

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31 December 2024  
with  
**INDEPENDENT AUDITOR'S REPORT**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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## KPMG Professional Services Company

Zahran 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  
جدة 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 2024, 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 2024, 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, that are relevant to our audit of the consolidated financial statements, and we have 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 1,135 million during the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by SR 7,750 million. In addition, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the borrowings with outstanding balance of SR 2,461 million (out of total balance amounting to SR 7,871 million) as at 31 December 2024 being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. The Group's ability to meet its obligations as they fall due and to continue its operations without significant curtailment is therefore highly dependent on the successful execution of management's plans including debt restructuring, 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 2024, the Group recognized total net revenue of SR 426 million (2023: SR 1,031 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 process and key controls surrounding the revenue recognition process.</li> <li>Performed walkthroughs and testing of relevant key controls to determine whether they were designed, implemented and operated effectively throughout the year.</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>On a sample basis, we assessed the appropriateness of percentage of the completion of the construction of properties by reference to costs incurred to date compared to the estimated total cost, where the performance obligation is satisfied over time.</li> <li>Inspected supporting documents, on a sample basis, to determine whether estimation of total costs and costs 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> </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 amounting to SR 4,993 million and SR 4,600 million, respectively, as at 31 December 2024 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 2024, management identified the negative operating cash flows and higher than budgeted operating losses as impairment indicators and, accordingly, performed an impairment assessment of property and equipment and investment properties as at 31 December 2024.

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

As part of its assessment, the Group considers indicators including but not limited to, expected net cash flows from the identified Cash Generating Units (CGUs), current market conditions and other performance indicators.

In addition to the above, the Group involves third party valuers to carry out valuations for its property and equipment and investment properties, to assess the fair value of 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 key internal controls.
- Assessed the appropriateness of the identification of the CGU for which the impairment assessment was performed by considering relevant standard requirements.
- Involved our own valuation specialists to assess Groups' impairment assessment, including assessing methodology applied by the valuer and reasonableness of key underlying assumptions used by the valuer and the Group.
- Assessed the accuracy of the input data used by management to assess fair values of its property and equipment and investment properties.
- 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 amounting to SR 1,319 million as at 31 December 2024. 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 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). 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 tested design and implementation of key internal controls.
- Assessed the competence, capabilities and objectivity of the Valuer engaged by management.
- Involved our own valuation specialist who performed the following procedures:
  - Assessed the methodology applied by the Valuer to ensure the valuation approach used and methodology adopted by the Valuer is appropriate for determining the NRV of development properties for the purpose of the consolidated financial statements;
  - Assessed the reasonableness of key underlying assumptions used by the Valuer and the Group.
- 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. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the 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, 27 March 2025  
Corresponding to 27 Ramadan 1446H





**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 2024

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

	Notes	2024	2023
Revenue	6	425,970	1,031,357
Cost of revenue	7	(544,518)	(599,725)
<b>Gross (loss) / profit</b>		<b>(118,548)</b>	431,632
Selling and marketing expenses	8	(54,915)	(45,429)
General and administrative expenses	9	(352,946)	(322,164)
Impairment reversal / (loss) on financial and contract assets	19, 20	69,813	(19,115)
Other operating income	11	80,311	177,569
Amortization of unearned interest		15,474	20,245
<b>Operating (loss) / profit</b>		<b>(360,811)</b>	242,738
Financial income		2,857	2,110
Fair value gain on derivative financial liability	25(f)	12,705	29,043
Financial charges	10	(620,452)	(483,847)
Share of (loss) / profit of equity accounted investee	17	(92,832)	1,736
<b>Loss before zakat</b>		<b>(1,058,533)</b>	(208,220)
Zakat	30	(76,032)	(45,000)
<b>Loss for the year</b>		<b>(1,134,565)</b>	(253,220)
<b>Other comprehensive (loss) / income:</b>			
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Share of other comprehensive (loss) / income of equity accounted investee	17	(6,966)	2,169
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain on defined benefit obligations	27	3,939	2,522
<b>Other comprehensive (loss) / income for the year</b>		<b>(3,027)</b>	4,691
<b>Total comprehensive loss for the year</b>		<b>(1,137,592)</b>	(248,529)
<b>Loss per share:</b>			
Basic and diluted loss per share attributable to equity holders of the Parent Company (in SR per share)	12	(2.17)	(0.48)

  
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 2024

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

	<u>Notes</u>	<b>31 December 2024</b>	31 December <u>2023</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	13	<b>4,993,380</b>	4,917,219
Right-of-use assets	14	<b>45,700</b>	54,784
Investment properties	15	<b>4,599,548</b>	4,619,250
Intangible assets	16	<b>2,981</b>	3,664
Investment in equity accounted investees	17	<b>2,711,806</b>	2,837,368
Development properties	18	<b>483,018</b>	482,287
Unbilled revenue	20	<b>196,057</b>	285,260
Employees' receivable - home ownership scheme	22	<b>53,463</b>	57,765
Restricted cash	21	<b>51</b>	51
<b>Total non-current assets</b>		<b>13,086,004</b>	13,257,648
<b>Current assets</b>			
Development properties	18	<b>835,611</b>	839,341
Unbilled revenue	20	<b>223,238</b>	283,587
Current portion of employees' receivable - home ownership scheme	22	<b>3,504</b>	3,473
Trade receivables and other current assets	19	<b>686,229</b>	583,183
Restricted cash – current portion	21	<b>3,707</b>	3,354
Cash and cash equivalents	21	<b>252,367</b>	179,077
<b>Total current assets</b>		<b>2,004,656</b>	1,892,015
<b>Total assets</b>		<b>15,090,660</b>	15,149,663
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	<b>5,232,599</b>	11,333,333
Statutory reserve	24	<b>11,536</b>	11,536
Accumulated profit / (losses)		<b>22,776</b>	(4,938,621)
<b>Total equity</b>		<b>5,266,911</b>	6,406,248
<b>Non-current liabilities</b>			
Loans and borrowings	25	<b>--</b>	--
Lease liabilities	14	<b>23,683</b>	32,794
Employee benefit obligations	27	<b>45,483</b>	41,630
<b>Total non-current liabilities</b>		<b>69,166</b>	74,424

  
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 2024

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

	<u>Notes</u>	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
<b>Current liabilities</b>			
Lease liabilities - current portion	14	<b>51,670</b>	56,212
Loans and borrowings - current portion	25	<b>7,871,117</b>	6,747,091
Short-term borrowings	26	<b>161,386</b>	152,429
Trade and other payables	28	<b>973,190</b>	725,360
Contract liabilities	29	<b>605,044</b>	712,349
Other provisions	32	<b>43,967</b>	24,812
Zakat provision	30	<b>48,209</b>	250,738
<b>Total current liabilities</b>		<b><u>9,754,583</u></b>	<u>8,668,991</u>
<b>Total liabilities</b>		<b><u>9,823,749</u></b>	<u>8,743,415</u>
<b>Total equity and liabilities</b>		<b><u>15,090,660</u></b>	<u>15,149,663</u>

  
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 CHANGES IN EQUITY**

For the year ended 31 December 2024

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

	<b><u>Share Capital</u></b>	<b><u>Statutory reserve</u></b>	<b><u>Accumulated (losses) / profit</u></b>	<b><u>Total equity</u></b>
<b>Balance as at 1 January 2023</b>	11,333,333	11,536	(4,690,092)	6,654,777
Loss for the year	--	--	(253,220)	(253,220)
Other comprehensive income for the year	--	--	4,691	4,691
Total comprehensive loss for the year	--	--	(248,529)	(248,529)
<b>Balance as at 31 December 2023</b>	11,333,333	11,536	(4,938,621)	6,406,248
<b>Balance as at 1 January 2024</b>	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 (Refer 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>	5,232,599	11,536	22,776	5,266,911

  
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 2024

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

	Notes	<b>2024</b>	2023
<b>OPERATING ACTIVITIES</b>			
Loss before zakat		<b>(1,058,533)</b>	(208,220)
<u>Adjustments for:</u>			
Depreciation on property and equipment	13	<b>189,272</b>	193,971
Depreciation on investment properties	15	<b>48,799</b>	50,796
Depreciation on right-of-use assets	14	<b>12,338</b>	11,118
Impairment (reversal) / loss on financial and contract assets	19, 20	<b>(69,813)</b>	19,115
Amortization	16	<b>1,787</b>	685
Financial charges	10	<b>620,452</b>	483,847
Share of results of equity accounted investees	17	<b>92,832</b>	(1,736)
Financial income		<b>(2,857)</b>	(2,110)
Interest income on unwinding of unbilled revenue		<b>(13,732)</b>	(14,041)
Fair value gain on derivative financial liability	25(g)	<b>(12,705)</b>	(29,043)
Gain on contribution of land to Albilad Tourism Fund - Equity investment		<b>(36,847)</b>	(32,150)
Gain on disposal of investment properties	11	<b>(31,386)</b>	(77,768)
Impairment loss / (reversal) on investment properties	15	<b>1,094</b>	(2,546)
Capital work in progress write-off	13	<b>--</b>	5,529
Interest income on unwinding of employees' receivable – home ownership scheme		<b>(1,744)</b>	(6,204)
Provision for employees benefit obligations	27	<b>11,380</b>	11,992
Gain on disposal of property and equipment	11	<b>--</b>	(3,010)
Impairment reversal on development properties	18	<b>(1,453)</b>	(6,770)
Reversal of provision no longer required	11	<b>--</b>	(44,200)
Free of cost land transfer	11.3	<b>(4,273)</b>	<b>--</b>
		<b>(255,389)</b>	349,255
<u>Changes in operating assets and liabilities:</u>			
Development properties	18	<b>(13,242)</b>	131,451
Employees' receivable – home ownership scheme	22	<b>6,015</b>	8,948
Unbilled revenue	20	<b>232,641</b>	188,719
Trade receivables and other current assets	19	<b>(102,591)</b>	(176,705)
Contract liabilities	29	<b>(44,694)</b>	(274,289)
Trade and other payables	28	<b>6,196</b>	(292,007)
Other provisions	32	<b>19,155</b>	(108,519)
Restricted cash balances	21	<b>(353)</b>	48,316
Addition to right-of-use assets	14	<b>(3,250)</b>	(8,611)
<b>Cash used in operations</b>		<b>(155,512)</b>	(133,442)
Financial charges paid on loan and borrowings		<b>(39,382)</b>	(192,914)
	28 &		
Zakat paid	30	<b>(38,141)</b>	(9,720)
Employee benefit obligations paid	27	<b>(5,468)</b>	(8,681)
<b>Net cash used in operating activities</b>		<b>(238,503)</b>	(344,757)

  
**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 2024

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

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	13	(255,768)	(53,785)
Additions to investment properties	15	(13,241)	(1,037)
Financial income		2,857	2,110
Proceeds from sale of investment properties		43,352	90,767
Additions to intangible assets	16	(1,104)	(74)
Proceeds from sale of property and equipment		--	5,000
<b>Net cash (used in) / generated from investing activities</b>		<b>(223,904)</b>	<b>42,981</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	25	550,000	450,000
Repayments of loans and borrowings	26	--	(51,288)
Principal element of lease repayments	14.2	(14,303)	--
<b>Net cash generated from financing activities</b>		<b>535,697</b>	<b>398,712</b>
<b>Net increase in cash and cash equivalents</b>		<b>73,290</b>	<b>96,936</b>
Cash and cash equivalents at the beginning of the year		179,077	82,141
<b>Cash and cash equivalents at the end of the year</b>	21	<b>252,367</b>	<b>179,077</b>
<b>Non-cash supplementary information</b>	35		

  
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 2024

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

**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 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>2024</u>	<u>2023</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 2024

(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>2024</u>	<u>2023</u>	
Economic Cities Real Estate Properties Operation and Management Company ("REOM")	Kingdom of Saudi Arabia	2013	<b>100%</b>	100%	Own, purchase, sale, invest, and lease of commercial properties.
Economic Cities Pioneer Real Estate Management Company ("REM")	Kingdom of Saudi Arabia	2013	<b>100%</b>	100%	Construction, management, development, operation, lease of residential properties. Own, purchase, sale, investment, development and marketing of real estate development in KAEC.
Economic Cities Real Estate Development Company ("RED")	Kingdom of Saudi Arabia	2013	<b>100%</b>	100%	
Emaar Knowledge Company Limited ("EKC")	Kingdom of Saudi Arabia	2015	<b>100%</b>	100%	Construct and operate business educational institute in KAEC.

