<u>209,655</u>

(\*) The amount pertains to profit derived by the Group on contribution of land to the Fund.

During the year ended 31 December 2025, a fire incident occurred at the Rixos Hotel project. The affected area was contained, and assessments by the developer, insurers, and relevant authorities are currently ongoing.

The Group has evaluated the potential financial impact of the incident and considered this as part of its impairment assessment of the investment in the associate. Based on this assessment, including the application of reasonably possible adverse assumptions, management concluded that no impairment loss or provision is required to be recognised.

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**18. DEVELOPMENT PROPERTIES**

These represent completed and ongoing real estate projects being developed for sale as residential and commercial units and plot of lands which is determined by management to be used for future sale in the ordinary course of Group's operations.

Movement during the year ended 31 December 2025 is as follows:

	<u>Notes</u>	<b>31 December 2025</b>	31 December 2024
Costs incurred to-date		<b>1,505,987</b>	1,526,013
Transferred from investment properties	15	--	1,328
Less: cost of development properties sold		<b>(155,728)</b>	(38,807)
Less: provision for development properties		<b>(165,846)</b>	(169,905)
<b>Closing balance</b>		<b>1,184,413</b>	1,318,629
Current portion of development properties		<b>813,988</b>	835,611
Non-current portion of development properties		<b>370,425</b>	483,018
Total		<b>1,184,413</b>	1,318,629

- a) Disposals of development properties are recognised as expense within cost of revenue.
- b) As at 31 December 2025, development properties include land amounting to SR 140.24 million (31 December 2024: SR 158.41 million).
- c) The Group had transferred certain properties from investment properties to development properties based on the change in the intended use to sell such properties after development. (see Note 15).
- d) During the year, some properties which were written down to net realizable value were sold, accordingly related provision amounting to SR. 4.06 million was reversed to profit and loss.

Determination of NRV:

Projects other than plots of land

The management of the Group has carried out an exercise to determine the NRV of their development properties. This exercise involved determination of planned mode of disposal and the estimation of certain significant variables such as estimated selling price based on planned mode of disposal, estimated cost to sell and estimated cost to make the asset ready for sale. The management determines the estimated selling price by observing the transactions being carried out in the market. During the year 2025, there was no impairment as result of NRV testing.

Unlaunched projects

Management has involved independent valuation expert for the valuation of unlaunched projects to arrive at the estimated selling price of the properties. The valuer has used comparable approach. For details related to the valuation process, refer to Note 15.

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**19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS**

	<u>Notes</u>	<b>31 December 2025</b>	31 December <u>2024</u>
<b>Financial assets</b>			
Trade receivables	19.1	<b>804,068</b>	736,664
Amounts due from related parties	31	<b>12,869</b>	34,028
Less: impairment on trade receivables	19.2	<b>(369,014)</b>	(358,097)
		<b>447,923</b>	412,595
Others		<b>85,232</b>	61,472
		<b>533,155</b>	474,067
<b>Non-financial assets</b>			
Prepayments		<b>23,579</b>	29,288
Advances to suppliers		<b>95,914</b>	77,968
VAT receivable		<b>132,326</b>	97,534
Others		<b>9,285</b>	7,372
		<b>261,104</b>	212,162
Trade receivables and other current assets		<b>794,259</b>	686,229

**19.1** Breakup of trade receivables is as follows:

	<b>31 December 2025</b>	31 December <u>2024</u>
Receivables from residential customers against sale of development properties	<b>240,121</b>	247,806
Receivable against city operation services	<b>286,571</b>	230,334
Lease receivables from industrial customers	<b>190,968</b>	140,393
Receivables from industrial customers against sale of development properties	<b>5,976</b>	51,929
Lease receivables from residential customers	<b>9,816</b>	21,460
Receivables for education services	<b>54,162</b>	36,680
Receivable against hospitality services	<b>16,454</b>	8,062
	<b>804,068</b>	736,664

Trade receivables are non-derivative financial assets carried at amortised cost and are generally on terms of 30 days. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

The title of the development properties sold are held in the name of the Group until the entire consideration is received by the Group. The remaining trade receivables are unsecured. Trade receivable balances are concentrated in the Kingdom of Saudi Arabia. As at 31 December 2025, five largest customers accounted for 26% (31 December 2024: 26.8%) of the outstanding trade receivables. The estimated fair values of trade and other receivables are the discounted amount of the estimated future cash flows expected to be received and approximate their carrying amounts.

Advances to suppliers mainly include advances for undertaking repair and maintenance of infrastructure work.

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**19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)**

**Collateral**

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, and the minimum collateral against sale of development property is the fair value of the property sold to the customer as the Group transfers property title to the customer only upon receipt of the entire amount of the contract. As at 31 December 2025 and 2024, the fair value of all collaterals exceeds the carrying value of the respective trade receivable balances of the related contract. The fair value of the property is incorporated in LGD and accordingly ECL is recognised on the exposure after considering the collateral value in respect of trade receivable in respect of sale of development properties.

19.2 Movement in the impairment loss on trade receivables is as follows:

	<b>31 December 2025</b>	31 December 2024
At the beginning of the year	358,097	358,553
Provision / (reversal) for the year	10,917	(456)
At the end of the year	<u>369,014</u>	<u>358,097</u>

Increase in gross amount of unsecured receivable balances contribute to the changes in impairment loss on trade receivables.

19.3 The break-up of impairment loss of trade receivables is as follows:

	<b>31 December 2025</b>	31 December 2024
Receivable against city operation services	203,632	162,396
Lease receivables from industrial customers	146,333	127,949
Lease receivables from residential customers	6,658	39,186
Receivable against education services	2,639	10,876
Receivable against hospitality services	--	800
Receivable against sale of development properties	9,752	16,890
	<u>369,014</u>	<u>358,097</u>

19.4 The following table provides information about the expected credit loss for trade receivables:

<b>31 December 2025</b>	<b>Current Not past due</b>	<b>1- 90 days past due</b>	<b>91 – 180 days past due</b>	<b>More than 180 days past due</b>	<b>Total</b>
Expected loss rate	4.78%	26.44%	51.35%	51.47%	
Gross carrying amount – trade receivable	75,651	37,946	40,517	649,954	804,068
Expected credit loss allowance	<u>3,614</u>	<u>10,034</u>	<u>20,805</u>	<u>334,561</u>	<u>369,014</u>

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**19. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (continued)**

31 December 2024	Current Not past due	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
Expected loss rate	11.89%	32.57%	42.40%	52.01%	--
Gross carrying amount – trade receivable	29,289	44,208	49,101	614,066	736,664
Expected credit loss allowance	3,483	14,398	20,819	319,397	358,097

