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AL AKARIA

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

Consolidated financial statements for the year ended December 31, 2025

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INDEPENDENT AUDITORS' REPORT**TO THE SHAREHOLDERS
SAUDI REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA****Opinion**

We have audited the consolidated financial statements of **Saudi Real Estate Company** (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group"), which comprise of the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to these consolidated financial statements, including a summary of significant 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 Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

1. We draw attention to note (9) to the consolidated financial statements which state that certain land parcels owned by the Company are currently not available for use or development due to various reasons, of which certain reasons relate to the areas where these lands are located and other related to the fact that they are under study by specialized committees to resolve these matters. The management is currently communicating with the related government agencies to address these reasons to allow the use of these lands. The impact of this matter on the recoverable amount of these lands is still uncertain and depends on the final results of the study by the assigned committees. The carrying amount of these lands amounted to SR 437.7 million as at 31 December 2025 (2024: SR 437.7 million).

2. We draw attention to note (9) to the consolidated financial statements, management was informed by the relevant government agencies that one of the subsidiaries' land which was designated for the Al Widyan project is located within an area that is currently under study with the aim of developing it by the government agencies, which may result into a material change to the original project's plan and the land's recoverable value. The impact of this matter is uncertain and depends on the completion of the study by the government agencies and future developments in the area. The carrying amount of the land and capital work-in-progress amounted to SR 2.9 billion as at December 31, 2025 (2024: SR 2.9 billion).

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS
SAUDI REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA

Key Audit Matter

The key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year. This matter was 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 express a separate opinion on these. The following describes the key audit matter and how it should be addressed:

Key audit matter	How the matter was addressed in our audit
<p>Investment Properties</p> <p>The Group has investment properties of lands and buildings amounted to SR 5.7 billion which represents 59% of the Group's total assets. Investment properties are stated at cost in the statement of financial position less accumulated depreciation and impairment, if any.</p> <p>For the purposes of assessing impairment and disclosing the fair value in the consolidated financial statements, investment properties are valued by an external, independent, accredited valuer ("Valuer").</p> <p>This matter was considered as a key audit matter as the assessment of impairment of investment properties requires a significant judgment by the management. Also, include key estimates may that the impairment of investment properties is material in the consolidated financial statements.</p> <p>Please refer to (Note 9) to the consolidated financial statements regarding the accounting policy related to investment properties and (Note 4) regarding related disclosures.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - Evaluate the objectivity of valuer and its independence and experience and qualification who has been appointed by the management. - Comparing the fair value of investment properties based on the real estate valuer's report with the book balance of investment properties as at December 31, 2025. - Ensuring that the appropriateness of evaluation method and methodology approved by the valuer. - Review on a sample basis, to evaluate the investment properties executed by the valuer to ensure the reasonableness of the key assumptions that were used to determine the fair values of the investment properties. - Obtaining title deeds for investment properties and discussing their legal status with management and the internal legal department. - Ensuring that the consolidated financial statements include sufficient and appropriate disclosures of accounting policies and disclosure related to investment properties.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**TO THE SHAREHOLDERS
SAUDI REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA**

Other information

The other information comprises the information included in the Group's 2025 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information contained in its annual report.

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

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

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

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group'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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**TO THE SHAREHOLDERS
SAUDI REAL ESTATE COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Riyadh: 30 marches, 2026
Shawwal 11, 1447H



FOR EL SAYED EL AYOUTY & CO.



Abdullah A. Balamesh
Certified Public Accountant
License No. (345)

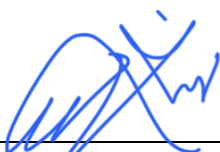
SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of financial position as of 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

	Notes	2025	2024
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	8	35,548	28,602
Investment properties, net	9	5,696,155	5,538,691
Intangible assets, net		5,219	7,370
Investment in associates and a joint venture	11	419,127	312,273
Investments in equity instruments designated at FVOCI	12	236,323	415,322
Right-of-use assets	13	204,884	210,708
Properties held for sale, non-current portion	14	386,705	381,269
TOTAL NON-CURRENT ASSETS		6,983,961	6,894,235
CURRENT ASSETS			
Properties held for sale	14	243,603	267,327
Inventories		48,534	11,638
Prepayments and other receivables	15	309,194	348,432
Trade receivables, net	16	199,773	530,684
Investments in equity instruments designated at FVOCI - Current	12	77,201	-
Time Deposits		-	300,000
Cash and cash equivalents	17	1,552,604	1,076,758
TOTAL CURRENT ASSETS		2,430,909	2,534,839
TOTAL ASSETS		9,414,870	9,429,074
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	3,750,000	3,750,000
Share premium		222,700	222,700
Statutory reserve	19	720,000	720,000
Contractual reserve	20	10,051	10,051
Other reserves	21	73,693	128,477
Retained earnings		521,811	147,815
Equity attributable to equity holders of the parent company		5,298,255	4,979,043
Non-controlling interests	22	307,575	203,733
TOTAL EQUITY		5,605,830	5,182,776
NON-CURRENT LIABILITIES			
Term loan, non - current portion	23	1,939,183	2,068,462
Loan from Ministry of Finance, non - current portion	24	588,143	758,051
Lease liabilities, non - current portion	25	233,424	226,548
Employees' defined benefit obligations	26	60,763	42,250
TOTAL NON-CURRENT LIABILITIES		2,821,513	3,095,311
CURRENT LIABILITIES			
Short-term bank loan	27	-	100,000
Term Loan, current portion	23	129,279	-
Loan from Ministry of Finance, current portion	24	169,908	156,838
Lease liabilities, current portion	25	20,150	13,701
Trade payables	28	149,596	188,435
Unearned revenue	29	85,191	87,781
Accrued expenses and other payables	30	384,620	525,877
Zakat provision	31	48,783	78,355
TOTAL CURRENT LIABILITIES		987,527	1,150,987
TOTAL LIABILITIES		3,809,040	4,246,298
TOTAL LIABILITIES AND EQUITY		9,414,870	9,429,074



Chief Financial Officer



Acting Chief Executive Officer



Chairman

The accompanying notes from (1) to (45) form an integral part of these consolidated financial statements.