**Going Concern**

The Group incurred a net loss of SR 1,135 million during the year ended 31 December 2024 (31 December 2023: loss of SR 253 million) and as of that date its current liabilities exceeded its current assets by SR 7,750 million (31 December 2023: current liabilities exceed current assets by SR 6,777 million). In addition to this, the Group has 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 (also see Note 25) as at 31 December 2024 (31 December 2023: SR 2,361 million) being immediately due and payable on demand in accordance with the terms and conditions of the borrowing agreements. These conditions, along with certain other events as disclosed in the subsequent paragraphs, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore that it may be unable to realise 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:



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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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 most sought-after industrial and logistics destinations in the country benefiting from the close proximity to the King Abdullah Port ("KAP" or the "Port"), one of the largest and most advanced 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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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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 has signed a framework cooperation agreement with the Tourism Development Fund, "FTG Development Company", Albilad Investment Company and "Ekofine Holding BV" to establish a SR 1.8 billion closed end private investment fund ("Fund"). The Fund will be responsible to develop and operate a 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 as it is planned that the resort will be constructed on a land.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

**1. GENERAL INFORMATION (continued)**

**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 debt restructuring, 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.

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

<b>As at 31 December 2024</b>	<b>Within 1 <u>year</u></b>	<b><u>1-2 years</u></b>	<b><u>2-5 years</u></b>	<b>Over 5 <u>years</u></b>	<b>Total contractual cash flows</b>
Loans and borrowings	7,871,117	--	--	--	7,871,117
Trade and other payables	973,190	--	--	--	973,190
Short term borrowings	161,386	--	--	--	161,386
Lease liabilities	53,102	3,902	21,347	--	78,351
<b>Total</b>	<b>9,058,795</b>	<b>3,902</b>	<b>21,347</b>	<b>--</b>	<b>9,084,044</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 2024 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 in both the short and long term.

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 initiated discussions to restructure its borrowing facilities, which are elaborated below.

The plan comprises the Group's liquidity and forecasts cash flows taking into account reasonably possible outcomes over a fifteen-month period from 31 December 2024. As per the forecasted cash flows, management expects that there will be no loan repayment in the next 15 months. The Group has a Board approved business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of this plans to the lenders.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

**1. GENERAL INFORMATION (continued)**

**Going concern plan (continued)**

This plan principally includes:

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt restructuring/ Conversion	Loan due to Ministry of Finance ("MoF") novated to PIF - Note 25	2,912 million	<p>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.</p> <p>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 has been approved by the Company's Board of Directors on 07 September 2024.</p>
Debt restructuring	Loan due to local banks - Note 25	3,753 million	<p>The Group's obligations against lenders and banks carry financial covenants in respect of loans amounting to SR 3,753 million, disclosed in Note 25. During 2022, the Group did not comply with the requirements of covenants relating to long-term borrowing facilities. This position is unchanged in 2024. Consequently, the management has classified the outstanding obligation under current liabilities as at 31 December 2024.</p> <p>The Group has prepared a detailed business transformation plan and expects that it will be able to restructure all of its loan agreements after submission of the business transformation plan to the lenders. On 7th September 2024, the Company signed a non-binding term sheet to reschedule its financing agreements amounting to SAR 3,471 with Alinma Bank, Saudi Awwal Bank, Banque Saudi Fransi and The Saudi National Bank (together, the "Banks") under one common terms arrangement.</p> <p>The unused balance of the short-term borrowings facility as at 31 December 2024 amounted to SR 150 million (31 December 2023: SR 126.5 million).</p>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

**1. GENERAL INFORMATION (continued)**

**Going concern plan (continued)**

<u>Plan</u>	<u>Description</u>	<u>Amount (SR)</u>	<u>Details</u>
Debt Conversion	Loan from Public Investment Fund ("PIF") - Note 25	1,000 million	<p>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. The financial costs of the facility are based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. As of 30 June 2024, management has fully drawn down this facility.</p> <p>On 7 September 2024, the Group and PIF entered into conversion agreement under which all loan due to PIF would be converted into equity. Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).</p>
Additional Financing	Loan from Public Investment Fund ("PIF") - Note 25	1,000 million	<p>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 with a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan facility will be used to finance critical strategic capital expenditures of the Group to enable revenue generation.</p>

**Optimization Plan**

On 8 September 2024, the Group announced its Capital Optimization Plan aimed at strengthening its ability to pursue future growth initiatives. Key components of the plan include: (a) restructuring of bank debts amounting to SR 3,471 million, (b) securing a new shareholder loan of SR 1,000 million, (c) reducing capital from SR 11,333 million to SR 5,702 million, and (d) converting SR 3,972.4 million of debt owed to the PIF into ordinary shares.

**Debt Conversion**

On 7 September 2024, the Group has signed 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 (refer above and Note 25). Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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**1. GENERAL INFORMATION (continued)**

**Going concern plan (continued)**

**Capital Reduction**

The Board of Directors of the Group on 8 September 2024 recommended shareholders to decrease the share capital of the Company from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,702,171,690 (five billion seven hundred two million one hundred seventy-one thousand six hundred ninety Saudi Riyals) through cancelling five hundred sixty-three million one hundred sixteen thousand one hundred sixty-five (563,116,165) shares of the Company, by cancelling (0.4969) share for every one (1) share owned, to extinguish the accumulated losses.

The Board of Directors of the Group on 26 October 2024 issued a revised resolution to amend the above recommendation to decrease the share capital of the Company from SR 11,333,333,340 (Eleven billion three hundred thirty-three million three hundred thirty-three thousand three hundred forty Saudi Riyals) to SR 5,232,599,090 (five billion two hundred thirty two million five hundred ninety-nine thousand ninety Saudi Riyals) through cancelling six hundred ten million seventy-three thousand four hundred twenty-five (610,073,425) shares of the Company, by cancelling (0.5383) share for every one (1) share owned, to extinguish the accumulated losses.

The Group submitted an application to the Capital Market Authority (CMA) for approval of the Capital Reduction in accordance with applicable laws, which was subsequently granted by CMA.

Following this, the Group convened an Extraordinary General Assembly (EGA) meeting for the Company's shareholders to vote on the capital reduction. The proposal was approved on 31 December 2024. Consequently, the consolidated financial statements for the year ended 31 December 2024, reflect the impact of the capital reduction.

Based on the above plan, the Group has prepared a detailed cash flow forecast for the fifteen-months period from the reporting date which indicates a net positive cash flow position, subject to non-repayment of any loan outstanding amounts and additional shareholder funding. The management continues to believe projected cash flows plan through debt restructuring, covenant waivers and, raising additional funding from shareholders, debt conversion, and sale of properties is probable and these plans will be successful and it remains appropriate to prepare the consolidated financial statements on a going concern basis as the above plan mitigates any shortfall that may arise during the next 12 months. The financial statements do not contain any adjustments which may be required if the Group was unable to continue as a going concern. In the event that there are changes to the circumstances described above, further enhanced disclosures in the financial statements of the Group for subsequent periods may be required.

**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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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**2. BASIS OF PREPARATION (continued)**

**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.

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*

Management exercise judgement in determining whether it will be able to realise its development property 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 asset while unlaunched projects are not expected to be realised during normal operating cycle of the Group and are classified as non-current asset.

*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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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

**3.1 Judgements (continued)**

*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;

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.

**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 following components have a major impact on ECL allowance: definition of default, significant increase in credit risk, probability of default (PD), exposure at default (EAD) and loss given default (LGD), as well as models of macro-economic scenarios used as forward-looking information. 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 Note 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 73.67 million, respectively, in the ECL allowance.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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

**3.2 Estimations and assumptions (continued)**

*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.

*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 2024. 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:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2024

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

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

**4.1 Basis of Consolidation (continued)**

- 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.

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.

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

**4.1 Basis of Consolidation (continued)**

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.

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.

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

**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.

**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 unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

**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 within accrued and other liabilities.

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:

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

**4.3 Revenue recognition (continued)**

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 within accrued and other liabilities.

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

- 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.

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.

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

**4.3 Revenue recognition (continued)**

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.

**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.

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

**4.3 Revenue recognition (continued)**

**Hospitality and leisure revenue (continued)**

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.

**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.

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

**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.

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.



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

**4.7 Financial income and financial costs (continued)**

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.

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.

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

**4.9 Property and equipment (continued)**

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.

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.

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

**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:
  - 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.

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

**4.10 Leases (continued)**

**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.

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.

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

**4.10 Leases (continued)**

**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.

**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.

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

**4.12 Investment properties (continued)**

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. Its 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

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.

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.

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

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

**4.16 Financial instruments (continued)**

*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.

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.



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

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

**4.16 Financial instruments (continued)**

*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).

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 on the estimated future cash flows of financial assets have occurred.

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

**4.16 Financial instruments (continued)**

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

- significant financial difficult 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.

***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.

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

**4.16 Financial instruments (continued)**

*Classification and subsequent measurement (continued)*

*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.

**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.

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

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

**4.18 Borrowings (continued)**

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.

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.

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

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

**4.20 Employee benefits (continued)**

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.

**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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

#### **4.24 Segment reporting (continued)**

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 2024, which are effective for annual periods beginning on or after 1 January 2024 which do not have a material effect on these consolidated financial statements except for amendments to IAS 1 “Disclosure of Accounting Policies” the effect of which have been reflected in these consolidated financial statements.

The group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2024:

<b><u>Standard / Interpretation</u></b>	<b><u>Description</u></b>
IFRS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)
IAS 7 and IFR 7	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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

#### **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 Company intends to adopt these standards, where applicable, when they become effective.