19.5 As at 31 December, the ageing analysis of trade receivables, is as follows:

	<u>Total</u>	<u>Not past due</u>	<u>Past due</u>				
			<u>&lt; 30 Days</u>	<u>30–60 days</u>	<u>61–90 Days</u>	<u>91–180 days</u>	<u>&gt; 180 Days</u>
<b>31 December 2025</b>	<b>804,068</b>	<b>75,651</b>	<b>25,763</b>	<b>2,405</b>	<b>9,778</b>	<b>40,517</b>	<b>649,954</b>
31 December 2024	736,664	29,289	20,922	11,947	11,339	49,101	614,066

**20. CONTRACT ASSETS AND UNBILLED REVENUE**

a) Contract assets against sale of development property:

	<b>31 December 2025</b>	31 December 2024
Contract assets	<b>741,046</b>	330,606
Less: impairment on contract assets	<b>(84,337)</b>	(26,097)
Less: Current portion of contract assets	<b>(60,751)</b>	(108,452)
Non-current portion of contract assets*	<b>595,958</b>	196,057

\* Non-current portion of unbilled revenue has been adjusted with the impact of significant financing component.

b) Unbilled revenue against leasing:

	<b>31 December 2025</b>	31 December 2024
Unbilled revenue against leasing	<b>145,707</b>	127,272
Less: impairment on unbilled revenue against leasing	<b>(13,959)</b>	(12,486)
Unbilled revenue against leasing - current portion	<b>131,748</b>	114,786

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**20. CONTRACT ASSETS AND UNBILLED REVENUE (continued)**

c) Movement in impairment on unbilled revenue against leasing

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
At the beginning of the year	<b>12,486</b>	107,940
Charge for the year	<b>1,473</b>	(95,454)
At the end of the year	<b><u>13,959</u></b>	<u>12,486</u>

d) Movement in impairment on contract asset against sale of development property

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
At the beginning of the year	<b>26,097</b>	--
Charge for the year	<b>58,240</b>	26,097
At the end of the year	<b><u>84,337</u></b>	<u>26,097</u>

The increase in contract assets during the year was mainly due to revenue recognised on development properties where billing milestones had not yet been reached.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Where rental income recognised exceeds the amounts billed to tenants at the reporting date, the excess is recorded as unbilled revenue.

The Group assesses credit risk associated with tenants and recognises an allowance for expected credit losses where required.

Contract assets primarily relate to the Group's right to consideration for performance completed to date in respect of the sale of development properties where the right to bill the customer has not yet arisen as at the reporting date. Contract assets are transferred to trade receivables when the Group's right to consideration becomes unconditional, which generally occurs when an invoice is issued to the customer.

In respect of the sale of development properties, the Group obtains collateral from customers in the form of promissory notes or bank guarantees. The minimum collateral obtained generally corresponds to the fair value of the property sold, as legal title to the property is transferred to the customer only upon receipt of the full contract consideration. The fair value of the underlying property is considered in estimating the loss given default (LGD) when determining expected credit losses (ECL) on contract assets.

**21. CASH AND CASH EQUIVALENTS**

	<u>Note</u>	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Cash and bank balances		<b>477,318</b>	256,125
		<b><u>477,318</u></b>	<u>256,125</u>
Less: restricted cash – non-current	21.1	--	(51)
Less: restricted cash – current	21.1	<b>(4,421)</b>	(3,707)
		<b><u>472,897</u></b>	<u>252,367</u>

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**21. CASH AND CASH EQUIVALENTS (continued)**

**21.1** As at 31 December 2025, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to SR Nil (31 December 2024: SR 0.05 million) and balances relating to off-plan sale of development properties amounting to SR 4.4 million (31 December 2024: SR 3.7 million). The classification of these balances depends on the contractual arrangement and completion of the projects.

**21.2** The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalents approximates the carrying value at 31 December 2025 and 2024.

**22. EMPLOYEES' RECEIVABLE – HOME OWNERSHIP SCHEME**

In accordance with the Group's policy, until 31 December 2016, the Group used to sell constructed units to eligible employees under interest free arrangement repayable over a period of twenty years. The Group has made the judgement that the arrangement should be treated under IFRS 15 and the resultant receivable is accounted under IFRS 9. The net value of the payments is recognized as a receivable under employee home ownership scheme. The difference between the gross receivable and the present value of the receivable is recognized as an unearned interest income.

	<u>Gross receivable</u>		<u>Present value of gross receivable</u>	
	<u>31 December 2025</u>	<u>31 December 2024</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Current portion	<b>5,272</b>	5,638	<b>3,397</b>	3,504
Non-current portion:				
One to five years	<b>21,088</b>	22,551	<b>14,861</b>	15,333
Over five years	<b>36,491</b>	45,664	<b>30,769</b>	38,130
	<b>57,579</b>	68,215	<b>45,630</b>	53,463
Total	<b>62,851</b>	73,853	<b>49,027</b>	56,967

As at 31 December 2025, balance amounting to SR 1.08 million is not overdue and the remaining balance amounting to SR 4.19 million is overdue.

The Group, in respect of sale of constructed units have collaterals in the form of the underlying property sold to the employee as the Group transfers property title to the employee only upon receipt of the entire amount of the contract. The fair value of the property is incorporated in LGD which is significantly higher and accordingly no ECL is recognised in respect of employees' receivable.

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**23. SHARE CAPITAL AND SHARE PREMIUM**

As of 31 December 2025, the Company's authorized and issued share capital was SR 8,829.3 million consisting of 882.93 million shares of SR 10 each (31 December 2024: 523.26 million shares of SR 10 each), allocated as follows:

	2025		2024	
	Number of Shares' 000	Capital	Number of Shares' 000	Capital
Issued for cash	680,000	6,800,000	680,000	6,800,000
Issued for consideration in kind	170,000	1,700,000	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity*	643,003	6,430,033	283,333	2,833,333
Decrease in share capital (refer note 1)	(610,073)	(6,100,734)	(610,073)	(6,100,734)
	<b>882,930</b>	<b>8,829,299</b>	<b>523,260</b>	<b>5,232,599</b>

\* On 22 December 2025, the shareholders, in an Extraordinary General Assembly, approved an increase in the Company's share capital and corresponding amendments to the bylaws, raising the share capital from SR 5,233 million to SR 8,829 million resulting in an increase of share capital by SR 3,597 million. As part of this process, PIF increased its shareholding through the issuance of 359,669,996 new shares at a nominal value of SR 10 per share, in exchange for a debt settlement amounting to SR 4,118 million (refer to note 25(c)). Consequently, PIF's ownership in the Company increased from 25% to 55.55%.