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of comprehensive income for the year ended 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

	Note	2025	2024
Revenue	33	1,880,085	1,987,668
Cost of revenue	34	(1,057,188)	(1,278,335)
GROSS PROFIT		822,897	709,333
Selling and marketing expenses	35	(12,116)	(12,481)
General and administration expenses	36	(213,070)	(215,832)
OPERATING PROFIT		597,711	481,020
Share of profit of associates and a joint venture	11	60,170	55,614
Dividends from equity instruments designated at FVOCI	12	2,466	3,846
Other income	37	47,498	26,032
Financial charges	38	(216,433)	(242,686)
PROFIT BEFORE ZAKAT		491,412	323,826
Zakat	31	(61,677)	(17,818)
NET PROFIT FOR THE YEAR		429,735	306,008
ATTRIBUTABLE TO:			
Shareholders of the parent company		295,965	215,063
Non-controlling interest	22	133,770	90,945
		429,735	306,008
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share for the year attributable to the shareholders of the parent company			
	39	0.79	0.57
Net change in fair value of investments in equity instruments designated at FVOCI	12	31,324	49,880
Share of other comprehensive loss of associates and a joint venture	11	(4,722)	(31,666)
Remeasurement losses on defined benefit obligations	26	(5,283)	(4,037)
Other comprehensive income for the year		21,319	14,177
Total comprehensive income for the year		451,054	320,185
Attributable to:			
Shareholders of the parent company		319,212	230,468
Non-controlling interest	22	131,842	89,717
		451,054	320,185

Chief Financial Officer

Acting Chief Executive Officer

Chairman

The accompanying notes from (1) to (45) form an integral part of these consolidated financial statements.

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of changes in equity for the year ended 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

	Equity attributable to equity holders of the parent company						Total equity attributable to shareholders of the parent company	Non - controlling interests	Total equity
	Share capital	Share Premium	Statutory reserve	Contractual reserve	Other reserve	Retained earnings			
As of 1 January 2024	3,750,000	222,700	720,000	10,051	113,276	(67,248)	4,748,779	134,016	4,882,795
Net profit for the year	-	-	-	-	-	215,063	215,063	90,945	306,008
Other comprehensive income for the year	-	-	-	-	15,405	-	15,405	(1,228)	14,177
Total other comprehensive income	-	-	-	-	15,405	215,063	230,468	89,717	320,185
Disposal of investments at FVOCI	-	-	-	-	(204)	-	(204)	-	(204)
Dividends issued by a subsidiary to NCI	-	-	-	-	-	-	-	(20,000)	(20,000)
Balance as of 31 December 2024	3,750,000	222,700	720,000	10,051	128,477	147,815	4,979,043	203,733	5,182,776
Net profit for the year	-	-	-	-	-	295,965	295,965	133,770	429,735
Other comprehensive income for the year	-	-	-	-	23,247	-	23,247	(1,928)	21,319
Total other comprehensive income	-	-	-	-	23,247	295,965	319,212	131,842	451,054
Disposal of investments at FVOCI	-	-	-	-	(78,031)	78,031	-	-	-
Dividends issued by a subsidiary to NCI	-	-	-	-	-	-	-	(28,000)	(28,000)
Balance as of 31 December 2025	3,750,000	222,700	720,000	10,051	73,693	521,811	5,298,255	307,575	5,605,830



Chief Financial Officer



Acting Chief Executive Officer



Chairman

The accompanying notes from (1) to (45) form an integral part of these consolidated financial statements.

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Consolidated statement of cash flows for the year ended 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

	2025	2024
Cash flows from operating activities:		
Profit for the year before zakat	491,412	323,826
Adjustments to reconcile the profit for the year before zakat:		
Depreciation of property and equipment	14,212	7,687
Depreciation of investment properties	79,570	55,672
Amortisation of intangible assets	2,852	3,445
Depreciation of right-of-use assets	8,986	2,738
Share in profit of associates and a joint venture	(60,170)	(55,614)
Gain from disposal of property and equipment	(846)	(1,162)
Financial charges	216,433	242,686
Provision of employees' defined benefit obligations	15,905	12,324
	768,354	591,602
Changes in Operating Assets and Liabilities:		
Trade receivables	330,911	(392,634)
Prepayments and other receivables	39,238	(108,639)
Inventories	(36,896)	8,808
Properties held for sale	63,181	756,850
Trade payables	(38,839)	59,556
Unearned revenue	(2,590)	(13,887)
Accrual expenses and other payables	(55,749)	57,655
	1,067,610	959,311
Employees' defined benefit obligations paid	(2,675)	(5,859)
Zakat paid	(91,249)	(25,422)
	973,686	959,311
Net cash generated from operating activities		
Cash flows from investing activities:		
Dividends received from an associate	9,999	9,999
Proceeds from disposal of investments designated at FVOCI	133,122	1,537
Proceeds from / (paid to) time deposits	300,000	(300,000)
Additions to intangible assets	(701)	(378)
Additions to property and equipment	(21,441)	(7,928)
Additions to investment properties	(299,394)	(165,006)
Proceeds from disposal of property and equipment	1,129	2,805
Amounts paid to obtain share of associates and a joint venture	(43,938)	(2,975)
Cash flows from / (used in) investing activities	78,776	(461,946)
Cash flows from financing activities:		
(Repayment of) / Proceeds from short-term loans	(100,000)	100,000
Repayment of loan from the Ministry of Finance	(156,838)	(143,768)
Dividends issued by a subsidiary to non-controlling interests	(28,000)	(20,000)
Payments of lease liabilities	(4,250)	(2,136)
Finance charges paid	(287,528)	(161,091)
Cash flows used in financing activities	(576,616)	(226,995)
Net change in cash and cash equivalents	475,846	239,089
Cash and cash equivalents at the beginning of the year	1,076,758	837,669
Cash and cash equivalents at the end of the year	1,552,604	1,076,758
Significant Non-Cash Transactions		
Transfer from Investment Properties to Properties Held for Sale	44,893	4,809
Transfer from Investment Properties to an Associate	17,467	-
Additions to Right-of-Use Assets and Lease Liabilities	3,162	76,591



Chief Financial Officer



Acting Chief Executive Officer



Chairman

The accompanying notes from (1) to (45) form an integral part of these consolidated financial statements.