<b><u>Standard / Interpretation</u></b>	<b><u>Description</u></b>	<b><i><u>Effective from periods beginning on or after the following date</u></i></b>
IAS 21	Lack of Exchangeability (Amendments to IAS 21)	January 1, 2025
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**6. REVENUE**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
<b>Revenue from contracts with customers:</b>		
Sale of development properties	<b>121,902</b>	718,716
Utilities and other related services ("City operations")	<b>117,957</b>	117,130
Accommodation	<b>36,916</b>	53,238
Tuition and other fees ("Education")	<b>74,934</b>	56,584
Food and beverages and other related services	<b>13,133</b>	17,208
Leisure services	<b>9,482</b>	10,831
<b>Total</b>	<b>374,324</b>	973,707
<b>Timing of revenue recognition</b>		
Over time	<b>358,904</b>	954,378
Point-in-time (*)	<b>15,420</b>	19,329
<b>Revenue from contract with customers</b>	<b>374,324</b>	973,707
<b>Lease rental income</b>		
Industrial	<b>42,519</b>	47,827
Residential	<b>9,127</b>	9,823
<b>Total lease rental income</b>	<b>51,646</b>	57,650
<b>Total revenue (**)</b>	<b>425,970</b>	1,031,357

(\*) Revenue from point-in-time includes food and beverage services amounting to SR 13.13 million and leisure services amounting to SR 2.29 million.

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

The Group has right to payment for performance completed to date, therefore as permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

**7. COST OF REVENUE**

	<u>Notes</u>	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Depreciation		<b>225,485</b>	230,255
Cost of development properties sold		<b>32,959</b>	128,137
Salaries, wages and benefits		<b>94,802</b>	85,169
Maintenance		<b>98,859</b>	73,044
Refurbishment cost		<b>19,343</b>	35,603
Utilities		<b>25,337</b>	23,101
Hospitality		<b>21,371</b>	16,144
Impairment reversal on development properties	18	<b>(1,453)</b>	(6,770)
Others		<b>27,815</b>	15,042
		<b>544,518</b>	599,725

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**8. SELLING AND MARKETING EXPENSES**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Promotional expenses	8,442	14,549
Salaries and benefits	12,716	22,577
Branding and marketing costs	14,145	2,906
Advertising costs	12,645	2,143
Others	6,967	3,254
	<u>54,915</u>	<u>45,429</u>

**9. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Salaries and benefits	206,820	174,324
Professional and legal charges	78,837	85,820
Communication and office costs	16,355	14,702
Facility and city management services	6,045	6,766
Repairs and maintenance	4,849	3,199
Depreciation	24,924	25,630
Amortization	1,787	685
Others	13,329	11,038
	<u>352,946</u>	<u>322,164</u>

**10. FINANCIAL CHARGES**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
	<u>Note</u>	
Financial charges on loans and borrowings	615,328	478,465
Financial charges on leases	14 1,999	2,136
Bank charges	3,125	3,246
	<u>620,452</u>	<u>483,847</u>

**11. OTHER OPERATING INCOME**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Gain on disposal of investment properties (see note (11.1) below)	31,386	77,768
Donation income (see note (11.2) below)	--	37,500
Gain on disposal of property and equipment	--	3,010
Reversal of provision no longer required	--	44,200
Others (See note 11.3)	48,925	15,091
	<u>80,311</u>	<u>177,569</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**11. OTHER OPERATING INCOME (continued)**

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 31.4 million (31 December 2023: SR 77.8 million).

11.2 The Group has entered into an agreement (the “Agreement”) with two external parties to develop, finance and operate an academic educational institute (“Institute”) at KAEC. In accordance with the terms of the Agreement, the net life cycle operating loss of the Institute is to be funded by one of the parties to the Agreement, to the extent of USD 58.5 million. In addition, during 2020, an additional funding of USD 16 million has been approved. Consequently, the net operating loss or expenses of the Institute, amounting to Saudi Riyals 35 million, incurred during 2021, has been accounted for as ‘other income’. As at 31 December 2021, the above limit was fully utilized. Accordingly, no reimbursement was made for the net operating loss incurred during 2022. The Group under the Agreement is also entitled to receive an additional amount of USD 100 million. No donation income has been received during the year ended 31 December 2024. (31 December 2023: USD 10 million equivalent to SR 37.5 million).

11.3 Other income includes SR 45 million recognized in relation to a court ruling granted in favor of the Group and SAR 4.2 million recognized as a result of reversal of 0.3 million square of land which was gifted to Technical and Vocational Training Corporation (“TVTC”) in 2015.

**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>2024</u></b>	31 December <u>2023</u>
Loss attributable to ordinary equity holders of the parent	<b>(1,134,565)</b>	(253,220)
Weighted average number of ordinary shares ('000) – (Note 1)	<b>523,260</b>	523,260*
Loss per share (SR) – Basic and diluted	<b>(2.17)</b>	(0.48) *

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 1,133,333,334 to SR 523,259,909 (refer Note 1).

In accordance with IAS 33, Earnings Per Share (EPS) for prior period has been retrospectively adjusted to reflect the reduction in the number of shares.

**EMAAR THE ECONOMIC CITY**

(A Saudi Joint Stock Company)

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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  | • Furniture and fixtures | 4 years |
| • Office equipment            | 2-3 years   | • Motor vehicles         | 4 years |
| • Infrastructure assets       | 10-30 years |                          |         |

	Freehold land	Buildings	Heavy equipment & machinery	Furniture & fixtures	Office equipment	Motor vehicles	Infrastructure assets	Capital work in progress (CWIP)	Total 2024
<b>Cost:</b>									
At the beginning of the year	135,283	1,681,265	93,340	161,906	107,066	15,431	3,210,843	1,722,408	7,127,542
Additions	--	1,793	50	--	2,603	--	3,161	282,471	290,078
Transfer to investment properties	--	--	--	--	--	--	--	(24,645)	(24,645)
Write-off (note 13.4)	--	--	--	--	--	--	--	--	--
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	135,283	1,683,058	93,390	161,906	109,663	15,431	3,214,004	1,980,234	7,392,969
<b>Accumulated depreciation and impairment:</b>									
At the beginning of the year	--	734,785	74,507	161,906	100,880	15,431	1,112,232	10,582	2,210,323
Depreciation charge for the year	--	67,709	2,873	--	3,045	--	115,645	--	189,272
Disposal	--	--	--	--	(6)	--	--	--	(6)
At the end of the year	--	802,494	77,380	161,906	103,919	15,431	1,227,877	10,582	2,399,589
<b>Net book value:</b>									
At 31 December 2024	135,283	880,564	16,010	--	5,744	--	1,986,127	1,969,652	4,993,380

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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 2023
<b>Cost:</b>									
At the beginning of the year	135,283	1,677,391	92,699	161,906	106,592	15,431	3,213,345	1,679,141	7,081,788
Additions	--	3,874	641	--	474	--	--	48,796	53,785
Write-off (note 13.4)	--	--	--	--	--	--	--	(5,529)	(5,529)
Disposal	--	--	--	--	--	--	(2,502)	-	(2,502)
At the end of the year	<u>135,283</u>	<u>1,681,265</u>	<u>93,340</u>	<u>161,906</u>	<u>107,066</u>	<u>15,431</u>	<u>3,210,843</u>	<u>1,722,408</u>	<u>7,127,542</u>
<b>Accumulated depreciation and impairment:</b>									
At the beginning of the year	--	662,152	70,746	161,906	100,173	15,431	995,874	10,582	2,016,864
Depreciation charge for the year	--	72,633	3,761	--	707	--	116,870	--	193,971
Disposal	--	--	--	--	--	--	(512)	--	(512)
At the end of the year	<u>--</u>	<u>734,785</u>	<u>74,507</u>	<u>161,906</u>	<u>100,880</u>	<u>15,431</u>	<u>1,112,232</u>	<u>10,582</u>	<u>2,210,323</u>
<b>Net book value:</b>									
At 31 December 2023	<u>135,283</u>	<u>946,480</u>	<u>18,833</u>	<u>--</u>	<u>6,186</u>	<u>--</u>	<u>2,098,611</u>	<u>1,711,826</u>	<u>4,917,219</u>

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

	<b>31 December 2024</b>	31 December 2023
Cost of revenue	<b>166,996</b>	169,768
General and administrative expenses	<b>22,276</b>	24,203
	<b><u>189,272</u></b>	<u>193,971</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 (2023: SR 135 million), mainly relates to infrastructure and operating assets.

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

13.4 Capital work in progress mainly represents construction costs in respect of the infrastructure and other projects at the KAEC. During the year ended 31 December 2024, there is no write-off in capital work in progress (31 December 2023: SR 5.5 million).

13.5 During the year ended 31 December 2024, borrowing cost amounting to SR 16.6 million (2023: SR nil) has been capitalized on certain CWIP projects.

**13.6 Impairment:**

The Group witnessed higher than budgeted operating loss and 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.

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 fair value less cost of disposal (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.
- For certain CGUs based on value-in-use

*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 FVL COD 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)**

**13.7 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 2 and 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	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.
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 and other material factors. Such values are based on significant unobservable inputs and hence the fair value measurement was classified as Level 3.

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

**13.7 Impairment (continued)**

Significant inputs and adjustments to determine the fair value for properties are as follows:

<b><u>Significant unobservable input</u></b>	<b><u>Basis of determination</u></b>	<b><u>2024</u></b>
Average daily rate (ADR) growth in year 3	The growth in average daily rate in year 3 based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rates for similar properties and expected inflation in the economy.	2.5%
Discount rates	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.	10%-14%
Estimated occupancy rate in year 4	Based on current, historic and expected future market conditions.	65%
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	SR 800 - 1,625 per SQM
Number of tickets sold	Based on the property's actual and forecasted demand	
Number of events	Based on the actual and forecasted demand including external evidence from comparable properties.	

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**13. PROPERTY AND EQUIPMENT (continued)****13.7 Impairment (continued)**

The Group has relied on the valuation performed as at 31 December 2024.

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	Valuation approach	Discount rate	Year 3 ADR growth (%)	Year 4 Occupancy rate	# of tickets sold in Year 3	# of events	Carrying amount	Recoverable amount			Sensitivities (percentage impact on recoverable value of the CGUs)		
											Change in year 3 ADR growth rate		
Hospitality assets -1	Income Approach	11%	2.50%	65%	-	-	198,527	533,107	Change in discount rate	-0.50% 0% 0.50%	-1%	0%	1%
											-2.96%	2.98%	9.33%
											-5.72%	0.00%	6.11%
Hospitality assets – 2	Income Approach	-	-	50%	-	-	132,163	221,348	Change in cap rate	-0.50% 0% 0.50%	Change in year 4 occupancy rate		
											-5%	0%	5%
											-5.26%	5.26%	15.79%
Leisure asset – 1	Income & Market Approach	12%	-	-	-	-	15,248	36,881	Change in discount rate	-0.50% 0% 0.50%	Number of events		
											81,399	101,399	121,399
											5.90%	3.04%	0.48%
											2.75%	0.00%	-2.46%
											-0.28%	-2.92%	-5.29%

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**13. PROPERTY AND EQUIPMENT (continued)****13.7 Impairment (continued)**

Class of CGU	Valuation approach	Discount rate	# of events held in Year 3	Sales rate per SQM	Absorption period	Carrying amount (SR in 000)	Recoverable amount (SR in 000)	Sensitivities (percentage impact on recoverable value of the CGUs)		
Leisure asset – 2	Residual method	12%	-	SR 500	84 months	71,603	479,292	Change in Sales rate	10%	10.00%
								Change in absorption period	-10%	10.00%
								Change in discount rate	-0.50%	10.00%
								Change in Sales rate	-10%	-10.00%
								Change in absorption period	10%	-10.00%
								Change in discount rate	0.50%	-10.00%



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

**13.7 Impairment (continued)**

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

*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 and assumptions used by the Company's management for the value-in-use calculations were as follows:*

- *Projected cash flows using approved business plans.*
- *The discount rate used was approximately 8.80% based on weighted average cost of capital.*

The Group considers corporate assets as infrastructure assets and combines expected net cash flows from all cash generating units to which the corporate assets belong, for impairment assessment. Impairment testing for these assets is performed at the city level. If an impairment loss is identified, it is allocated across all CGUs that benefit from these assets. The carrying amounts of these infrastructure assets, along with all CGUs, are compared to their recoverable amounts to assess potential impairment. As of 31 December 2024, the recoverable amount of the CGUs significantly exceeds their carrying amount, including these assets. Therefore, no impairment has been recognized.