The agreed share price for the transaction was SAR 11.45 per share. A share premium of SR 521.5 million was recognized at SR 1.45 per share for the 359,669,996 new shares issued. The Group deducted all directly attributable expenses related to the debt conversion, totaling SR 18.60 million, from the share premium. As a result, the share premium balance as at 31 December 2025 is SR 503 million.

**24. STATUTORY RESERVE**

In accordance with the previous Saudi Companies Law, enacted by Royal Decree No. M/3 dated 28/01/1437H (10 November 2015) the Company must set aside 10% of its net profit each year and the Ordinary General Assembly may discontinue such setting aside when the reserve reaches 30% of the company's paid-up capital. This statutory reserve could be utilized to cover the accumulated losses of the Company and was not available for distribution.

However, following the introduction of the Saudi Companies Law, enacted by Royal Decree No. M/132 dated 01/12/1443H (corresponding to June 30, 2022) and effective from January 19, 2023, the requirement to maintain a statutory reserve has been removed. Accordingly, the Company Bylaws have been amended to reflect such removal of the statutory reserve requirement. Under the new framework, the authority to form reserves rests with the General Assembly, and no such resolution has been issued to date. As a result, the Company is no longer required to appropriate amounts to a statutory reserve and may transfer any existing statutory reserves to retained earnings following General Assembly approval based on the Board's recommendation.

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**25. LONG-TERM BORROWINGS**

	<b>31 December 2025</b>	31 December 2024
Ministry of Finance (“MoF”) loan (Note (b) below)	--	2,166,667
Accrued commission	--	744,937
Novation to a shareholder (Note (b) below)	--	(2,911,604)
	--	--
Facility from local banks	<b>3,317,894</b>	3,317,894
Accrued commission	<b>561,516</b>	435,002
Short term loan	<b>150,000</b>	--
Repayment of loan	<b>(78,968)</b>	--
Gain on extinguishment of financial liabilities	<b>(269,307)</b>	--
	<b>3,681,135</b>	3,752,896
Restructured to a syndicated facility (Note (a) below)	<b>(3,681,135)</b>	--
Current portion	--	(3,752,896)
Non-current portion	--	--
Facility from local banks	<b>3,484,389</b>	--
Accrued commission before restructuring	<b>196,746</b>	--
Restructured syndicated facility	<b>3,681,135</b>	--
Accrued commission after restructuring	<b>161,424</b>	--
Repayment of loan	<b>(19,542)</b>	--
Payment of accrued commission	<b>(52,406)</b>	--
Total restructured facility	<b>3,770,611</b>	--
Current portion	<b>(278,411)</b>	--
Non-current portion	<b>3,492,200</b>	--
Facility from a shareholder (Note (b) below)	<b>958,252</b>	958,252
Accrued commission	<b>505,220</b>	248,365
Novated from MoF	<b>2,911,604</b>	2,911,604
Converted to equity	<b>(4,118,221)</b>	--
	<b>256,855</b>	4,118,221
Current portion	<b>(256,855)</b>	(4,118,221)
Non-current portion	--	--
Facility from a shareholder (Note (c) below)	<b>500,000</b>	--
Accrued commission	<b>22,231</b>	--
	<b>522,231</b>	--
Current portion	--	--
Non-current portion	<b>522,231</b>	--
Total long-term borrowings*	<b>4,549,697</b>	7,871,117
Current portion of long-term borrowings	<b>(535,266)</b>	(7,871,117)
Non-current portion of long-term borrowings	<b>4,014,431</b>	--

\* The Group has assessed its compliance with all covenants attached to its borrowing facilities as at the reporting date. Based on this assessment, management confirms that the Group is in compliance with the financial and non-financial covenants applicable as at year end.

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**25. LONG-TERM BORROWINGS (continued)**

For certain covenants, management had formally applied for extensions from the lenders. The Group has obtained extension letters from the lenders approving these covenant extensions. Accordingly, no covenant breaches or related events of default have been identified as at the reporting date. Further, the Group does not expect to comply with certain covenants within 12 months after the reporting date, for which it has already applied for waivers from the lenders, and expects to obtain such waivers.

- a) On 31 December 2024, SR 3,914 million (including accrued commission) was due to local banks (including short term loan). During the period 01 January 2025 till 27 April 2025, the Group has accrued commission of SR 115 million on existing facility. On 27 April 2025, the Group entered into fully binding rescheduled Murabaha syndicated facility agreements with the Banks which comprises of restructuring of existing facility and drawdown of additional Murabaha financing (“New money facility”). Under restructuring agreement, the existing loan facility SR 3,681 million was restructured into Syndicated facility.

The Syndicated facility is split into tranche A (SR 400 million) and tranche B (SR 2,992 million) with a profit rate based on SAIBOR plus a fixed margin, due to the possibility of extending the maturity date for the tranche B facility, the different rates and the capitalisation of tranche B. As part of the rescheduling, a new money facility has been made available to the Group by the Banks under binding agreements, with a total commitment of SR 287 million.

On the date of restructuring, carrying value of the syndicated facility along with new money facility exceed its fair value by SR 269 million, resulting in gain on extinguishment.

The new rescheduled term is until 31 December 2033 with repayment instalments due on an annual basis from 31 December 2029 until 31 December 2033, with the possibility based on the agreement of the Banks and the Company to extend the tranche B facility maturity date until 31 December 2036. The New money facility is a single bullet payment on 30 June 2026 with the possibility of an extension for one additional year to 30 June 2027 subject to satisfaction of certain conditions by the Group.

- b) During February 2023, the Group signed a Term Loan Facility with one of its substantial shareholders, PIF, for up to SR 1,000 million to be repaid after 21 months through a single bullet payment at maturity. Financial costs on the facility were based on SIBOR + spread. The loan contained a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan was secured against certain real estate assets within KAEC. The loan facility was used to finance specific critical expenses including strategic capital expenditures. The Group had drawn SR 1,000 million from this loan facility.

On 5 September 2024, the MoF agreed to the Group’s request to reschedule the loan by granting a one-year grace period until next instalment on 01 June 2025.

On 7 September 2024, the 2nd novation agreement was signed between the Group, Public Investment fund (“PIF”) and MoF wherein they agreed on the novation of remainder loan balance due to MoF, amounting to SAR 2,912 million (the novation amount) from MoF to PIF including accrued commission as of 01 June 2024. Further, this novation agreement was approved by the Company’s Board of Directors on 07 September 2024.