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Notes to consolidated financial statements for the year ended 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

1. GROUP INFORMATION

Saudi Real Estate Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company, whose shares are publicly traded on the Saudi Stock Exchange. The Company was established pursuant to Royal Decree number M/58 dated 17 Rajab 1396H (corresponding to 15 July 1976), registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010012539 dated 17 Jumada al-Akhir 1397H (corresponding to 4 June 1977). The Company's head office address is Olaya Road, P.O. Box 3572, Riyadh 11481, Kingdom of Saudi Arabia. The major shareholder of the Parent Company is the Public Investments Fund (PIF) which owns 64.58% of the Company's shares, while the remaining shares, which represent 35.42%, are owned by several shareholders with less than 5% ownership. The company is licensed to engage in the activities of buying and selling land and real estate, subdividing them, conducting off-plan sales and real estate brokerage. The company's fiscal year follows the Gregorian calendar, commencing 1 January and ending on 31 December of the same year.

The consolidated financial statements include the financial statements of the Parent Company and the financial statements of its subsidiaries as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Year of incorporation</u>	<u>Ownership percentage (Directly or indirectly)</u>	
				<u>2025</u>	<u>2024</u>
Saudi Real Estate Construction Company (A)	KSA	Constructions works	2016	100%	100%
Saudi Real Estate Infrastructure Company (B)	KSA	Infrastructure works	2017	60%	60%
Saudi Korean Company for Maintenance and Properties Management (C)	KSA	Maintenance, operation and management of facilities	2017	60%	60%
Al Widyān Saudi Real State Company (D)	KSA	Developing Al Widyān project, not commenced its activities during the year	2018	100%	100%
Alinma Alakaria Real Estate Fund (E)	KSA	Under liquidation	2019	100%	100%
Hodood Real Estate Investment Company (F)	KSA	Asset Preservation Company, not commenced its activities during the year	2022	100%	100%
Creativity Hub Company for Co-Working Spaces (G)	KSA	Shared workspace rental company, not commenced its activities during the year	2025	100%	-

(A) Saudi Real Estate Construction Company is a single shareholder closed joint stock company registered in the Kingdom of Saudi Arabia wholly owned by the Parent Company with a share capital of SR 34 million (thirty-four million Saudi Riyals only). Saudi Real Estate Construction Company registered in Riyadh, in the Kingdom of Saudi Arabia, under commercial registration number 1010466367 dated 15 Rabi Al Awal 1438H (corresponding to 14 December 2016). The Company is engaged in the cultivation of ornamental plants and seedlings in nurseries, general carpentry workshops, and aluminum manufacturing workshops, general construction of residential and non-residential buildings, governmental buildings, construction of prefabricated buildings on sites. Renovations and finishing of residential and non-residential buildings. Electrical wiring and installation of various decorative.

(B) Saudi Real Estate Infrastructure Company is a closed joint stock company 60% owned by the Parent Company with a share capital of SR 30 million (three hundred million Saudi Riyals only). Saudi Real Estate Infrastructure Company registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010469561 dated 6 Rajab 1438H (corresponding to 3 April 2017). The Company is engaged in construction of roads, streets, sidewalks, bridges and tunnels. Also, extension of oil and gas pipelines, construction of stations and main lines of water distribution, construction of sewage treatments plants, sewer networks projects and pumps. Construction of port docks and marine facilities, demolition and removal of buildings and other structures, site preparation through excavation and leveling, and network extensions.

SAUDI REAL ESTATE COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

Notes to consolidated financial statements for the year ended 31 December 2025

(In Saudi Riyals Thousands, unless otherwise indicated)

1. GROUP INFORMATION (CONTINUED)

(C) Saudi Korean Company for Maintenance and Properties Management is a mixed liability company 60% owned by the Parent Company with a share capital of SR 20 million (twenty million Saudi Riyals only). Saudi Korean Company for Maintenance and Properties Management is registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010612687 dated 11 Safar 1439H (corresponding to 31 October 2017). The Company is engaged in renovations of residential and non-residential buildings, building maintenance services activities, general and exterior building cleaning, specialized building cleaning including chimneys, windows, etc. Swimming pool cleaning and maintenance, disinfection and fumigation activities for the extermination of insects and rodents, cleaning activities for industrial machinery, equipment and roads, care and maintenance of parks and gardens for public housing purposes, care and maintenance of the views of buildings, house gardens, roof gardens, facades of private buildings, etc. Care and maintenance of highway parks.

(D) Al Widyān Saudi Real Estate Company is a single shareholder closed joint stock company registered in the Kingdom of Saudi Arabia wholly owned by the Parent Company with a share capital of SR 500 thousand (five hundred thousand Saudi Riyals only). Al Widyān Saudi Real Estate Company is registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010455071 dated 16 Dhul Qi'dah 1439H (corresponding to 29 July 2018). The aim of its establishment is to develop Al Widyān project. With reference to what was indicated in Note (9) regarding Al Widyān project, Al Widyān Saudi Real Estate Company did not conduct any business activities during the current fiscal year and the comparative year.

(E) Alinma Alakaria Real Estate Fund is a private fund created by an agreement between Inma for Investment (the "Fund Manager") a subsidiary of Alinma Bank and investors ("unit holder") in the Fund according to Shariah standards and controls approved by the Shariah Board of the Fund Manager. The principal investment objective of the Fund is to provide investors with capital growth over the medium and long-term by investing primarily in the real estate and related sectors in the Kingdom of Saudi Arabia. The Fund has appointed Al Inma Bank to act as its custodian, administrator and registrar of the Fund. The Fund was established during 2019 as per approval from the Capital Market Authority (CMA). During 2020 Saudi Real Estate Company has signed an agreement to terminate and liquidate the Fund. During 2022 all major assets of Fund has been transferred to Hodood Real Estate Investment Company which is wholly owned by the Parent Company. The Group's management is in the process of completing all the legal procedures for liquidating the Fund.

(F) Hodood Real Estate Investment Company a single shareholder limited liability company wholly owned by the Parent Company with a share capital of SR 10 thousand (ten thousand Saudi Riyals only). Hodood Real Estate Investment Company registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 101836057 dated on 24 October 2022 (corresponding to 28 Rabi' Al-Awwal 1444H). The objective of the Company is transferring the title deeds of Alinma Alakaria Real Estate Fund, mentioned above, to Hodood Real Estate which is fully owned by Parent Company. Hodood Real Estate Investment Company did not conduct any business activities during the current fiscal year and the comparative year.