**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  |

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**14. LEASES (continued)**

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

	<b><u>Buildings</u></b>	<b>Heavy equipment and <u>machinery</u></b>	<b><u>Total</u></b>
<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>			
<b>As at 31 December 2024</b>	<u>45,700</u>	<u>--</u>	<u>45,700</u>
<b>Cost:</b>			
Balance as at 1 January 2023	105,583	1,207	106,790
Additions during the year	8,611	--	8,611
Cessation of lease	(11,097)	--	(11,097)
As at 31 December 2023	<u>103,097</u>	<u>1,207</u>	<u>104,304</u>
<b>Accumulated depreciation:</b>			
As at 1 January 2023	48,774	725	49,499
Charge for the year	10,877	241	11,118
Cessation of lease	(11,097)	--	(11,097)
As at 31 December 2023	<u>48,554</u>	<u>966</u>	<u>49,520</u>
<b>Net book value:</b>			
<b>As at 31 December 2023</b>	<u>54,543</u>	<u>241</u>	<u>54,784</u>

Depreciation charge for the year has been allocated as follows:

	<b><u>31 December 2024</u></b>	<b><u>31 December 2023</u></b>
Cost of revenue	9,690	9,690
General and administrative expenses	2,648	1,428
	<u>12,338</u>	<u>11,118</u>

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**14. LEASES (continued)**

**14.2 Lease liabilities**

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

	<b>31 December 2024</b>	31 December 2023
Non-current portion	<b>23,683</b>	32,794
Current portion	<b>51,670</b>	56,212
	<b><u>75,353</u></b>	<u>89,006</u>

Movement of lease liabilities:

	<b>31 December 2024</b>	31 December 2023
As at 1 January	<b>89,006</b>	81,263
Financial charges (Note 10)	<b>1,999</b>	2,136
Addition during the year	<b>4,423</b>	5,607
Repayments during the year	<b>(18,725)</b>	--
Reclassification to lease payable	<b>(1,350)</b>	--
As at 31 December	<b><u>75,353</u></b>	<u>89,006</u>

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

	<b>2024</b>		<b>2023</b>	
	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>	<b>Minimum lease payments</b>	<b>Present value of minimum lease payments</b>
Within twelve months	<b>53,102</b>	<b>51,670</b>	58,018	56,212
One to five years	<b>25,249</b>	<b>23,683</b>	35,706	32,794
Total minimum lease payments	<b><u>78,351</u></b>	<b><u>75,353</u></b>	<u>93,724</u>	<u>89,006</u>
Less: financial charges	<b><u>(2,998)</u></b>	<u>--</u>	<u>(4,718)</u>	<u>--</u>
<b>Present value of minimum lease payments</b>	<b><u>75,353</u></b>	<b><u>75,353</u></b>	<u>89,006</u>	<u>89,006</u>

**14.3 Impairment**

The Group witnessed higher than budgeted operating loss and 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.

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**14. LEASES (continued)**

**14.3 Impairment (continued)**

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.

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.
- Sales growth rate of 13.3%.
- Discount rate of 8.80%.

**(i) Sales growth rate**

The occupancy growth in the forecast period has been estimated to be average occupancy growth rate of 27.23%. If all other assumptions are kept the same, a reduction of this growth rate by 1.30% 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 2024 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 0.79% 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

	2024					
	<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>Cost:</b>						
At the beginning of the year	2,790,874	862,629	945	430,078	1,006,177	5,090,703
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>1,042,532</u>	<u>5,120,336</u>
<b>Accumulated depreciation and impairment:</b>						
At the beginning of the year	--	278,663	945	160,347	31,498	471,453
Depreciation charge for the year	--	32,167	--	16,632	--	48,799
Reversal of impairment (Note 15.11)	--	(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>31,498</u>	<u>520,788</u>
Net book value						
<b>At 31 December 2024</b>	<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>

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**15. INVESTMENT PROPERTIES (continued)**

	2023					
	<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>Cost:</b>						
At the beginning of the year	2,815,489	873,316	945	432,008	1,044,626	5,166,384
Additions	--	--	--	--	1,037	1,037
Disposals	(1,983)	(10,687)	--	(1,930)	(2,544)	(17,144)
Transfer to development properties (Note 18)	(22,632)	--	--	-	(36,942)	(59,574)
At the end of the year	<u>2,790,874</u>	<u>862,629</u>	<u>945</u>	<u>430,078</u>	<u>1,006,177</u>	<u>5,090,703</u>
<b>Accumulated depreciation and impairment:</b>						
At the beginning of the year	--	249,792	945	145,114	31,498	427,349
Depreciation charge for the year	--	34,003	--	16,793	--	50,796
Reversal of impairment (Note 15.11)	--	(2,546)	--	--	--	(2,546)
Disposals	--	(2,586)	--	(1,560)	--	(4,146)
At the end of the year	<u>--</u>	<u>278,663</u>	<u>945</u>	<u>160,347</u>	<u>31,498</u>	<u>471,453</u>
Net book value						
<b>At 31 December 2023</b>	<u>2,790,874</u>	<u>583,966</u>	<u>--</u>	<u>269,731</u>	<u>974,679</u>	<u>4,619,250</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 2,518 million (31 December 2023: SR 2,514 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 (Note 25). The Group is currently in discussion with PIF to release the excess lands, as a result of the loan novation is awaiting finalization of formalities for de-collateralization. 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 2024</b>	31 December 2023
Rental income from operating leases	<b>50,419</b>	56,301
Rental income from operating leases – variable	<u><b>1,227</b></u>	<u>1,349</u>
Direct operating expenses on investments properties that generated rental income	<u><b>1,387</b></u>	<u>1,296</u>

**15.5** There were no direct operating expenses on investment properties that did not generate rental income during 2024 and 2023.

**15.6** At 31 December 2024 the Group's investment properties with a carrying amount of SR 923 million (31 December 2023: SR 928 million) were mortgaged as collateral against loans and borrowings. During the years ended 31 December 2024 and 2023, no borrowing cost was capitalized as no development or construction of investment properties was carried out.

**15.7** During the year ended 31 December 2024, properties amounting to SR 1.3 million (31 December 2023: SR 59.57 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 2024 and 2023, 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>2024</u></b>	31 December <u>2023</u>
Less than one year	<b>54,521</b>	54,759
One to two years	<b>54,521</b>	42,004
Two to three years	<b>54,465</b>	41,917
Three to four years	<b>54,195</b>	41,761
Four to five years	<b>53,057</b>	41,491
More than five years	<b><u>562,194</u></b>	<u>380,222</u>
	<b><u>832,953</u></b>	<u>602,154</u>

**15.11** During the year ended 31 December 2024, the Group has recognised reversal of impairment, amounting to SR 1.1 million (31 December 2023: reversal of impairment amounting to SR 1.6 million). The reversal of impairment loss was recognised as a result of disposal of properties which had been previously impaired.

**15.12 Impairment:**

The Group witnessed higher than budgeted operating loss and 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.

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 fair value less cost of disposal (FVLCD) 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.
- For certain CGUs based on value-in-use.



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**15. INVESTMENT PROPERTIES (continued)**

**15.13 Impairment (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 FVLCD are as follows:*

The fair value of the Group's investment property, as at 31 December 2024, 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 2 and 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:

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**15. INVESTMENT PROPERTIES (continued)**

**15.13 Impairment (continued)**

<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.
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 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.

The significant unobservable inputs for properties held for rental income are as follows:

<b><u>Significant unobservable input</u></b>	<b><u>Basis of determination</u></b>	<b><u>2024</u></b>
Discount rate	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.	<b>10-12%</b>
Capitalisation rate	It is based on actual location, size and quality of the properties and taking into account market data at the valuation date.	<b>9%</b>
Rental growth rate	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties and expected inflation in the economy.	<b>2.50%</b>
Absorption period	The time period during which available units are sold in a specific market.	<b>18-120 months</b>
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	<b>SR 500 – 5,000</b>

**EMAAR THE ECONOMIC CITY**

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**15. INVESTMENT PROPERTIES (continued)****15.13 Impairment (continued)**

The following table sets out the key assumptions for the class of CGUs of the Group and their sensitivities:

Class of CGU	Valuation approach	Discount rate	Absorption period	Rental rate	Capitalisation rate	Rental growth rate	Carrying amount (SR in 000)	Recoverable amount (SR in 000)		Sensitivities (percentage impact on recoverable value of the CGUs)			
										Change in rental growth rate			
Commercial – 1	Income approach	-	-	-	9%	-	120,887	744,021	Change in discount rate	-0.50%	5.87%	3.03%	0.44%
										0%	2.73%	0.00%	-2.49%
										0.50%	-0.29%	-2.91%	-5.29%

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**15. INVESTMENT PROPERTIES (continued)**

**15.13 Impairment (continued)**

These significant unobservable inputs for properties with undetermined use include:

<b><u>Significant unobservable input</u></b>	<b><u>Basis of determination</u></b>	<b><u>2024</u></b>
Discount rate	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.	<b>9%-12%</b>
Absorption period	The time period during which available units are sold in a specific market.	<b>18-120 months</b>
Adopted sales rate	The adopted sales rate reflects the consideration taken into account for similar transactions in the city and incorporating the necessary adjustments for differences in location and size.	<b>SR 500-8,500</b>

Inputs were adjusted for difference in location, land size, amenities and services, and development status and quality of land parcels.

The Group has relied on the valuation performed as at 31 December 2024.