On 7 September 2024, the Group signed a loan conversion agreement with PIF, and the Board of Directors of the Group recommended to the shareholders to increase the Company’s share capital through converting loan due to PIF amounting to SR 3,972.4 million, which includes SR 2,911.6 million loan novated from MoF.

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**25. LONG-TERM BORROWINGS (continued)**

The Board of Directors, through a resolution issued by circulation on 08 March 2025, amended the original recommendation to increase the amount of debt to be converted from SR 3,972.4 million to SR 4,118.2 million. This increase reflects the inclusion of all interest, commissions, and fees up to 31 December 2024. Moreover, on 09 March 2025, the Group entered into an addendum to the Conversion Agreement with PIF to incorporate this increase and agree upon the conversion mechanics.

On 22 December 2025, the shareholders, in an Extraordinary General Assembly, approved an increase in the Company's share capital from SR 5,233 million to SR 8,829 million, resulting in a total increase of SR 3,597 million. The increase was executed through the issuance of 359,669,996 new shares at a nominal value of SR 10 per share to the Public Investment Fund (PIF) in settlement of SR 4,118 million of outstanding debt. Based on the agreed share price of SAR 11.45 per share, a share premium of SR 521,521,505 was recognized, from which directly attributable expenses of SR 18.60 million related to the debt conversion were deducted, resulting in a closing share premium balance of SR 503 million as at 31 December 2025 (also refer note 23).

- c) During September 2024, the Group signed a non-binding Term sheet with one of its substantial shareholders, PIF, for up to SR 1,000 million, payable in April 2027, with a potential conversion into equity that remains subject to regulatory and shareholders' approvals. Accordingly, the conversion arrangement is not yet legally enforceable. The loan facility will be used to finance critical strategic capital expenditures of the Group to enable revenue generation. On 18 March 2025, the Group and Public Investment Fund (PIF) entered into an agreement for the PIF to make available a SR 1,000 million shareholder loan. Currently SR 500 million funds have been drawn from this facility as of 31 December 2025.

**26. SHORT-TERM BORROWINGS**

As at 31 December 2025, the Group does not have any short-term borrowings (31 December 2024: SR 161 million).

During the year ended 31 December 2025, the Group's previously obtained short-term loan facility was restructured. An amount of SR 150 million utilized under this facility was restructured into a syndicated loan facility (refer Note 25(a)).

**27. EMPLOYEE BENEFIT OBLIGATIONS**

**General Description of the plan**

The Group operates an unfunded defined benefit plan in line with the labor law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. The benefit payments are due upon termination of or resignation from employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 December 2025 for the Group.

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**27. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

	<b>31 December 2025</b>	31 December <u>2024</u>
Balance at the beginning of the year	45,483	41,630
<b>Included in consolidated statement of profit or loss</b>		
Current service cost	9,402	9,402
Interest cost	2,502	1,978
	<u>11,904</u>	<u>11,380</u>
<b>Included in consolidated other comprehensive income</b>		
Remeasurement loss / (gain) arising from experience adjustments	1,406	(3,939)
Benefits paid	(9,196)	(5,468)
Employees left but unpaid	--	1,880
Balance at the end of the year	<u>49,597</u>	<u>45,483</u>

**Actuarial assumptions**

The following were the significant actuarial assumptions applied at the reporting date:

	<u>2025</u>	<u>2024</u>
Discount rate	5.50%	5.50%
Expected rate of future salary increase	5.0%	5.0%
Retirement age	60 years	60 years

The sensitivity of employee benefit obligations, as at 31 December, to changes in the weighted principal assumptions is as follows:

	Change in assumption by	Impact on ETB liability increase / (decrease)			
		31 December 2025		31 December 2024	
		Increase in rate	Decrease in rate	Increase in rate	Decrease in rate
Discount rate	1%	(3,658)	4,209	(3,283)	3,780
Expected rate of future salary increase	1%	3,838	(3,407)	3,761	(3,328)

The weighted average duration of the defined benefit obligation for 2025 is 8 years (31 December 2024: 8 years).

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**27. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

The expected maturity analysis of undiscounted employee end of service benefits is as follows:

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Less than a year	7,899	6,781
Between 1-2 years	4,570	2,938
Between 2-5 years	11,534	10,643
Over 5 years	59,238	52,237
	<b><u>83,241</u></b>	<b><u>72,599</u></b>

**28. TRADE AND OTHER PAYABLES**

	<u>Note</u>	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Accrued expenses and other payables		300,706	270,982
Trade payables		289,611	183,915
Zakat liability	30.5	61,745	65,476
Retentions payable		147,085	157,174
Contractors accrued balances		96,222	96,456
Amounts due to related parties	31	14,922	7,653
Others	28.1	13,074	16,590
		<b><u>923,365</u></b>	<b><u>798,246</u></b>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Retention payables consist of amount due to be settled to sub-contractors based on agreed terms. The amount has been classified as under current based on expected date of settlements which are within 12 months.

Accrued expenses comprise of accruals in respect of procurement costs, marketing costs, maintenance, and employee costs.

**28.1** The Board of Directors decided in 2006 to donate the amount earned on the founding shareholders' share capital contribution (before initial public offering) placed in fixed deposits maintained with a bank before placing funds under an Islamic deposit scheme. Commission earned on this deposit is added to the amount to be donated for charitable purposes.

**29. CONTRACT LIABILITIES AND UNEARNED INCOME**

Contract liabilities represent consideration received from customers in advance of the Group satisfying its performance obligations. Contract liabilities arise when customers make payments before the Group transfers goods or services to the customer. The contract liabilities are recognised as revenue when the Group satisfies the related performance obligations.

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**29. CONTRACT LIABILITIES AND UNEARNED INCOMES (continued)**

Unearned income represents advance rental payments received from tenants in respect of operating leases. Such amounts are recognised as lease income on a straight-line basis over the lease term.

	<b>31 December 2025</b>	31 December 2024
Contract liability related to sale of development property	471,099	557,742
Contract liability related to tuition fees	33,296	22,214
Unearned income related to leasing	23,511	25,088
	<u>527,906</u>	<u>605,044</u>

Revenue of SR 129 million (2024: SR 168 million) recognised during the year was included in the contract liability balance at the beginning of the period related to sale of development property.

Revenue of SR 16 million (2024: SR 7 million) recognised during the year was included in the contract liability balance at the beginning of the period related to tuition fees.

All unearned revenue balance at the beginning of the year was recognised as income during the year.

**30. ZAKAT**

**30.1 Charge for the year**

	<b>31 December 2025</b>	31 December 2024
Provision for current year Zakat expense	22,188	10,000
Charge for the open assessments	--	66,032
	<u>22,188</u>	<u>76,032</u>

The provision for the year is based on the consolidated Zakat base of the Group.