(G) Creativity Hub Company for Co-Working Spaces a single shareholder limited liability company wholly owned by the Parent Company with a share capital of SR 10 thousand (ten thousand Saudi Riyals only). The unified national number is 7050841902 in the CR dated on 22 July 2025 (corresponding to 27 Muharram 1447H). The objective of the Company is to engage in business incubators and accelerators activities. The Company did not conduct any business activities, it is expected to start business during the year ended December 31, 2026.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (collectively referred to as "IFRS" as endorsed in Kingdom of Saudi Arabia").

2.2 Basis of measurement

The consolidated financial statements have been prepared using the accrual basis of accounting, going concern concept under the historical cost basis, except for investment in equity instruments designated at FVOCI, in addition to Employee defined benefit obligations measured using the Projected Unit Credit Method.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the Group. All values are rounded to the nearest thousand, unless otherwise indicated.

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3. BASIS OF CONSOLIDATION FINANCIAL STATEMENTS

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries and are collectively referred as (the "Group") as stated in note (1). Subsidiaries are entities controlled by the group. Control exists when the Group is exposed to risk, 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.

Generally, there is a presumption that a majority of voting rights result in control. However, when the Group has less than a majority of the voting, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and 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 the elements of control. Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, revenue and expenses of subsidiaries are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the investee.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests are presented separately within equity in the consolidated statement of financial position.

When preparing the consolidated financial statements, the accounting policies of the subsidiaries are consolidated to align with the accounting policies of the Group. All intra-group balances and transactions are eliminated including assets, liabilities, equity, revenue, expenses and cash flows. Any 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, liabilities (including goodwill), non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment held is measured at fair value at the date of loss of control.

4. MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied by the Group in preparing its consolidated financial statements:

Materiality

When preparing and presenting the consolidated financial statements, the management applies the materiality concept, so that information is presented and disclosed which, if omitted or misrepresented, could materially affect the economic decisions of the principal users of the consolidated financial statements. The management takes into account the materiality when choosing and applying accounting policies and when evaluating accounting errors and estimates.

Investment in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. A joint venture is an arrangement in which the Group has common control, and the parties have rights to the net assets of the arrangement.

The Group's investments in associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to reflect the Group's share of net assets of the investee since the acquisition date.

The consolidated statement of profit or loss include the Group's share of the results of the associates and the joint venture. The Group's share of other comprehensive income items for those entities is recognized in the consolidated statement of other comprehensive income. Any changes in equity in the investee company are recognized in the consolidated statement of changes in equity, where applicable.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in associates and a joint venture (Continued)

The financial statements for associates and joint ventures are prepared for the same financial period of the Group. Where necessary, adjustments are made to align accounting policies with those of the Group's accounting policies.

After application of the equity method, the Group assesses whether there is objective evidence that the investment is impaired. If there is such evidence, an impairment loss is recognized by the amount of the difference between the recoverable amount and the carrying amount of the investment in the consolidated statement of profit or loss.

Upon loss of significant influence or joint control, the Group measures any investment held at fair value. Any difference between the carrying amount of the investment upon loss and the fair value of the held investment as well as proceeds from disposal is recognized in the consolidated statement of profit or loss.

Current versus non-current classification of assets and liabilities

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures financial instruments such as derivatives, investment in equity instruments designated at FVOCI and investments designated at FVPL, at fair value at each consolidated financial statements reporting date.

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Revenue Recognition

The Group recognizes revenues for contracts with customer according to a form of 5 steps as per IFRS 15:

Step 1 - Identify the contract with customers: define as an approved agreement between two parties that incurred committed to fulfilling the terms of the contract and each party's right regarding the goods/services to be transferred can be identified.

Step 2 – Identify the separate performance and obligations: define as a written promise with customers while customer can benefit from the goods/services; entity's promise to transfer goods/services is separately identifiable from other promises in the contract.

Step 3 – Determine the transaction price: is the amount that the company expects to obtain from customer in exchange for transferring goods/services. Unless payments collection on behalf of third parties.

Step 4 – Allocate the transaction price to the performance obligation: contract contains more than distinct obligation a company allocates the transaction price to all separate performance obligation in proportion to the stand-alone selling price of the goods/services underlying each performance obligation. If good or service separately, the company would have to estimate its stand-alone selling price.

Step 5 – Recognise revenue when (or as) a performance obligation is satisfied.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Regarding to the contracts with customers, the Group meets the performance obligations and recognize revenue either over time or at a specific point in time, depending on the nature of each contract. Revenue is recognized over time if one of the following conditions is met.

- A) The business simultaneously receiving and consuming the benefits resulting from the Group's performance.
- B) The Group's performance generates create or improve assets that controlled by the customer while asset' creation or improvements.
- C) The Group's performance of the obligation does not create an alternative use, and the Group has an enforceable right to collect for performance completed up to date.

Progress towards fulfilling performance obligations is measured using an appropriate method that reflects the pattern of transfer of control to the customer, according to the nature of each contract. Revenue is recognized at the point in time when control is transferred to the customer. The following are the specific policies and considerations that apply to the recognition of Group revenues, according to their nature:

Revenue from selling completed properties.

The sale of completed properties represents a single performance obligation. Revenue is recognized when control over the property is transferred to the customer. The transfer of control is usually realized when legal ownership of the property is transferred to the customer, unless the contract includes material provisions that delay the transfer. In that case, revenue is recognized when those provisions are met, and control is actually transferred to the customer.

Revenue from selling properties under development

The terms of the Group's contracts with customers are evaluated to determine whether performance obligations are satisfied over time or at a specific point in time, and revenue is recognized accordingly. Revenue is recognized over time when the relevant recognition conditions are met, including the absence of an alternative use of the asset and the existence of an enforceable right to consideration for performance completed to date. In cases where these conditions are not met, revenue is recognized when control is transferred to the customer. The management has evaluated the sales contracts for properties under development. The management concluded that the Group's performance does not create an asset with an alternative use, given that the real estate units are allocated to specific customers under the sales agreements. The Group has an enforceable right to receive consideration for performance completed to date, including appropriate compensation for performance performed. Accordingly, revenue is recognized over time. Progress towards fulfilling performance obligations is measured using an appropriate method that reflects the pattern of transferring control to the customer, whether using input or output methods, according to the nature of each contract.