The following tables sets out the key assumptions for the properties with undetermined uses:

<b>Class of CGU</b>	<b>Valuation approach</b>	<b>Discount rate</b>	<b>Absorption period</b>	<b>Fair value</b>	<b>Change in assumptions</b>	<b>Sensitivities (percentage impact on fair value)</b>
Residential land	Residual method	11%-16%	1-6	18,184,943	Change in Discount rate	0.50%
						-0.50%
					Change in absorption	10%
						-10%
					Change in sales rate	10%
						-10%
Commercial land	Residual method	11%-15%	1-5	3,345,322	Change in Discount rate	-0.50%
						0.50%
					Change in absorption	10%
						-10%
					Change in sales rate	10%
						-10%
Urban mixed-use land	Residual method	11%-16%	1-6	5,001,677	Change in Discount rate	-0.50%
						0.50%
					Change in absorption	10%
						-10%
					Change in sales rate	10%
						-10%

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**15. INVESTMENT PROPERTIES (continued)**

**15.13 Impairment (continued)**

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

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.

Key assumptions underlying the projections are:

	<b>31 December 2024</b>
<b>Key assumptions</b>	
Discount rate	<b>8.80%</b>

**15.14** 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 2024</b>	<u>                    </u>	<u>                    </u>	<b>39,269,702</b>	<b>39,269,702</b>
31 December 2023	<u>                    </u> --	<u>                    </u> --	34,917,674	34,917,674

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

	<u>Fair value</u>		<u>Carrying amount</u>	
	<b>31 December 2024</b>	31 December <u>2023</u>	<b>31 December 2024</b>	31 December <u>2023</u>
Rental income	<b>9,510,000</b>	9,917,674	<b>1,809,278</b>	1,828,377
Currently undetermined future use	<b>29,759,702</b>	25,000,000	<b>2,790,270</b>	2,790,873
	<b>39,269,702</b>	34,917,674	<b>4,599,548</b>	4,619,250

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**16. INTANGIBLE ASSETS**

The movement in the intangible assets is as follows:

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
<b>Cost:</b>		
At the beginning of the year	<b>113,301</b>	113,227
Additions	<b>1,104</b>	74
At the end of the year	<b>114,405</b>	113,301
<b>Amortization:</b>		
At the beginning of the year	<b>109,637</b>	108,952
Charge for the year	<b>1,787</b>	685
At the end of the year	<b>111,424</b>	109,637
<b>Net book value</b>	<b>2,981</b>	3,664

**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.

	<b><u>Effective ownership interest (%)</u></b>		<b><u>Balance as at</u></b>	
	<b>31 December <u>2024</u></b>	31 December <u>2023</u>	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Investment in Ports Development Company ("PDC") (see note (a) below)	<b>50%</b>	50%	<b>2,456,361</b>	2,552,079
Investment in Biyoutat Progressive Company for Real Estate Investment & Development ("Biyoutat") (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>209,655</b>	239,499
			<b>2,711,806</b>	2,837,368

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

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

**a) Ports Development Company**

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

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Balance at the beginning of the year	<b>2,552,079</b>	2,540,950
Share of results for the year, net of Zakat charge	<b>(88,752)</b>	8,960
Share of other comprehensive (loss) / income	<b>(6,966)</b>	2,169
Balance at the end of the year	<b><u>2,456,361</u></b>	<u>2,552,079</u>

Summarized financial information of PDC is as follows:

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Non-current assets	<b>7,534,339</b>	7,645,138
Current assets	<b>274,759</b>	451,601
Cash and cash equivalents	<b>134,742</b>	198,779
Non-current liabilities	<b>(2,033,927)</b>	(2,124,728)
Current liabilities (**)	<b>(282,147)</b>	(287,551)
Non-current financial liabilities	<b>(1,991,496)</b>	(2,072,067)
<b>Equity</b>	<b>5,493,024</b>	5,684,460
Group's share in equity – 50% (31 December 2023: 50%)	<b>2,746,512</b>	2,842,230
Elimination of share of profit on sale of land and commission income*	<b><u>(290,151)</u></b>	<u>(290,151)</u>
<b>Group's carrying amount of the investment</b>	<b><u>2,456,361</u></b>	<u>2,552,079</u>

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

(\*\*) Includes trade payable amounting to SR 143.04 million (31 December 2023: SR 156.15 million).

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

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

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Revenue	<b>293,120</b>	445,135
Depreciation	<b>153,260</b>	153,781
Interest expense	<b>179,717</b>	187,120
Zakat and tax charge	<b>7,470</b>	6,508
Net (loss) / profit for the year	<b>(167,819)</b>	23,841
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent years	<b>(13,820)</b>	4,338
Total comprehensive (loss) / income for the year	<b>(181,639)</b>	28,179
<b>Group's share of (loss) / profit for the year, net of related Zakat charge</b>	<b>(88,752)</b>	8,960
<b>Group's share of other comprehensive (loss) / income for the year</b>	<b>(6,966)</b>	2,169

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 along with promissory notes to a commercial bank, limited for SR 1,321 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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**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 2024

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 Biyoutat during the year is as follows:

	<b>31 December 2024</b>	31 December 2023
Initial investment	200	200
Additional investment	53,755	53,755
Elimination of share of profit on sale of land (*)	(8,165)	(8,165)
	<u>45,790</u>	<u>45,790</u>

(\*) The amount pertains to profit derived by the Group on sale of land to Biyoutat 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 2024.

	<b>31 December 2024</b>	31 December 2023
Initial investment	239,499	269,204
Elimination of share of profit on contribution of land (*)	(25,764)	(22,481)
	<u>213,735</u>	<u>246,723</u>
Share of loss for the period	(4,080)	(7,224)
Closing investment	<u>209,655</u>	<u>239,499</u>

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

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

**17.2 Subsidiaries**

The following table summarizes the statement of financial position of these subsidiaries as at 31 December 2024. This information is based on the amounts before inter-company elimination.

	2024					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Total assets	3,499,908	1,452,580	1,193,470	341,678	92,006	1,865,129
Total liabilities	26,089	112,556	234,185	89,991	172,496	926,165
Total equity	3,473,819	1,340,024	959,285	251,687	-80,490	938,964

The following table summarizes the statement of financial position of the subsidiaries as at 31 December 2023. This information is based on the amounts before inter-company elimination.

	2023					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Total assets	3,689,549	1,471,124	1,286,989	437,258	112,087	1,986,870
Total liabilities	26,007	83,519	276,962	143,055	149,764	999,319
Total equity	3,663,542	1,387,605	1,010,027	294,203	(37,677)	987,551

The following table summarizes the statement of profit or loss and other comprehensive income of these subsidiaries for the year ended 31 December 2024 and 31 December 2023. This information is based on the amounts before inter-company elimination.

	2024					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Revenue	--	20,850	86,758	18,413	74,934	34,235
Profit/(loss) for the year	190,786	-47,613	-51,417	-42,503	-43,233	-48,976
Total comprehensive Income/(loss) for the year	189,724	-47,581	-50,742	-42,516	-42,813	-48,587

	2023					
	<u>ECIC</u>	<u>IZDCL</u>	<u>REOM</u>	<u>REM</u>	<u>EKC</u>	<u>RED</u>
Revenue	--	258,351	113,807	23,234	56,584	30,243
Profit/(loss) for the year	66,029	168,949	(27,095)	(16,884)	(178)	(51,021)
Total comprehensive Income/(loss) for the year	68,691	168,744	(25,032)	(16,727)	784	(50,320)

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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 2024 is as follows:

	<u>Notes</u>	<b>31 December 2024</b>	31 December 2023
Costs incurred to-date		<b>1,526,013</b>	1,549,852
Transferred from investment properties	15	<b>1,328</b>	59,574
Less: cost of development properties sold		<b>(38,807)</b>	(116,440)
Less: provision for development properties		<b>(169,905)</b>	(171,358)
<b>Closing balance</b>		<b>1,318,629</b>	1,321,628
Current portion of development properties		<b>835,611</b>	839,341
Non-current portion of development properties		<b>483,018</b>	482,287
<b>Total</b>		<b>1,318,629</b>	1,321,628

- a) Disposals of development properties are recognised as expense within cost of revenue.
- b) As at 31 December 2024, development properties include land amounting to SR 158.41 million (31 December 2023: SR 160.97 million).
- c) The Group has 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. 1.45 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 2024, 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**

	Notes	31 December <u>2024</u>	31 December <u>2023</u>
<b>Financial assets</b>			
Trade receivables		<b>736,664</b>	730,604
Amounts due from related parties	31	<b>34,028</b>	86,992
Less: impairment on trade receivables	19.1	<b>(358,097)</b>	(358,553)
		<b>412,595</b>	459,043
Commission receivable on Murabaha term deposits		--	1,083
Others		<b>61,472</b>	31,619
		<b>474,067</b>	491,745
<b>Non-financial assets</b>			
Prepayments		<b>29,288</b>	13,445
Advances to suppliers		<b>77,968</b>	64,911
Others		<b>104,906</b>	13,082
		<b>212,162</b>	91,438
Trade receivables and other current assets		<b>686,229</b>	583,183

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

	31 December <u>2024</u>	31 December <u>2023</u>
Receivables from residential customers against sale of development properties	<b>247,806</b>	276,779
Receivable against city operation services	<b>230,334</b>	184,336
Lease receivables from industrial customers	<b>140,393</b>	146,267
Receivables from industrial customers against sale of development properties	<b>51,929</b>	77,271
Lease receivables from residential customers	<b>21,460</b>	16,365
Receivables for education services	<b>36,680</b>	19,158
Receivable against hospitality services	<b>8,062</b>	10,428
	<b>736,664</b>	730,604

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 2024, five largest customers accounted for 26.8% (31 December 2023: 29%) 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 2024 and 2023, 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 2024</b>	31 December <u>2023</u>
At the beginning of the year	<b>358,553</b>	334,361
(Reversal) / provision for the year	<b>(456)</b>	24,801
Written-off	--	(609)
At the end of the year	<b><u>358,097</u></b>	<u>358,553</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 2024</b>	31 December <u>2023</u>
Receivable against city operation services	<b>162,396</b>	183,005
Lease receivables from industrial customers	<b>127,949</b>	145,211
Lease receivables from residential customers	<b>39,186</b>	16,247
Receivable against education services	<b>10,876</b>	12,079
Receivable against hospitality services	<b>800</b>	2,011
Receivable against sale of development properties	<b>16,890</b>	--
	<b><u>358,097</u></b>	<u>358,553</u>

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

	<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>
<b>31 December 2024</b>					
Expected loss rate	<b>46.03%</b>	<b>21.26%</b>	<b>32.22%</b>	<b>52.01%</b>	--
Gross carrying amount – trade receivable	<b>29,289</b>	<b>44,208</b>	<b>49,101</b>	<b>614,066</b>	<b>736,664</b>
Expected credit loss allowance	<b><u>13,483</u></b>	<b><u>9,398</u></b>	<b><u>15,819</u></b>	<b><u>319,397</u></b>	<b><u>358,097</u></b>

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

	Current Not past due	1- 90 days past due	91 – 180 days past due	More than 180 days past due	Total
31 December 2023					
Expected loss rate	48.85%	75.36%	95.45%	99.88%	--
Gross carrying amount – trade receivable	20,954	21,526	35,633	298,441	376,554
Expected credit loss allowance	10,236	16,222	34,012	298,083	358,553