**30.2 Movement in provision**

The movement in the Zakat provision is as follows:

	<b>31 December 2025</b>	31 December 2024
At the beginning of the year	48,209	250,738
Charge for the current year	22,188	10,000
Transfer to liability*	--	(253,198)
Charge for the open assessments	--	66,032
	22,188	(177,166)
Payments during the year	(1,897)	(25,363)
At the end of the year	<u>68,500</u>	<u>48,209</u>

\* This amount is transferred from zakat provision based on decision made by TVDAC regarding zakat assessment for the prior periods. During the year, SR 65.48 million was paid from the Zakat Liability.

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**30. ZAKAT (continued)**

**30.3 Components of zakat base**

The Company and its fully owned Saudi Arabian subsidiaries file Zakat declarations on a consolidated basis in accordance with the regulations of the ZATCA. The significant components of the Zakat base under the Zakat regulations are principally comprised of the ending balance of shareholders' equity, provisions, long term liabilities adjustments on net income, less deductions for the ending balance of property and equipment, investments, development properties and certain other items. Zakat is payable at a rate of 2.58% and is calculated based on the higher of (a) the Zakat base or (b) the minimum Zakat base. The minimum Zakat base is determined as the lower of adjusted net income or total non-deducted assets plus adjustments to net income. The resulting Zakat base is subject to a cap equal to total equity and its equivalents plus adjustments to net income.

**30.4 Status of assessments**

**a) Emaar The Economic City (EEC)**

Zakat assessment for the Company is finalized until 2011 as well as 2019 and 2020 with the exception of the Withholding Tax ["WHT"] assessment for the years 2006 to 2008.

The Zakat, Tax and Customs Authority ["ZATCA"] issued a WHT assessment for the years 2006 to 2008 with an additional WHT liability of SR 3.96 million in addition to delay fines of SR 2 million on the additional WHT. EEC has paid the WHT liability "under protest" in compliance with the appeal procedures.

The WHT case was also under the review of the Board of Grievance ["BOG"]. BOG issued a decision supporting EEC's objection relating to the delay fine and ruled against the Company on imposition of WHT. ZATCA has filed an appeal with the Royal Court against the BOG's decision in respect of the delay fine, which is pending adjudication.

ZATCA issued a revised assessment for the year 2014 on 8 October 2020 with a Zakat liability of SR 33 million reduced from SR 67.7 million. The Company filed an appeal against the revised assessment with the Tax Violations and Dispute Resolution Committee ["TVDRC"]. The TVDRC rendered its decision on 28 December 2021 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 21 million. EEC and the ZATCA have filed appeals with the Tax Violations and Dispute Appellate Committee ["TVDAC"] against the TVDRC's decision. On 4 July 2024, the TVDAC issued its decision requesting for the case to be returned to the TVDRC for re-adjudication of one of the items under appeal. On 4 November 2024, the TVDRC issued its decision for the concerned item in favour of the ZATCA and subsequently, EEC filed an appeal with the TVDAC requesting for a detailed decision on all items under appeal.

TVDAC held a hearing session on September 16, 2025. As per the minutes of hearing, TRVDC accepted the Company's appeal on the long-term loans, and rejected the Company's objection on the remaining items, which resulted in reducing the additional Zakat liabilities to SAR 20 million. EEC has submitted an installment request with ZATCA to settle the differences.

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**30. ZAKAT (continued)**

**30.4 Status of assessments (continued)**

ZATCA issued a revised assessment for the years 2015 to 2018 on 24 February 2021 with a Zakat liability of SR 247 million reduced from SR 254 million. The Company filed an appeal against the ZATCA's revised assessment with the TVDAC. The TVDRC rendered its decision on 11 April 2022 and partially accepted the Company's appeal resulting in a reduced Zakat liability of SR 219 million. EEC and the ZATCA have filed appeals with the TVDAC against the TVDRC's decision. On 2 May 2024, TVDAC rendered its decision in favor of ZATCA reverting the Zakat liability back to 247 million. EEC filed a reconsideration request which was rejected on 18 December 2024. EEC has agreed an installment plan of 48 months with the ZATCA to settle the Zakat liability as per TVDAC decision (refer note 30.5). EEC has filed a request for amendment which is currently under review by TVDAC.

ZATCA finalized the review of the Company's accounts for the years 2021 to 2023 without claiming any additional Zakat liabilities.

The Company has filed the consolidated Zakat returns for the year 2024. ZATCA still did not finalize the review of the Zakat return for the year to date.

**b) Industrial Zones Development Company Limited (IZDCL)**

The Company has finalized its Zakat assessment up to 2017.

The Company filed the information Zakat returns for years up to 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026

**Economic City Real Estate Development Company ("RED")**

The Company has finalized its Zakat assessments up to 2017.

The Company filed the information Zakat returns for years up to 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026.

**Economic Cities Real Estate Properties Operation and Management Company ("REOM")**

The Company filed the information/Zakat returns for years up to 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026.

ZATCA has not issued any assessments to date.

**c) Economic City Investment Company ("ECIC")**

The Company has finalized its Zakat assessment up to 2012.

The Company has filed the Zakat/information returns up to the year 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026.

**Emaar Knowledge Company Limited ("EKC")**

The Company has finalized its Zakat assessments up to 2017.

The Company filed the information Zakat returns for years up to 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026.

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**30. ZAKAT (continued)**

**30.4 Status of assessments (continued)**

**d) Real Estate Management Company (“REM”)**

The Company filed the information/Zakat returns for years up to 2024. ZATCA has issued the final Zakat certificate for the year 2024, valid until 30 April 2026.

ZATCA has not issued any assessments to date.

In relation to the aforementioned assessments, the management has applied its judgement and interpretation of the ZATCA requirements and applicable regulations and is confident that the matters will be ultimately decided in the Group’s favour. Further, where adjudication pending appropriate provision has been made in relevant financial year.

**30.5 ZAKAT LIABILITY**

	<u>Note</u>	<b>31 December 2025</b>	31 December <u>2024</u>
Opening liability		<b>240,420</b>	--
Transferred from Zakat Provision	30.2	--	253,198
Payments during the year		<b>(65,476)</b>	(12,778)
Closing Zakat Liability		<b>174,944</b>	240,420*
Current		<b>61,745</b>	65,476
Non-Current		<b>113,199</b>	174,944

\* SR 240.4 million has been reclassified in current and non-current portion based on an installment plan agreed with ZATCA (refer Note 30.4) during the year ended 31 December 2024, for better presentation purposes.