Revenue from rental of investment properties

Rental revenue from operating leases relating to investments properties is recognized on a straight-line basis over the lease term, and is presented in revenue in the consolidated statement of profit or loss as one of the Group's operating activities, except for variable (conditional) rental revenue which is recognized when realized. In cases where rent invoices are issued or amounts are collected in advance for future rental periods, these amounts are recorded as unearned revenue within the liabilities in the consolidated statement of financial position and are recognized as revenue over the lease period on an accrual basis. The initial direct costs incurred in negotiating and entering into operating leases are recognized as an expense over the lease term on the same basis used to recognize lease revenue. Rental incentives provided to tenants are recognized as a shortfall in rental revenue on a straight-line basis over the lease term. The lease term represents the non-cancellable period of the lease, plus any optional periods which it is reasonably certain at the commencement of the contract that the lessee will exercise. Amounts received from tenants in consideration of termination of leases or damages are recognized in the consolidated statement of profit or loss when the right to receive them arises.

Dividends revenue from Investments at fair value

Regarding the Company's investments held at fair value, investment profits are recognized as revenue when the right to receive dividends arises.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Other revenue

Other revenues represent those items that do not arise from the Group's main operating activities and include, but are not limited to, gains from sale of property and equipment, sale of damaged assets, financial income, reversal of provisions and other incidental revenues. These revenues are recognized when they are realized or when the right to receive them arises, according to the nature of each item.

Revenue Contracts

The terms of contracts with customers are assessed to determine whether performance obligations are being met over time or at a specific point in time. Revenue is recognized over time when relevant recognition criteria are met, including when the Group performs work on assets controlled by the customer, or when the performance does not create an asset for which the Group has an alternative use and has an enforceable right to receive consideration for the performance completed to date. In cases where these criteria are not met, revenue is recognized when control is transferred to the customer.

Progress towards fulfilling performance obligations is measured using an appropriate method that reflects the pattern of transferring control to the customer, whether using input or output methods, depending on the nature of each contract. If the contract is expected to incur losses, the full expected losses are immediately recognized in the consolidated statement of profit or loss.

Contract modifications (change orders) are accounted for as part of the existing contract. The effect of the modification is recognized cumulatively within revenues. If the modifications are substantial and add distinct goods or services in their own right and are priced to reflect independent selling prices, then they are accounted for as a separate contract.

Contract Balances

Contract balances arise as a result of the difference between the timing of the execution of performance obligations under contracts with customers and the timing of invoicing or collection of consideration. Contractual assets represent the Group's right to compensation for work performed that has not yet been invoiced, and this right is conditional upon the fulfillment of additional performance obligations. Trade receivables represent the Group's unconditional right to receive payment. They are recognized when the right to payment becomes unconditional except for the passage of time. Contracts assets are reclassified as trade receivables when the corresponding right becomes unconditional. Retentions represent amounts payable to the Group that are held by customers according to contractual terms and are collected upon fulfillment of specific conditions, such as completion of certain project phases or upon completion of the work. Conversely, leases liabilities represent the Group's commitment to transfer goods or services to customers for amounts that were invoiced or collected prior to the fulfillment of those obligations. Leases liabilities do not include unearned rental income arising from operating leases, which is presented separately under the item "unearned revenue" in the consolidated statement of financial position according to the nature of the business, while other leases liabilities are presented under the item "accrued expenses and other payables".

Properties available for sale

The properties available for sale represent properties held for sale within the ordinary course of the Group's business, including ready-to-sell real estate units, properties under development and land held for sale. Properties available for sale are measured at the lower of cost or net realizable value. The cost includes the cost of acquiring the land, development and construction costs and other costs directly related to preparing the properties for sale. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completing the sale. Properties available for sale are classified as current or non-current assets based on the expected timing of their sale. In the event that there are sale agreements signed before the end of the financial period and the transfer of ownership has not been completed by the date of the consolidated statement of financial position, the Group will continue to offer these properties among the properties available for sale until the transfer of control to the buyer is completed.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments properties

Investment properties are properties acquired for the purpose of generating rental income, capital gains, or both, as well as properties held for unspecified future uses, without being intended for sale in the ordinary course of business, or for use in the production or supply of goods or services, or for administrative purposes. Investments properties are measured at cost model. Accordingly, investment properties are recognized at cost less accumulated depreciation and accumulated impairment losses, if any. The fair value of investment properties is disclosed within the notes to the consolidated financial statements. This value is determined based on periodic appraisals, usually on an annual basis, by a professionally qualified appraiser with appropriate experience in the locations and types of properties being appraised. Depreciation is calculated using the straight-line method over the estimated useful lives of the relevant assets in accordance with the policies followed for property and equipment. Land or investment properties under development are not depreciated. Investments properties may include components with varying useful lives, such as elevators, fixtures and utilities, as well as furniture and fixtures associated with the leased units. These components are depreciated over their estimated useful lives each, whenever they constitute essential parts of the property. The cost of investment properties includes the cost of replacing parts of them and borrowing costs related to long-term construction projects, provided that the relevant proof criteria are met. The replaced parts are depreciated over their estimated useful lives. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss when incurred. The recognition of any item of investment property and any substantial part thereof shall cease when it is disposed of or when no future economic benefits are expected from its use or sale. Any gains or losses resulting from the derecognition, which represent the difference between the net proceeds of disposal and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss in the period in which the derecognition is made. Residual values, useful lives and depreciation methods of investment properties are reviewed at the end of each financial period, and any changes to accounting estimates are applied prospectively.

Property and equipment

Property and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes, and are expected to be used for more than one financial period. Property and equipment are recognized when it is probable that future economic benefits associated with the asset will flow to the Group, and the cost of the asset can be reliably measured.

Property and equipment are recognized at cost, which includes the purchase price and any costs directly attributable to acquiring the asset and preparing it for its intended use. The cost includes non-refundable fees, transportation and installation costs and any other costs necessary to place the asset in the condition and location required for its operation. Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are recognized in the carrying amount of the asset or recognized as a separate asset, as appropriate, except when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount is de-recognized for any replaced part. Other repair and maintenance costs are recognized during in the consolidated statement of profit or loss when incurred. Assets under construction or development within capital works-in-progress are recognized at cost, which includes the cost of purchase, construction or development costs and any costs directly attributable to preparing the asset for its intended use. These assets are transferred to the appropriate category of property and equipment when they are ready for use. Borrowing costs related to qualifying assets are capitalized as part of the asset's cost until the asset is ready for its intended use. Major spare parts, spare equipment and maintenance equipment are classified as property and equipment when they meet the definition and conditions for asset recognition; otherwise, they are classified as inventory.