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

	Total	Not past due	Past due				
			< 30 Days	30–60 days	61–90 Days	91–180 days	> 180 Days
<b>31 December 2024</b>	<b>736,664</b>	<b>29,289</b>	<b>20,922</b>	<b>11,947</b>	<b>11,339</b>	<b>49,101</b>	<b>614,066</b>
31 December 2023	730,604	85,092	10,006	7,611	9,003	39,221	579,671

**20. UNBILLED REVENUE**

Movements in the unbilled revenue is as follows:

	<b>31 December 2024</b>	31 December 2023
At the beginning of the year	<b>676,787</b>	851,465
Revenue recognised during the year from opening balance	<b>35,975</b>	93,773
Revenue recognised during the year from new contract assets	<b>122,856</b>	352,663
Billing raised during the year	<b>(377,740)</b>	(621,114)
Provision on unbilled revenue	<b>(38,583)</b>	(107,940)
	<b>419,295</b>	568,847
Current portion of unbilled revenue	<b>(223,238)</b>	(283,587)
Non-current portion of unbilled revenue *	<b>196,057</b>	285,260

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

a) Unbilled revenue against sale of development property:

	<b>31 December 2024</b>	31 December 2023
Unbilled revenue against sale of development property	<b>330,606</b>	552,144
Less: impairment on unbilled revenue against sale of development property	<b>(26,097)</b>	--
Less: Unbilled revenue against sale of development property - current portion	<b>(108,452)</b>	(261,066)
Unbilled revenue against sale of development property – non- current portion	<b>196,057</b>	291,078

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**20. UNBILLED REVENUE (continued)**

b) Unbilled revenue against leasing

	<b>31 December 2024</b>	31 December 2023
Unbilled revenue against leasing	<b>127,272</b>	124,646
Less: impairment on unbilled revenue against leasing	<b>(12,486)</b>	(107,940)
Unbilled revenue against leasing - current portion	<b>114,786</b>	16,706

c) Movement in impairment on unbilled revenue against leasing

	<b>31 December 2024</b>	31 December 2023
At the beginning of the year	<b>107,940</b>	113,626
Reversal for the year	<b>(95,454)</b>	(5,686)
At the end of the year	<b>12,486</b>	107,940

d) Movement in impairment on unbilled revenue against sale of development property

	<b>31 December 2024</b>	31 December 2023
At the beginning of the year	--	--
Charge for the year	<b>26,097</b>	--
At the end of the year	<b>26,097</b>	--

The unbilled revenue primarily relates to the Group's right to payment for performance completed to date in respect of sale of development properties but not billed at the reporting at the date. The unbilled revenue is transferred to trade receivable when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The Group, in respect of sale of development properties, has collaterals in the form of promissory notes or bank guarantees, the minimum collateral against sale of development properties 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. 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 unbilled revenue.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**21. CASH AND CASH EQUIVALENTS**

	Note	31 December <u>2024</u>	31 December <u>2023</u>
Cash and bank balances		<u>256,125</u>	182,482
		<u>256,125</u>	182,482
Less: restricted cash – non-current	21.1	(51)	(51)
Less: restricted cash – current	21.1	<u>(3,707)</u>	<u>(3,354)</u>
		<u>252,367</u>	179,077

**21.1** As at 31 December 2024, these represent balances held in escrow accounts with a commercial bank as collateral under loan arrangement amounting to SR 0.05 million (31 December 2023: SR 0.05 million) and balances relating to off-plan sale of development properties amounting to SR 3.7 million (31 December 2023: SR 3.4 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 2024 and 2023.

**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>	
	31 December <u>2024</u>	31 December <u>2023</u>	31 December <u>2024</u>	31 December <u>2023</u>
Current portion	5,638	5,634	3,504	3,473
Non-current portion:				
One to five years	22,551	22,537	15,333	15,168
Over five years	<u>45,664</u>	<u>50,524</u>	<u>38,130</u>	<u>42,597</u>
	68,215	73,061	53,463	57,765
Total	73,853	78,695	56,967	61,238

As at 31 December 2024, balance amounting to SR 4.54 million is not overdue and the remaining balance amounting to SR 1.1 million is overdue.

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**22. EMPLOYEES' RECEIVABLE – HOME OWNERSHIP SCHEME (continued)**

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.

**23. SHARE CAPITAL**

As of 31 December 2024, the Company's authorized and issued share capital was SR 5,232.6 million consisting of 523.26 million shares of SR 10 each (31 December 2023: 1,133.33 million shares of SR 10 each), allocated as follows:

	<b>2024</b>		<b>2023</b>	
	<b>Number of Shares' 000</b>	<b>Capital</b>	<b>Number of Shares' 000</b>	<b>Capital</b>
Issued for cash	<b>680,000</b>	<b>6,800,000</b>	680,000	6,800,000
Issued for consideration in kind	<b>170,000</b>	<b>1,700,000</b>	170,000	1,700,000
Issue of shares following the conversion of long-term loan into equity*	<b>283,333</b>	<b>2,833,333</b>	283,333	2,833,333
Decrease in share capital (refer note 1)	<b>(610,073)</b>	<b>(6,100,734)</b>	--	--
	<b>523,260</b>	<b>5,232,599</b>	1,133,333	11,333,333

\* On 26 September 2021, the shareholders in an extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SR 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283,333,334 new shares, at the nominal value of SR 10 per share, against the debt amount of SR 2,833 million.

**24. STATUTORY RESERVE**

In accordance with the Company's By-laws, approved by the shareholders during April 2017, the Company must set aside 10% of its net profit in each year, after setting-off its accumulated losses, if applicable, until it has built up a reserve equal to 30% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution. No such transfer was made for the years ended 31 December 2024 and 2023 due to net losses for the year.

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**25. LONG-TERM BORROWINGS**

	<b>31 December 2024</b>	31 December 2023
Ministry of Finance ("MoF") loan (Note (a) below)	<b>2,166,667</b>	2,166,667
Accrued commission	<b>744,937</b>	651,813
Novation to a shareholder (Note (a) below)	<b>(2,911,604)</b>	--
	--	2,818,480
Current portion	--	(2,818,480)
Non-current portion	--	--
Facility from a local bank (Note (b) below)	<b>976,245</b>	976,245
Accrued commission	<b>110,377</b>	41,862
	<b>1,086,622</b>	1,018,107
Current portion	<b>(1,086,622)</b>	(1,018,107)
Non-current portion	--	--
Facility from a local bank (Note (c) below)	<b>1,690,124</b>	1,690,124
Accrued commission	<b>224,658</b>	72,709
	<b>1,914,782</b>	1,762,833
Current portion	<b>(1,914,782)</b>	(1,762,833)
Non-current portion	--	--
Facility from a local bank (Note (d) below)	<b>537,420</b>	537,420
Accrued commission	<b>96,880</b>	36,761
	<b>634,300</b>	574,181
Current portion	<b>(634,300)</b>	(574,181)
Non-current portion	--	--
Facility from a local bank (Note (e) below)	<b>114,105</b>	114,105
Accrued commission	<b>3,087</b>	6,864
	<b>117,192</b>	120,969
Current portion	<b>(117,192)</b>	(120,969)
Non-current portion	--	--
Facility from a shareholder (Note (f) below)	<b>958,252</b>	413,476
Accrued commission	<b>248,365</b>	31,565
Derivative financial liability	--	7,480
Novation from MoF (Note (a) below)	<b>2,911,604</b>	--
	<b>4,118,221</b>	452,521
Current portion	<b>(4,118,221)</b>	(452,521)
Non-current portion	--	--
Total long-term borrowings	<b>7,871,117</b>	6,747,091
Current portion of long-term borrowings*	<b>(7,871,117)</b>	(6,747,091)
Non-current portion of long-term borrowings	--	--

\* As mentioned below, the Group has not complied with the requirements of covenants related to long-term borrowing facilities, resulting in the 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 borrowings. Such borrowings have been classified as current portion in the above schedule.

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

- (a) During 2011, the Group received a loan of SR 5,000 million from the Ministry of Finance ("MoF") for the development of KAEC. The loan is denominated in SR and bears variable finance charge based on prevailing market rates of interest which are based on Saudi Arabian Interbank Offered Rate (SIBOR) plus spread. The loan is secured against pledge of 24.7 million sqm of the Group's certain land parcels and was originally repayable, with a three-year grace period, in seven annual instalments commencing from 1 September 2015. However, based on the Group's request submitted before the due date, the MoF, during September 2015, rescheduled the loan by extending the grace period for an additional period of five years. During January 2020, based on the discussions held with the MoF, the MoF has rescheduled the first instalment due in June 2020 to January 2021 with the principal amount repayable in seven instalments, commencing from January 2021, with accrued commission payable on an annual basis.

On 20 March 2021, a partial novation agreement was signed between the Group, PIF & MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.83 billion (the novation amount) from MoF to PIF. The novation agreement was approved by the Group's Board of Directors on 30 March 2021. The request to increase the Company's share capital through conversion of debt amounting to SR 2,833 million was approved by the CMA on 1 Aug 2021. Further, on 26 September 2021, the shareholders in extraordinary general assembly approved the increase of the share capital of the Company from SR 8,500 million to SR 11,333 million. Accordingly, PIF became a shareholder of the Company through issuance of 283 million new shares, at the fair value of SR 10 per share, against the debt amount of SR 2,833 million.

Further, during 2021, the Group received an approval from MoF, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF approved conversion of accrued interests as of 1 June 2021 amounting to SR 363.9 million as principal outstanding and restructuring of the total remaining obligation of SR 2,531 million to be payable starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final seventh instalment in June 2030 amounting to SR 361.6 million. The Group is under discussion with MoF to finalise the restructuring agreement. There are no covenants related to the facility. Subsequently, conditional approval for conversion of an additional SR 189 million was received during the period ended 31 December 2023, resulting in an aggregate amount of SR 553.2 million of accrued interest to be capitalized upon finalization of the restructured agreement.

Subsequently, a partial novation agreement was signed between the Company, PIF and MoF wherein they agreed on the novation of part of the loan due to MoF, amounting to SR 2.8 billion (the novation amount) from MoF to PIF on 20 March 2021. Further, this novation agreement had been approved by the Group's board of directors on 30 March 2021. Later on, the Group received an approval from MoF on 17 June 2021, conditional upon signing of amendment to the original MoF loan agreement, wherein MoF had approved capitalization of accrued commission as of 01 June 2021 amounting to SR 363.9 million, restructuring of the total loan repayment starting from June 2024, in six equal annual instalments of SR 361.5 million each and the final instalment in June 2030 amounting to SR 361.6 million.

On 7th September 2024 (corresponding to 04 Rabi Alawwal 1446H), the 2nd novation agreement was signed between the Company, Public Investment fund "PIF" & MoF wherein they agreed on the novation of remainder loan balance including accrued commission as at 01 June 2024 due to MoF, amounting to SAR 2,912 million (the novation amount) from MoF to PIF. Further, this novation agreement has been approved by the Company's Board of Directors on 07 September 2024.

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

- (b) During 2014, the Group signed an Islamic facility agreement with a commercial bank for SR 2,000 million Murabaha liquidity finance facility. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from 30 June 2018 to 31 December 2021. The loan is secured against certain land parcels of the Group and a promissory note for SR 1,276 million. The loan is denominated in SR and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During the year ended 31 December 2022, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable in fourteen semi-annual instalments starting from June 2023 to December 2029. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different.