**31. RELATED PARTY MATTERS**

Related parties comprise the shareholders having control, key management personnel of the Group, entities controlled, jointly controlled or significantly influenced by such parties.

The Government of the Kingdom of Saudi Arabia controls the Public Investment Fund (PIF), which exercises control over the Group through its increased shareholding of 55.55% following the debt-to-equity conversion approved by the shareholders (refer note 23 and 25 (b)). As a result, the Government of Saudi Arabia, semi-Government and other entities with Government ownership or control, including, but not limited to ministries, regulatory bodies and authorities are related parties of the Group. In accordance with the exemption in IAS 24, the management has adopted a partial exemption for disclosure of transactions and balances for government-related entities as required under IAS 24.

The related parties, other than subsidiaries and associates, include the following:

<u>Name</u>	<u>Relationship</u>
Ports Development Company	Joint Venture
Biyoutat Progressive Company for Real Estate Investment & Development	Associate
RIXOS - AlBilad Tourism Fund	Associate
Public Investment Fund (PIF)	the Parent Company
Various government related entities	

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**31. RELATED PARTY MATTERS (continued)**

In addition to Note 17, 21, 23 and 25, following are the significant related party transactions during the year and the related balances:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Transactions</u>		<u>Balance as at</u>	
		<u>2025</u>	<u>2024</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
<b>Amounts due from related parties</b>					
Government related entities	Lease, service and utility charges	<b>265,243</b>	18,596	<b>12,168</b>	33,348
RIXOS - AlBilad Tourism Fund	Sale of properties and utility charges	<b>79,142</b>	45,211	--	--
Biyoutat Progressive Company for Real Estate Investment & Development	Lease, service and utility charges	--	--	<b>402</b>	402
Ports Development Company	Lease, service and utility charges	--	--	<b>180</b>	180
<b>Key management personnel</b>					
	Lease	<b>41</b>	--	--	--
	Utilities and service charges	<b>2</b>	--	--	--
<b>Board of Directors</b>					
	Lease, service and utility charges	<b>19</b>	19	<b>119</b>	98

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**31. RELATED PARTY MATTERS (continued)**

Related party	Nature of transactions	Transactions		Balance as at	
		2025	2024	31 December 2025	31 December 2024
<b>Amounts due to related parties</b>					
Government related entities	Services received	49,784	18,803	9,396	119,109
Public Investment Fund (PIF)	Loan obtained	500,000	3,461,604	500,000	3,911,604 *
	Accrued interest	279,086	175,052	279,086	206,617 *
	Debt conversion to equity (refer note 23 and 25(b))*	4,118,221	--	--	--
<b>Key management personnel</b>					
	Remuneration	31,321	13,894	--	--
	Lease, Service and Utility Charges	--	--	--	--
<b>Board of directors</b>					
	Remuneration and meeting fees	5,510	5,720	5,510	5,720
	Advances	--	--	16	16

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**31. RELATED PARTY MATTERS (continued)**

**Compensation of key management personnel of the Group**

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Short-term employee benefits	<b>13,684</b>	12,490
Non-monetary benefits	<b>109</b>	405
Post-employment benefits	<b>10,792</b>	999
Bonus	<b>5,509</b>	--
Others	<b>1,227</b>	--
	<b><u>31,321</u></b>	<u>13,894</u>

Key management personnel comprise Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

**32. OTHER PROVISIONS**

The Group, from time to time, is a defendant in lawsuits, which mainly represent commercial disputes. During the year ended 31 December 2025, management had reversed provision amounting to SR 13.74 million for certain existing and potential lawsuits, where the management expects a favorable outcome based on consultation with its legal advisors. The balance of SR 30.23 million mainly represents provision required at the end of year 2025.

**33. CONTINGENT LIABILITIES AND COMMITMENTS**

In addition to disclosure set out in Notes 17 and 30, contingent liabilities and commitments, as at 31 December 2025, are described as below:

- a) The Group's outstanding commitments related to future expenditure for the development of KAEC in the coming few years related to property and equipment, investment properties and development properties amounts to SR 365.11 million, SR 12.02 million and SR 17.20 million respectively (31 December 2024: SR 554.70 million, SR 150.97 million and SR 85.53 million).
- b) The Group has no outstanding commitments related to letter of guarantee and letters of credit as of 31 December 2025 and 2024.
- c) Refer to Note 17 for equity accounted investee related contingency.
- d) The Group's share in the capital commitments of the joint venture is SR 9.82 million (31 December 2024: SR 16.31 million).
- e) Refer to Note 15 for future minimum rentals receivable.

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**34. SEGMENTAL INFORMATION**

**Basis of segmentation**

For management purposes, the Group has five strategic divisions, which are its operating segments. These divisions offer different products and/or services and are managed separately. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and makes strategic decisions including resource allocation.

The CODM primarily uses a measure of profit / loss before tax to assess the performance of the operating segments. However, the CODM also receives information about the segments' revenue on a quarterly basis.

The profit / loss before tax of the Group's operating segments reported to the CODM are measured in a manner consistent with that in consolidated statement of profit or loss and other comprehensive income. Hence a reconciliation is therefore not presented separately.

Financial income charges are not allocated to operating segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

<b>Reportable segments</b>	<b>Operations</b>
Residential business	Includes revenue from sale/lease rental income of land and units for residential purposes.
Industrial development	Includes revenue from sale/lease rental income of land and units for commercial purposes and situated in industrial zone.
Hospitality and leisure	Includes room rent, food and beverages and other related services from operations of hotels, resorts and other leisure clubs.
Education services	Includes revenue from tuition and other fees from schools and colleges operated by the Group.
City operations	Includes revenue from utilities and other city management services by the Group in KAEC.