The carrying amount of property and equipment is reviewed when there are indications of an impairment loss. If the carrying amount exceeds the recoverable amount, it is reduced to the recoverable amount and the impairment loss is recognized in the consolidated statement of profit or loss. The derecognition of any item of property and equipment shall cease when it is discontinued or when no future economic benefits are expected from its use or sale. Any gains or losses resulting from the derecognition, which represent the difference between the net proceeds of disposal and the carrying amount of the asset, are recognized in the consolidated statement of profit or loss in the period in which the derecognition is made. Residual values, useful lives and depreciation methods of investment properties are reviewed at the end of each financial period, and any changes to accounting estimates are applied prospectively.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (Continued)

Depreciation is calculated using the straight-line method to distribute the cost of assets less their estimated residual value over their useful lives. Land and assets under construction are not depreciated. Depreciation of the remaining assets is calculated according to their useful lives as follows:

Asset	Useful life	Asset	Useful life
Buildings	40 years	Machinery and equipment	5 years
Furniture and decorations	5 years	Computers	5 years
Vehicles	5 years	leasehold improvement of leased buildings	5 years
Restoration and leasehold improvement of owned buildings	20 years	Infrastructure	20 years
Elevators	20 years	Fire and safety systems	20 years
Air conditions	20 years	other	20 years

Intangible assets

Intangible assets are identifiable non-monetary assets that do not have a physical existence and are held for use in the Group's operations or for administrative purposes. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Research costs are not capitalized, while development costs are capitalized when the relevant recognition criteria are met. Other expenses are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the estimated useful lives using straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful life and amortization method are reviewed at the end of each financial period, and any changes are treated as changes in accounting estimates. Amortization expenses are included in the consolidated statement of profit or loss under general and administrative expenses. Computer software is amortized using the straight-line method over their estimated useful life of five years. Intangible assets that do not have a finite useful life are not amortized, but are tested annually to ensure that there is an impairment, either individually or at the level of the cash-generating unit. The useful life assessment is reviewed annually to ensure its continued validity. Gains or losses resulting from the derecognition of intangible assets are recognized as the difference between the net proceeds of disposal and the carrying amount of the asset, and are included in the consolidated statement of profit or loss in the period in which the derecognition occurs.

Inventory

Inventory represents materials and supplies that are held for use in the ordinary course of the Group's business. Inventory is measured at the lower of cost or net realizable value. The cost is determined using the weighted average method. The cost of inventory consists of the direct costs and other related costs incurred to bring the inventory to its current location and condition. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs to complete the sale and costs of selling. An impairment of inventory is created when there are indications that the inventory is becoming obsolete, moving slowly, damaged or its net realizable value is less than its cost. A part of the inventory may be held by other parties, in which case the Group continues to recognize the inventory while keeping control and the associated risks and material benefits.

Impairment of non-financial assets

At the end of each financial period, an assessment is made whether there is an indication of an impairment of non-financial assets. If such an indication exists, the asset's recoverable amount is estimated, which represents the higher of the fair value less costs to sell and value in use. If the carrying amount of an asset exceeds its recoverable amount, it is reduced to the recoverable amount and the impairment loss is recognized in the consolidated statement of profit or loss. Impairment losses recognized in prior periods are reviewed if there are indications that the impairment has disappeared or reduced, and the loss is reversed to the extent that the adjusted carrying amount does not exceed the amount that would have been determined if an impairment loss had not been recognized in prior periods.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

At the inception of the lease, it is assessed whether the agreement represents or contains a lease. An agreement is considered a lease if it transfers the right to control the use of a specific asset for a period of time in exchange for consideration. To determine whether a lease includes the right to control the use of a specific asset, consideration is given to whether the lease allows the lessee to obtain economic benefits from the use of the asset, and the ability to direct its use.

The Group as lessee

International Financial Reporting Standard No. (16) "Leases" is applied when recognizing and measuring all leases entered by the Group as a lessee. Exemptions apply to short-term lease and lease of low-value assets, where lease payments related to these leases are recognized as an expense on a straight-line basis over the lease term. Otherwise, the Group recognizes right-of-use assets and leases liabilities.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of leases liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, 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. Right-of-use assets are subject to impairment.

Lease Liabilities

At the inception date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. 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 payable under residual value guarantees. Lease payments also include the exercise price of a purchase option that the Group is reasonably certain to exercise, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the termination option. The present value of the lease payments is calculated using the additional borrowing rate at the lease inception date if the implied interest rate in the contract is not easily determinable. After the lease inception date, the carrying amount of the lease liabilities is increased to reflect finance costs and reduced to reflect lease payments made. Leases liabilities are remeasured when there are changes to the contract terms.

The Group as lessor

Leases in which substantially all the risks and rewards of ownership are not transferred from the Group to the lessee are classified as operating leases. The Group enters into leases on its investment property portfolio. Management has determined, based on an evaluation of the terms and conditions of the lease arrangements, that the Group retains substantially all the risks and rewards of ownership of the properties and therefore these are classified operating leases.

Financial charges

Financial charges (borrowing costs) directly attributable to the acquisition, creation or production of a qualifying asset are capitalized as part of the cost of that asset when the asset requires a long period of time to become ready for its intended use or sale. A qualifying asset is an asset that necessarily takes a long period of time to become ready for its intended use or for sale. The capitalization of borrowing costs begins when the Group starts incurring expenditure on the qualifying asset, incurring borrowing costs and undertaking the activities necessary to prepare the asset for its intended use or for sale. The capitalization of borrowing costs is discontinued when the activities necessary to prepare an asset for its intended use or sale are substantially completed. Other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. These costs include interest and other costs incurred by the Group related to borrowing.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group does not have any derivative financial instruments or hedging arrangements during the current year or the comparative year.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial assets

Initial measurement and recognition of financial assets

Financial assets are recognized at their creation at fair value, plus the directly associated transaction costs, except for financial assets classified at fair value through profit or loss, where transaction costs are charged to the consolidated statement of profit or loss when incurred. Trade receivables that do not include a significant financing component are recognized at the transaction price.

Subsequent classification and measurement of financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, where the Group does not have financial assets measured at fair value through profit or loss during the current or comparative year.

Financial assets are measured at amortized cost when they are held within a business model that aims to hold assets to collect contractual cash flows, and whose contractual terms generate cash flows that represent only payments of the principal amount and the return on the outstanding principal amount. The measurement is made using the effective interest method. This category mainly includes cash and cash equivalents, short-term bank deposits, trade receivables, and some other receivables.