There are financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (c) During 2014 and 2015, the Group signed two facility agreements with a commercial bank for SR 1,000 million each. As per the terms of the agreements, the loans were payable in five annual equal instalments after three years of grace period starting from respective dates of the agreements. Subsequently, an additional facility of SR 250 million was given to the Group. The loan is secured against certain land parcels of the Group and a promissory note for SR 1,700 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

During 2020, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the loan is repayable, after a grace period of 3 years from 2020 to 2022, in eight semi-annual unequal instalments from April 2024 to April 2030. The management has determined the impact of modification, related to the amendment of certain terms and conditions including repayment schedule, as immaterial.

There are non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (d) During 2015, the Group signed an Islamic facility agreement with a commercial bank for SR 1,000 million. As per the initial terms of the agreement, the loan was repayable in eight semi-annual instalments from October 2019 to April 2023. The loan is secured against certain land parcels of the Group and a promissory note for SR 587.5 million. The loan is denominated in Saudi Riyals and bears variable finance charge based on prevailing market rates of interest which are based on SIBOR plus spread.

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

During 2021, the Group entered into a revised / restructured agreement relating to the facility for the outstanding loan amount. Accordingly, as per the revised terms, the existing facilities which consisted of long-term and short-term loan were restructured into a long-term loan repayable in fourteen semi-annual instalments starting from April 2023 to April 2029.

There are financial and non-financial debt covenants related to the facility including the cross-default clauses in respect of loan facilities with other commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

- (e) During 2018, the Group availed a short-term facility from a commercial bank, amounting to SR 250 million, to finance the working capital requirements.

During 2020, the Group signed a revised facility letter agreement for working capital facility amounting to SR 170 million and a documentary credit ("DC") facility of SR 20 million with the same commercial bank. Accordingly, as per the revised terms, the loan is repayable in eight semi-annual equal instalments over 4 years starting from August 2021, subsequent to the payment of SR 21.25 million in February 2021. The loan is denominated in SR and bears fixed finance charge. The loan is secured against certain land parcels of the Group and a promissory note for SR 209 million. The management has accounted for the loan modification as extinguishment of old financial liability and recognition of new financial liability as the terms of the revised loan agreement are substantially different.

There are no covenants related to the facility.

During 2022, the Group requested the bank for extending the maturity of installment amounting to SR 18.6 million due on 25 August 2022 and the bank has extended the payment date of installment for 60 days which was again deferred on 6 November 2022 for 86 days.

As at 31 December 2024, DC facility has not been fully utilized by the Group.

- (f) 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 will be based on SIBOR + spread. The loan contains a conversion option to equity, exercisable by PIF, subject to certain required approvals under the applicable laws and regulations. The loan is secured against certain real estate assets within KAEC. The loan facility will be used to finance specific critical expenses including strategic capital expenditures. As at 31 December 2024, the Group has drawn SR 1,000 million from this loan facility.

The loan contained an embedded derivative due to the presence of a call option in the loan arrangement. The Group has recognized fair value gain amounting to SR 12.7 million as a result of change in fair value from year end 31 December 2023. The carrying value of embedded derivative is nil. There are non-financial debt covenants related to the facility including cross-default clauses in respect of loan facilities with commercial banks. As at 31 December 2024, the Group was not in compliance with certain covenants and, accordingly, the borrowings are payable on demand and, therefore, have been classified as current liability in the accompanying consolidated financial statements.

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

On 7th September 2024, MoF loan of SAR 2,912 million has been novated to PIF (refer note 25a).

On 7 September 2024, the Group and PIF entered into conversion agreement under which all loan due to PIF would be converted into equity. Subsequent to the year end, addendum to the conversion agreement has been signed with PIF (refer Note 39).

- (g) On 7th September 2024, the Company signed a non-binding term sheet to reschedule its financing agreements amounting to SAR 3,471 (refer Note b, c, d & e above) under one common terms arrangement. As part of the rescheduling, a new credit facility amounting to SAR 301.4 million would be made available to the Company by the Banks as an “Additional Facility”.

The term sheet sets out the main provisions initially agreed but is subject to agreeing and signing final legally binding agreements to be entered into between the Company and the Banks.

**26. SHORT-TERM BORROWINGS**

The Group obtained short-term loan facility from a local commercial bank aggregating to SR 300 million as of 31 December 2024 (31 December 2023: SR 300 million). The facility bears financial costs at market rate which is based on SIBOR and is collateralised by promissory notes. The covenants of the short-term loan facility require the Group to maintain certain level of financial conditions and certain other matters. As at 31 December 2024, the Group was not in compliance with certain covenants, however, there was no impact of such non-compliance on the accompanying consolidated financial statements as the borrowing is already classified as a current liability based on its contractual maturity.

Subsequent to the year end 31 December 2024, the Group obtained approval from lender to rollover the loan facility to 30 January 2025.

The unused balance of the facilities as at 31 December 2024 amounted to SR 150 million (31 December 2023: SR 126.5 million).

**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 2024 for the Group.

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

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Balance at the beginning of the year	<b>41,630</b>	40,841
<b>Included in consolidated statement of profit or loss</b>		
Current service cost	<b>9,402</b>	10,154
Interest cost	<b>1,978</b>	1,838
	<b><u>11,380</u></b>	<u>11,992</u>
<b>Included in consolidated other comprehensive income</b>		
Remeasurement gain arising from experience adjustments	<b>(3,939)</b>	(2,522)
Benefits paid	<b>(5,468)</b>	(8,681)
Employees left but unpaid	<b>1,880</b>	--
Balance at the end of the year	<b><u>45,483</u></b>	<u>41,630</u>

**Actuarial assumptions**

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

	<b><u>2024</u></b>	<u>2023</u>
Discount rate	<b>5.50%</b>	4.75%
Expected rate of future salary increase	<b>5.0%</b>	5.0%
Retirement age	<b>60 years</b>	60 years

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

		<b>Impact on ETB liability Increase / (decrease)</b>			
		<b>31 December 2024</b>		<b>31 December 2023</b>	
	<b>Change in assumption by</b>	<b>Increase in rate</b>	<b>Decrease in rate</b>	<b>Increase in rate</b>	<b>Decrease in rate</b>
Discount rate	1%	<b>(3,283)</b>	<b>3,780</b>	(3,194)	3,690
Expected rate of future salary increase	1%	<b>3,761</b>	<b>(3,328)</b>	3,643	(3,216)

The weighted average duration of the defined benefit obligation for 2024 is 8 years (31 December 2023: 9 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>2024</u></b>	31 December <u>2023</u>
Less than a year	<b>6,781</b>	4,429
Between 1-2 years	<b>2,938</b>	4,317
Between 2-5 years	<b>10,643</b>	8,698
Over 5 years	<b>52,237</b>	48,192
	<b><u>72,599</u></b>	<u>65,636</u>

**28. TRADE AND OTHER PAYABLES**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Accrued expenses and other payables	<b>270,982</b>	213,079
Trade payables	<b>183,915</b>	203,826
Assessed zakat liability	<b>240,420</b>	--
Retentions payable	<b>157,174</b>	190,994
Contractors accrued balances	<b>96,456</b>	96,455
Amounts due to related parties	<b>7,653</b>	4,416
Others	<b>16,590</b>	16,590
	<b><u>973,190</u></b>	<u>725,360</u>

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.

**28.2** This amount is transferred from zakat provision based on decision made by TVDAC regarding zakat assessment for the prior periods. During the year, SR 12.78 was paid from the Zakat Liability.

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**29. CONTRACT LIABILITIES**

Contract liabilities represents excess of billings against recognised revenue, advance amount received against sale and advance rent in respect of residential and industrial units and plots of land and amount received against tuition fees.

Following is the movement of contract liability:

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
At the beginning of the year	<b>712,349</b>	986,638
Revenue recognised during the year from opening balance	<b>(168,204)</b>	(244,095)
Revenue recognised during the year from new contract liabilities	<b>(109,750)</b>	(346,476)
Billing raised / advance received during the year	<b><u>170,649</u></b>	<u>316,282</u>
	<b><u>605,044</u></b>	<u>712,349</u>

In the case of sale of development property and education services the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

In the case of leasing services, the customer pays the fixed amount based on a payment schedule. If the rental income recognized in accordance with IFRS 16 exceed the payment, a contract asset is recognised. If the payments exceed rental income recognized in accordance with IFRS 16, a contract liability is recognised.

During the year ended 31 December 2024, Contract liabilities has been shown separately on the face of consolidated statement of financial position for better presentation purposes.

**30. ZAKAT**

**30.1 Charge for the year**

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Provision for current year Zakat expense	<b>10,000</b>	45,000
Charge for the open assessments	<b><u>66,032</u></b>	<u>--</u>
	<b><u>76,032</u></b>	<u>45,000</u>

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

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**30. ZAKAT (continued)**

**30.2 Movement in provision**

The movement in the Zakat provision is as follows:

	<b>31 December 2024</b>	31 December 2023
At the beginning of the year	<b>250,738</b>	215,458
Charge for the current year	<b>10,000</b>	45,000
Transfer to liability (Note 28.2)	<b>(253,198)</b>	--
Charge for the open assessments	<b>66,032</b>	--
	<b>(177,166)</b>	45,000
Payments during the year	<b>(25,363)</b>	(9,720)
At the end of the year	<b>48,209</b>	250,738

**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 zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of period, loans and borrowings and estimated income subject to zakat, less deductions for the net book value of property and equipment, investment properties and certain other items. Zakat is payable at 2.58% of approximate zakat base (excluding adjusted net income for the period) and at 2.5% of the adjusted net profit for the period.

**30.4 Status of assessments**

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

Zakat assessment for the Group 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. The ZATCA has filed an appeal with the Royal Court against the BOG's decision in respect of the delay fine, which is pending adjudication.

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**30. ZAKAT (continued)**

**30.4 Status of assessments (continued)**

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.

ZATCA has 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 TVDRC. 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 the TVDAC rendered its decision against the ZATCA's revised assessment. EEC filed a reconsideration request which was rejected on 18 December 2024. EEC has agreed an installment plan with the ZATCA to settle the Zakat liability as per TVDAC decision. EEC is also considering filing another reconsideration request.

EEC has filed consolidated Zakat returns up to the year 2023 and information returns for the group entities. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

On 22 June 2023, the ZATCA issued queries on the Zakat return filed for the years 2021 and 2022 and EEC has submitted the requested information.

EEC has submitted the application to apply the New Zakat Regulations introduced through Ministerial Resolution ["MR"] No. 1007, for 2021 to 2023 on 19 May 2024. The ZATCA confirmed initial acceptance of the application request for 2021 and 2022 on 20 May 2024 and for 2023 on 22 May 2024.

**b) IZDCL**

Zakat status of the Company is finalized up to the year 2012 as well as the years 2014 to 2017.

Subsequent to year-end, the ZATCA issued final assessment for 2013 with additional Zakat liabilities of SR 2.1 million. IZDCL filed an objection against the ZATCA's assessment which was not accepted by the ZATCA.