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**34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)**

	<u>Residential business</u>	<u>Industrial development</u>	<u>Hospitality and leisure</u>	<u>Education</u>	<u>City operations</u>	<u>Total Segments</u>	<u>Adjustments and eliminations</u>	<u>Consolidated</u>
<b>For the year ended 31 December 2025</b>								
<b><u>Revenue *</u></b>								
External customers	822,974	86,169	81,663	99,508	47,909	1,138,223	--	1,138,223
Inter-segment	5,261	--	26,274	--	72,899	104,434	(104,434)	--
	<u>828,235</u>	<u>86,169</u>	<u>107,937</u>	<u>99,508</u>	<u>120,808</u>	<u>1,242,657</u>	<u>(104,434)</u>	<u>1,138,223</u>
<b><u>Results</u></b>								
Cost of inventories and services recognised as an expense	(204,864)	(26,859)	(63,242)	(39,302)	(126,349)	(460,616)	40,000	(420,616)
Impairment reversal / (loss) on non financial assets	167,775	(21,595)	170,330	--	--	316,510	--	316,510
Impairment reversal / (loss) on financial and contract assets	(22,029)	(15,521)	--	8,237	(41,317)	(70,630)	--	(70,630)
Financial charges	(159)	--	(1,324)	(1,038)	(1)	(2,522)	(543,650)	(546,172)
Financial income	--	--	--	--	--	--	7,297	7,297
Depreciation	(36,264)	(27,876)	(59,622)	(14,257)	(11,063)	(149,082)	(116,576)	(265,658)
Amortisation	(189)	--	--	--	--	(189)	(734)	(923)
Share of results of equity accounted investee	(5,069)	--	--	--	--	(5,069)	(79,743)	(84,812)
Gain on extinguishment of loan	--	--	--	--	--	--	269,307	269,307
Other (expenses) / income	(21,227)	7,308	(7,832)	(52,434)	(4,109)	(78,294)	(250,942)	(329,236)
Profit/(Loss) before Zakat	<u>706,209</u>	<u>1,626</u>	<u>146,247</u>	<u>714</u>	<u>(62,031)</u>	<u>792,765</u>	<u>(779,475)</u>	<u>13,290</u>
Zakat	--	--	--	--	--	--	(22,188)	(22,188)
Profit/(Loss) for the year	<u>706,209</u>	<u>1,626</u>	<u>146,247</u>	<u>714</u>	<u>(62,031)</u>	<u>792,765</u>	<u>(801,663)</u>	<u>(8,898)</u>

\* Major revenue is generated from sale of development properties. During the year, substantial revenue is generated from Tahaluf, Mayan, CEER and RIXOS.

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**34. SEGMENTS RELATED REVENUE AND PROFITABILITY (continued)**

	Residential business	Industrial development	Hospitality and leisure	Education	City operations	Total Segments	Adjustments and eliminations	Consolidated
<b>For the year ended 31 December 2024</b>								
<b>Revenue *</b>								
External customers	121,525	130,189	69,776	74,934	26,132	422,556	3,414	425,970
Inter-segment	5,857	--	28,569	--	67,294	101,720	(101,720)	--
	<u>127,382</u>	<u>130,189</u>	<u>98,345</u>	<u>74,934</u>	<u>93,426</u>	<u>524,276</u>	<u>(98,306)</u>	<u>425,970</u>
<b>Results</b>								
Cost of inventories and services recognised as an expense	(102,445)	(37,928)	(39,850)	(5,061)	(120,287)	(305,571)	60,378	(245,193)
Impairment loss on financial and contract assets	119,699	18,834	(2,488)	2,565	23,014	161,624	(91,811)	69,813
Financial charges	(188)	--	(2,101)	(543)	--	(2,832)	(617,620)	(620,452)
Financial income	--	--	--	--	--	--	2,857	2,857
Depreciation	(36,006)	(22,707)	(62,308)	(14,167)	(2,138)	(137,326)	(113,083)	(250,409)
Amortisation	(230)	--	--	(6)	--	(236)	(1,551)	(1,787)
Share of results of equity accounted investee	--	--	--	--	--	--	(92,832)	(92,832)
Other (expenses) / income	<u>(29,731)</u>	<u>21,053</u>	<u>(50,656)</u>	<u>(96,520)</u>	<u>(23,467)</u>	<u>(179,321)</u>	<u>(167,179)</u>	<u>(346,500)</u>
Profit/(Loss) before Zakat	78,481	109,441	(59,058)	(38,798)	(29,452)	60,614	(1,119,147)	(1,058,533)
Zakat	--	--	--	--	--	--	(76,032)	(76,032)
Profit/(Loss) for the year	<u>78,481</u>	<u>109,441</u>	<u>(59,058)</u>	<u>(38,798)</u>	<u>(29,452)</u>	<u>60,614</u>	<u>(1,195,179)</u>	<u>(1,134,565)</u>

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**35. NON-CASH SUPPLEMENTARY INFORMATION**

	<u>Notes</u>	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Transfer of investment properties to development properties	15, 18	<u>    --</u>	<u>  1,328</u>

**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT**

**Overview**

The Group's activities may expose it to a variety of financial risks. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

The Group may expose to the following risks from its use of financial instruments:

- Credit risk;
- Market risk (commission rate risk, currency risk and price risk)
- Liquidity risk.

This note presents information about the Group's possible exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

The Group's risk management policies (both formal and informal) are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group's principal financial liabilities comprise of trade and other payables, lease liabilities and long-term and short-term borrowings. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include investment in equity accounted investees, employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets, restricted cash and cash and cash equivalents.

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**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

The Board of Directors reviews and agrees policies for managing each of the following risks which are summarised below:

**36.1 Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its employees' receivable – home ownership scheme, unbilled revenue, trade receivables and other current assets.

Customer credit risk is assessed by the Group according to the Group's established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on a credit rating process. Each new customer is analysed individually for credit worthiness before entering into contract with the customer.

The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Certain sales pertaining to real estate are made on instalment basis. The sale agreements with customers provide that the title to the property is transferred to the customers only upon the receipt of complete sale price. The collection department monitors the situation of outstanding receivables and follows up with customers for the payments in accordance with the contractual terms. The five largest customers account for 26%% (31 December 2024: 28.37%) of outstanding trade receivables as at 31 December 2025. Payment term varies from product to product with some exceptions at the customer level.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customer segments with similar loss patterns. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and inflation rate) affecting the ability of the customers to settle the receivables. The fair value of the collateral where relevant is incorporated in LGD. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Given the profile of its bankers, management does not expect any counterparty to fail meeting its obligations. The Group deals with reputable banks with investment grade credit ratings and the credit quality of these financial assets can be assessed by reference to external credit ratings. Credit risk on cash at banks and restricted cash is limited as these are held with banks with sound credit ratings ranging from BBB+ and above. While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9 'Financial Instruments' ("IFRS 9"), these are considered as low risk and the impairment loss is not expected to be material.

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**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	<b>31 December <u>2025</u></b>	31 December <u>2024</u>
Unbilled revenue	788,457	419,295
Employees' receivable – home ownership scheme	49,027	56,967
Trade receivables and other current assets	533,155	474,067
Restricted cash	4,421	3,758
Cash and cash equivalents	472,897	252,367
	<b><u>1,847,957</u></b>	<b><u>1,206,454</u></b>

**Excessive risk of concentration**

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of risk is managed through focus on the maintenance of a diversified portfolio. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

**36.2 Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

**i. Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates.

The Group's exposure to the risk of changes in market commission rates may relate primarily to the Group's long-term and short-term borrowings with floating commission rates. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at 31 December 2025, the fair value of the borrowings and their carrying values are estimated to approximate their fair values.