Investments in equity instruments are measured at fair value through other comprehensive income. Changes in fair value are recognized within other comprehensive income. The dividends resulting from these investments are recognized in the consolidated statement of profit or loss when the right to receive them arises. Investments in equity instruments measured at fair value through other comprehensive income are classified as non-current assets, unless they are held for trading or are expected to be terminated within twelve months from the date of the consolidated statement of financial position, in which case they are classified as current assets.

Impairment of financial assets

At the date of each consolidated statement of financial position, an assessment is made whether the financial assets have suffered an impairment. Expected credit losses represent the difference between contractual cash flows due and cash flows that the Group expects to collect. Financial assets are evaluated individually or collectively based on similar credit risk characteristics.

For trade receivables, the simplified method is applied, under which expected lifetime credit losses are recognized from the date of initial recognition. Expected credit losses are estimated based on a model that takes into account the ages of the debts and the nature of the client, considering historical experience of default, current conditions and reasonable and supportive future projections. Where appropriate, consideration is given to the existence of relevant guarantees or contractual rights, the nature of the debtor parties, and indicators of payment delays. As for the remaining financial assets measured at amortized cost, expected credit losses are assessed based on whether there has been a material increase in credit risk since initial recognition. Trade receivables are presented net of the provision for expected credit losses. For investments in equity instruments measured at fair value through other comprehensive income, impairment losses are not recognized independently of other changes in fair value.

Derecognition of financial assets

The recognition of financial assets is cancelled when the contractual rights to receive cash flows from those assets expire, or when they are transferred with a substantial transfer of associated risks and benefits or control thereof.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial liabilities

Initial recognition and measurement of financial liabilities

All financial liabilities are recognised initially when the Group becomes party to contractual provisions of the financial instrument. The liabilities are measured initially at fair value.

Loans are measured, at initial recognition, at fair value less directly associated transaction costs. Trade payables and other financial liabilities that do not have a significant financing component are recognized at fair value, which is generally equivalent to the invoice amount due to the absence of a significant financing component.

Subsequent classification and measurement of financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method, as the Group does not have financial liabilities measured at fair value through profit or loss. Financial liabilities mainly include short-term and long-term loans, trade payables, leases liabilities, and other financial liabilities.

For loans, finance expenses are calculated using the effective interest rate method, taking into account the capitalization of borrowing costs related to qualified assets in accordance with the Group's approved financial charges policy. Trade payables, since they do not include a significant financing component, are measured at amortized cost, which is mostly equivalent to the value recognized at the initial recognition due to the short repayment period.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is settled or discharged. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Offsetting between financial assets and financial liabilities is only carried out when the above conditions are met.

Expenditures Analysis

The Group presents expenses in the consolidated statement of profit or loss according to the function of the expense, providing more relevant and reliable information. They are mainly categorized into cost of revenue, general and administrative expenses and selling and marketing expenses.

Cost of Revenue

The cost of revenue represents the direct costs associated with the Group's primarily operating activities, including depreciation or amortization of revenue-related assets, direct operating costs and any other costs directly related to the execution of contracts or the providing services.

General and Administrative Expenses

General and administrative expenses include expenses that are not directly related to the cost of revenue or to sales and marketing activities, such as salaries of administrative staff, office expenses and professional service fees. These expenses include impairment losses of financial assets, including the provision for expected credit losses related to trade receivables and contract balances, as well as impairment losses of other assets where applicable, such as impairment of inventory to net realizable value.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Selling and Marketing Expenses

Selling and marketing expenses represent the costs associated with the activities of selling and marketing the Group's products and services. They include advertising and promotion expenses, marketing fees and any other expenses associated with selling and marketing activities.

Accrued expenses and other payables

Accrued expenses and other payables are recognised against liabilities related to goods or services received that have not been paid up to the date of the consolidated statement of financial position, whether invoiced or not, and where the amount of the liability can be reliably measured on an accrual basis.

Refundable deposits

lessees' deposits are recognized as financial liabilities upon receipt from the lessees. These deposits represent sums collected to ensure lessees comply with the terms of their leases and are not recognized as revenue as they are refundable upon fulfillment of the lease terms. These securities are initially recognized at fair value, which is often equal to the amount received because there is no material difference between fair value and amortized cost, and are presented as liabilities in the consolidated statement of financial position.

Dividends

Cash dividends are recognized as liabilities when approved by the authority, making the distribution decision binding in accordance with the regulations applicable in the Kingdom of Saudi Arabia. Dividends are measured by the amount approved for distribution, and this is offset by a reduction in retained earnings of the same value. In the case of dividends that are approved after the date of the consolidated statement of financial position but before the date of approval of the consolidated financial statements, they are not recognized as liabilities, but are disclosed as subsequent events.

Idle lands fees

Idle lands fees represent regulatory liabilities imposed on applicable lands in accordance with the regulations and bylaws in the Kingdom of Saudi Arabia. The extent to which a current liability arises related to idle land fees is assessed in light of the related regulations, including cases where the fees are subject to objection or dispute. When a legal obligation exists and is likely to result in an outflow of economic resources, and the amount of the liability can be reliably measured. The fees are recognized as an expense and liability in the consolidated financial statements. When there is a potential liability where a cash outflow is not likely, a liability is not recognized, and the nature of the situation and associated estimates are disclosed if material. In cases where the likelihood of a cash outflow is unlikely, no liability is recognized or no disclosure is made, unless the standards require otherwise.

Withholding tax

The Group is subject to withholding tax in accordance with the regulations and rules in force in the Kingdom of Saudi Arabia, on payments to non-resident parties for taxable services or benefits, in accordance with the requirements of the relevant tax regulations. When the Group incurs withholding tax on behalf of a non-resident party, the tax is recognized as an expense in the consolidated statement of profit or loss for the period in which it is due. In cases where the tax is withheld from amounts due to non-resident parties, it is not considered an expense for the Group, but rather is supplied to the authority on their behalf. Withholding tax is recognized as a liability when the obligation to which it relates arises, which is usually when the related expense is recognized or when the amount is paid to the non-resident party, whichever is earlier. The withholding tax due is presented as current liabilities in the consolidated statement of financial position until it is remitted to the Authority.