On 4 June 2024, IZDCL escalated its objection with the TVDRC against the ZATCA's assessment for 2013. On 30 September 2024, the TVDRC issued its decision which was in favour of the ZATCA.

On 30 October 2024, IZDCL filed an appeal against the TVDRC's decision with the TVDAC and submitted its response to ZATCA's memorandum. Currently, the case is pending adjudication by the TVDAC.

IZDCL has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

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**30. ZAKAT (continued)**

**30.4 Status of assessments (continued)**

**c) RED**

RED has finalized its Zakat assessments for 2015 to 2017 noting no assessments have been issued by the ZATCA for 2013 and 2014.

RED has filed the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

**d) REOM**

REOM has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

The ZATCA has not issued any assessments.

**e) ECIC**

ECIC finalized its assessment up to 2012.

ECIC has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

**f) EKC**

EKC has finalized its Zakat assessments for 2017 noting no assessment has been issued by the ZATCA for 2016.

EKC has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

**g) REM**

REM has submitted the Zakat/information return up to the year 2023. The ZATCA has issued the final Zakat certificate for the year 2023, valid until 30 April 2025.

The ZATCA has not issued any assessments.

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.

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**31. RELATED PARTY MATTERS**

Related parties include shareholders, directors, associated companies and key management personnel of the Group. Further, these also includes entities controlled or jointly controlled such parties.

The Government of Kingdom of Saudi Arabia controls Public Investment Fund which exercises significant influence over the Group due to its shareholding. 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	Joint Venture
RIXOS - AlBilad Tourism Fund	Associate
Public Investment Fund (PIF)	Shareholder
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:

Related party	Nature of transactions	Transactions		Balance as at	
		2024	2023	31 December 2024	31 December 2023
Amounts due from related parties					
Government related entities	Lease, service and utility charges	18,596	68,952	33,348	67,988
RIXOS - AlBilad Tourism Fund	Sale of properties	45,211	39,448	--	--
Biyoutat Progressive Company for Real Estate Investment & Development	Lease, service and utility charges	--	--	402	402
Ports Development Company	Lease, service and utility charges	--	--	180	180
Key management personnel					
	Lease	--	16	--	--
	Sale of properties, utilities and service charges	--	12	--	8
	Accommodation charges	--	--	--	--
	Advances	--	--	--	--
Board of Directors					
	Lease, service and utility charges	19	19	98	76

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

Related party	Nature of transactions	Transactions		Balance as at	
		2024	2023	31 December 2024	31 December 2023
Amounts due to related parties					
Government related entities	Services received	18,803	7,582	119,109	120,969
Public Investment Fund (PIF)	Loan obtained	3,461,604	450,000	3,911,604	445,041
	Accrued interest	175,052	31,565	206,617	--
Key management personnel					
	Remuneration	13,894	17,858	--	--
	Lease, Service and Utility Charges	--	43	--	--
Board of directors					
	Remuneration and meeting fees	5,720	4,400	5,720	4,400
	Advances	--	--	16	16



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

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

	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Short-term employee benefits	<b>12,490</b>	13,204
Non-monetary benefits	<b>405</b>	798
Post-employment benefits	<b>999</b>	557
Bonus	--	828
Termination benefits	--	2,471
	<b><u>13,894</u></b>	<u>17,858</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 2024, management had recorded a provision amounting to SR 19.16 million for certain existing and potential lawsuits, where the management expects an unfavorable outcome based on the consultation with its legal advisors. The balance of SR 43.97 million mainly represent provision required at the end of year 2024.

**33. CONTINGENT LIABILITIES AND COMMITMENTS**

In addition to disclosure set out in Notes 17 and 30, contingent liabilities and commitments, as at 31 December 2024, are described as below:

- a) Based on management's assessment and consultation with its Zakat advisors, management has assessed potential exposure arising from open Zakat assessments and, accordingly the Group has recorded a provision amounting to SR 38.21 million. Refer to Note 30 for zakat related contingencies.
- b) 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 554.70 million, SR 150.97 million and SR 85.53 million respectively (31 December 2023: SR 297.43 million, SR 156.33 million and SR 58.55 million).
- c) The Group has no outstanding commitments related to letter of guarantee and letters of credit (31 December 2023: SR 22.82 million and SR 1.50 million respectively).
- d) Refer to Note 17 for equity accounted investee related contingency.
- e) The Group's share in the capital commitments of the joint venture is SR 16.31 million (31 December 2023: SR 130.41 million).
- f) 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 2024</b>								
<b><u>Revenue *</u></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><u>Results</u></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**	(29,731)	21,053	(50,656)	(96,520)	(23,467)	(179,321)	(167,179)	(346,500)
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>

\* Major revenue is generated from sale of development properties. During the year, substantial revenue is generated from Vivien da and Rixos deals.

\*\* This also includes reversal on impairment loss amounting SR 1.1 million on corporate assets (also refer note 15.11).

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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 2023</b>								
<b><u>Revenue</u></b>								
External customers	444,776	310,747	125,644	56,769	30,318	968,254	63,103	1,031,357
Inter-segment	11,196	--	39,702	--	65,431	116,329	(116,329)	--
	<u>455,972</u>	<u>310,747</u>	<u>165,346</u>	<u>56,769</u>	<u>95,749</u>	<u>1,084,583</u>	<u>(53,226)</u>	<u>1,031,357</u>
<b><u>Results</u></b>								
Cost of inventories and services recognised as an expense	(133,985)	(76,853)	(49,838)	(3,915)	(69,326)	(333,917)	45,496	(288,421)
Impairment loss on financial and contract assets	(15,847)	(3,345)	13,733	(5,623)	(2,047)	(13,129)	(5,986)	(19,115)
Financial charges	(103)	--	(2,545)	(373)	--	(3,021)	(480,826)	(483,847)
Financial income	--	--	--	--	--	--	2,110	2,110
Depreciation	(35,277)	(23,220)	(66,936)	(14,113)	(2,464)	(142,010)	(113,875)	(255,885)
Amortisation	(17)	--	--	(36)	--	(53)	(632)	(685)
Share of results of equity accounted investee	--	--	--	--	--	--	1,736	1,736
Other (expenses) / income	(24,883)	31,732	(38,424)	(27,526)	(18,648)	(77,749)	(117,721)	(195,470)
Profit/(loss) before Zakat	245,860	239,061	21,336	5,183	3,264	514,704	(722,924)	(208,220)
Zakat	--	--	--	--	--	--	(45,000)	(45,000)
Loss for the year	<u>245,860</u>	<u>239,061</u>	<u>21,336</u>	<u>5,183</u>	<u>3,264</u>	<u>514,704</u>	<u>(767,924)</u>	<u>(253,220)</u>

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**35. NON-CASH SUPPLEMENTARY INFORMATION**

	<u>Notes</u>	<b>31 December <u>2024</u></b>	31 December <u>2023</u>
Transfer of investment properties to development properties	15, 18	<u>1,328</u>	<u>59,574</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 28.37% (31 December 2023: 26.75%) of outstanding trade receivables as at 31 December 2024. 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 2024</b>	31 December 2023
Unbilled revenue	<b>419,295</b>	568,847
Employees' receivable – home ownership scheme	<b>56,967</b>	61,238
Trade receivables and other current assets	<b>474,067</b>	491,745
Restricted cash	<b>3,758</b>	3,405
Cash and cash equivalents	<b>252,367</b>	179,077
	<b><u>1,206,454</u></b>	<u>1,304,312</u>

**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, 2024, 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)**

**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>2024</b>	<b>+100</b>	<b>(72,394)</b>
	<b>-100</b>	<b>72,394</b>
<b>2023</b>	<b>+100</b>	<b>(65,962)</b>
	<b>-100</b>	<b>65,962</b>

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 8.14% (31 December 2023: 6.76%).

**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 2024					
	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
Lease liabilities	40,240	--	12,862	25,249	--	78,351
Short-term borrowings	--	161,386	--	--	--	161,386
Trade and other payables	--	--	973,190	--	--	973,190
	7,911,357	161,386	986,052	25,249	--	9,084,044
	31 December 2023					
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	Over 5 years	Total
Loans and borrowings	6,747,091	--	--	--	--	6,747,091
Lease liabilities	47,952	56	10,010	35,706	--	93,724
Short-term borrowings	--	152,429	--	--	--	152,429
Trade and other payables	--	--	725,360	--	--	725,360
	6,795,043	152,485	735,370	35,706	--	7,718,604

**EMAAR THE ECONOMIC CITY**

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

	31 December 2024		
	Less than 12 months	More than 12 months	Total
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
	730,141	51	730,192
31 December 2023			
	Less than 12 months	More than 12 months	Total
Trade receivables and other current assets	491,745	--	491,745
Restricted cash	3,354	51	3,405
Cash and cash equivalents	179,077	--	179,077
	674,176	51	674,227

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**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 5.67 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 2024, the Group's gearing ratio is 59.86% (31 December 2023: 51.53%). The target of the Group is to keep the gearing ratio below 50%.

	<u>2024</u>	<u>2023</u>
Borrowings	<b>8,032,503</b>	6,899,521
Lease liabilities	<b>75,353</b>	89,006
Less: cash and cash equivalents	<u>(252,367)</u>	<u>(179,077)</u>
Net debt (A)	<u><b>7,855,489</b></u>	<u>6,809,450</u>
Total equity (B)	<u><b>5,266,911</b></u>	<u>6,406,248</u>
Total capital (A+B)	<u><b>13,122,400</b></u>	<u>13,215,698</u>
Gearing ratio (A / (A+B))	<u><b>59.86%</b></u>	<u>51.53%</u>

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. There have been breaches of the financial covenants of borrowings in the current year (refer Note 25 & 26). No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023. 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 2023	(6,241,055)	(81,263)	(6,322,318)
Finance costs	(481,711)	(2,136)	(483,847)
Proceeds	(450,000)	(5,607)	(455,607)
Repayment of loan and borrowing	51,288	--	51,288
Finance cost paid	192,914	--	192,914
Fair value liability adjustments	29,043	--	29,043
<b>31 December 2023</b>	<u><b>(6,899,521)</b></u>	<u><b>(89,006)</b></u>	<u><b>(6,988,527)</b></u>
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>	<u><b>(8,032,503)</b></u>	<u><b>(75,353)</b></u>	<u><b>(8,107,856)</b></u>

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**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.

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.

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**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 financial statements and the related disclosures for the year ended December 31, 2024.

Subsequent to the year ended 31 December 2024, 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 3,972,415,091 to SR 4,118,221,465. 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.

Subsequent to the year ended 31 December 2024, On 18 March 2025, the Group and Public Investment Fund (PIF) entered into a binding agreement for the PIF to make available a SAR 1,000 million shareholder loan. The form of this agreement was an amendment and restatement agreement to the shareholder loan already in place with the PIF in relation to the previous fully utilized SAR 1,000 million shareholder loan entered into on 19 February 2023

These event does not require adjustment to the consolidated financial statements for the year ended 31 December 2024.

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

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 26 March 2025, corresponding to 26 Ramadan 1446H.