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**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

**i. Commission rate risk (continued)**

**Commission rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in commission rates on long term loans. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings, as follows:

	<b>Increase/decrease in basis points</b>	<b>Effect on loss before Zakat</b>
<b>2025</b>	<b>+100</b>	<b>(41,595)</b>
	<b>-100</b>	<b>41,595</b>
2024	+100	(72,394)
	-100	72,394

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

The weighted average rate for the Group's long-term borrowings is approximately 8.19% (31 December 2024: 8.14%).

**ii. Currency risk**

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than SR and US Dollars. As US Dollar is pegged to SR, the Group is not exposed to significant currency risk.

**iii. Price risk**

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

**36.3 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The cash flows, funding requirements and liquidity of Group companies are monitored on a centralised basis, under the control of Group Treasury. The objective of this centralised system is to optimise the efficiency and effectiveness of the management of the Group's capital resources. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank borrowings. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's management has developed a plan to enable the Group to meet both its obligations as they become due and to continue its operations, without significant curtailment, as a going concern (refer Note 1).

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**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

**Financial liabilities**

	31 December 2025						Carrying value
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total	
Loans and borrowings	--	--	570,495	2,239,140	3,668,831	6,478,466	4,549,697
Zakat liability	--	--	61,745	113,199	--	174,944	174,944
Lease liabilities	41,341	763	22,308	11,987	--	76,399	73,263
Trade and other payables	--	--	923,365	--	--	923,365	923,365
	<b>41,341</b>	<b>763</b>	<b>1,577,913</b>	<b>2,364,326</b>	<b>3,668,831</b>	<b>7,653,174</b>	<b>5,721,269</b>

	31 December 2024						Carrying value
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total	
Loans and borrowings	7,871,117	--	--	--	--	7,871,117	7,871,117
Zakat liability	--	--	61,745	174,944	--	236,689	236,689
Lease liabilities	40,240	--	12,862	25,249	--	78,351	75,353
Short-term borrowings	--	161,386	--	--	--	161,386	161,386
Trade and other payables	--	--	798,246	--	--	798,246	798,246
	<b>7,911,357</b>	<b>161,386</b>	<b>872,853</b>	<b>200,193</b>	<b>--</b>	<b>9,145,789</b>	<b>9,142,791</b>

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**36. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**

**Financial assets**

	<b>31 December 2025</b>		
	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Trade receivables and other current assets	533,155	--	533,155
Restricted cash	4,421	--	4,421
Cash and cash equivalents	472,897	--	472,897
	<u>1,010,473</u>	<u>--</u>	<u>1,010,473</u>
	<b>31 December 2024</b>		
	<b>Less than 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
Trade receivables and other current assets	474,067	--	474,067
Restricted cash	3,707	51	3,758
Cash and cash equivalents	252,367	--	252,367
	<u>730,141</u>	<u>51</u>	<u>730,192</u>

**37. CAPITAL MANAGEMENT**

Capital includes equity attributable to the ordinary equity holders of the Parent Company. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions and the requirements of the financial covenants. The capital structure includes all component of shareholders' equity amounting to SR 9.35 billion. The Group maintains credit facilities with banks to maintain its working capital requirements. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, the ratio is calculated based on the net debt divided by total capital. At 31 December 2025, the Group's gearing ratio is 30.75% (31 December 2024: 59.86%). The target of the Group is to keep the gearing ratio below 50%.

	<u>2025</u>	<u>2024</u>
Borrowings	4,549,697	8,032,503
Lease liabilities	73,263	75,353
Less: cash and cash equivalents	<u>(472,897)</u>	<u>(252,367)</u>
Net debt (A)	<u>4,150,063</u>	7,855,489
Total equity (B)	<u>9,346,155</u>	5,266,911
Total capital (A+B)	<u>13,496,218</u>	13,122,400
Gearing ratio (A / (A+B))	<u>30.75%</u>	59.86%

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**37. CAPITAL MANAGEMENT (continued)**

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024. Also see Note 1.

**Net debt reconciliation of the Group is as follows:**

	<u>Borrowings</u>	<u>Leases</u>	<u>Net debt</u>
1 January 2024	(6,899,521)	(89,006)	(6,988,527)
Finance costs	(635,070)	(1,999)	(637,069)
Proceeds	(550,000)	(4,423)	(554,423)
Repayment of loan and borrowing	--	13,400	13,400
Finance cost paid	39,383	6,675	46,058
Fair value liability adjustments	12,705	--	12,705
<b>31 December 2024</b>	<b>(8,032,503)</b>	<b>(75,353)</b>	<b>(8,107,856)</b>
Finance costs	(559,392)	(1,538)	(561,116)
Proceeds	(500,000)	--	(500,000)
Repayment of loan and borrowing	98,510	3,628	102,138
Debt to equity conversion	4,118,221		4,118,221
Finance cost paid	56,160	--	56,160
Gain on extinguishment	269,307	--	269,307
<b>31 December 2025</b>	<b>(4,549,697)</b>	<b>(73,263)</b>	<b>(4,623,146)</b>

**38. FAIR VALUE OF ASSETS AND LIABILITIES**

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

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

The principal or the most advantageous market must be accessible by the Group.

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

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

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

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**38. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement. The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

As at the reporting date, management believes that, in lieu of the tenor and interest rate profile (where applicable), the carrying value of Group's financial assets and liabilities approximate their fair values and are measured at amortized cost. For fair value of investment properties refer Note 15.

**39. SUBSEQUENT EVENT**

Except for the matters outlined below, no event has occurred up to and including the date of approval of these consolidated financial statements by the Board of Directors that could materially affect these consolidated financial statements and the related disclosures for the year ended 31 December 2025.

Subsequent to the reporting date, regional military escalations occurred in the Middle East, resulting in a heightened conflict environment across the Gulf region. The situation remains fluid and continues to evolve.

Management is closely monitoring the developments and assessing their potential implications for the Group's operations and financial position. At the date of approval of these consolidated financial statements, the Group has not identified any direct material impact on its operations; however, the situation remains uncertain and the full financial effect, if any, cannot presently be reliably estimated.

This event does not require adjustment to the consolidated financial statements for the year ended 31 December 2025 as it represents a non-adjusting event after the reporting period.

**40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 31 March 2026, corresponding to 12 Shawal 1447H.