Real estate transaction tax

The Group is subject to real estate transaction tax in accordance with the regulations applicable in the Kingdom of Saudi Arabia, when real estate transactions subject to tax are concluded. Non-refundable real estate transaction tax is capitalized as part of the cost of acquiring the associated asset, where applicable. When a current legal obligation arises relating to property transaction tax, the obligation is recognized by management's best estimate of the amount expected to be paid as of the date of the consolidated statement of financial position. When determining the appropriate accounting treatment, the Group takes into account the regulatory exemptions or exceptions applicable to certain real estate transactions in accordance with the relevant regulations and rules.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value Added tax (VAT)

The Group is subject to Value Added Tax (VAT) in accordance with the VAT regulations applicable in the Kingdom of Saudi Arabia. Revenues, expenses and assets are recognized net of VAT, except where input tax is not recoverable, in which case it is recognized as part of the cost of acquiring the asset or as an expense, as per its nature requires. Accounts receivable and accounts payable are displayed including VAT. Net VAT debit balances are recognized as current assets, while net VAT credit balances are recognized as current liabilities in the consolidated statement of financial position. Net VAT is settled with the authority in accordance with applicable regulations.

Zakat and tax

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is calculated on the accrual basis in accordance with the relevant regulations and rules. One of the subsidiaries is subject to income tax in accordance with the applicable tax regulations. Zakat is recognized as an expense in the consolidated statement of profit or loss for the period to which it relates, and a provision is made against expected zakat liabilities. The impact of income tax relating to that Company is included in the zakat item in the consolidated statement of profit or loss, without being presented as a separate item, provided that such presentation does not affect the relevance and reliability of the financial information. Any differences resulting from the final zakat or tax assessments, if any, are recognized in the period in which those assessments are approved.

Contingent assets and liabilities

Contingent liabilities represent possible obligations arising from past events, the confirmation of which depends on the occurrence or non-occurrence of uncertain future events that are not entirely under the control of the Group, or present obligations that are not recognized because one of the recognition criteria is not available, either because an outflow of resources with economic benefits is not likely, or because the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes when the likelihood of an outflow of economic resources is not remote, and if they are material. As for contingent assets, they are possible assets that arise as a result of past events, and the confirmation of their existence depends on the occurrence or non-occurrence of uncertain future events that are not entirely under the control of the Group. Contingent assets are not recognized in the consolidated financial statements. They are disclosed in the notes when there is a likely inflow of economic benefits, and if they are material. The management reviews contingent assets and liabilities at the end of each financial period, based on the best available information, including legal advice and past experience to ensure that disclosures are adequate and appropriate.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because 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. The provision is recognised as a liability in the consolidated statement of financial position and the amount of the provision is recognized as an expense in the consolidated statement of profit or loss. The provision is measured as management's best estimate of the amount required to settle the obligation at the date of the statement of financial position, or to transfer it to a third party, taking into account the risk and circumstances surrounding the obligation. The management reviews provisions at each financial period and adjusts them to reflect the current best estimate. Any differences resulting from revaluation are recognized in the consolidated statement of profit or loss in the period in which they arise. If the effect of the time value of money is material, provisions are discounted to their present value using an appropriate discount rate that reflects the risk associated with the liability. The increase in the provision resulting from the passage of time is recognized as finance charges in the statement of profit or loss.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' defined benefits obligations

The Group recognizes obligations for employee end-of-service benefits, which is a defined benefits plan in accordance with the requirements of International Accounting Standard 19 "Employees benefits". These obligations are not funded through separate plan assets. The liability recognized in the consolidated statement of financial position represents the present value of employee defined benefit obligations at the end of the financial period. This obligation is measured using the expected credit unit method by a qualified actuary. The discount rate is determined using market returns on high-quality debt instruments or, if there is no deep market for such instruments, using prevailing interest rates on loans with maturities similar to the commitment period. Current and past service costs, as well as net interest costs resulting from applying the discount rate to the net obligation, are recognized within the consolidated statement of profit or loss and are presented under the relevant functional items according to the nature of the employees' activity. Any changes resulting from plan modifications or reductions are recognized directly in the consolidated statement of profit or loss. Remeasurement of net employee benefits obligation, including actuarial gains and losses resulting from changes in assumptions or actual experience, is recognized in other comprehensive income. Employee benefit obligations are determined based on employees' end-of-service salaries, accrued allowances, and years of service in accordance with the Saudi Arabian Labor Law and related Group policies.

Earnings per share

Group calculates basic earnings per share by dividing the profit or loss attributable to ordinary shares holders in the Parent Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding is determined based on the number of shares outstanding at the beginning of the period, adjusted for changes in the number of shares during the period, weighted by the time period of each change. Diluted earnings per share are calculated by dividing the profit or loss attributable to the ordinary shares holders in the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for the effect of all financial instruments that may result in a reduction of earnings per share, if any. The Group does not have any financial instruments with a dilutive effect, therefore basic and diluted earnings per share are equal.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, current account balances at banks available for use without restrictions, short-term bank deposits with an original maturity period of three months or less, and highly liquid short-term investments that can be easily converted into specific cash amounts and are subject to immaterial risk regarding changes in value. The consolidated statement of cash flows is prepared using the indirect method.

Related parties

Related party transactions include the transfer of resources, services, other liabilities, or financing between the inter-Group, and those parties, whether these transactions are conducted on terms that are equivalent to those that would prevail in an arm's length transaction.

Group considers the related party with the company if the person near to the family are as follows:

- A) joint control or control of the Group; or
- B) Has significant impact on the Group; or
- C) Has membership in senior management of the group or the parent company.

Senior management are those who have the power, planning responsibility, direct or indirect control of the Group's business activity, whether directly or indirectly, including members of the Board of Directors.

An entity is considered a related party to the Group if any of the following conditions are met:

- A) If the entity and the Group are members of the same Group (i.e., parent company, subsidiary, or affiliate);
- B) If the entity is an associate company or a joint venture of the Group, or vice versa;
- C) If the entity is subject to control or joint control of the same party that controls the Group;
- D) If the entity is subject to control or significant influence of a person who is a related party to the Group;
- E) If the entity or any member of its Group provides senior management services to the Group or the Parent Company.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Group's functional currency. Transactions in foreign currencies are recorded at the initial recognition at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the date of the financial statements. The resulting currency differences are recognized in the consolidated statement of profit or loss. Non-monetary denominated in foreign currencies are translated using the exchange rate at the date of the transaction if measured at historical cost, or at the date of fair value determination if measured at fair value.

Segments reports

The operating segment is the one of most important part of the Group:

- A) Participates in business activities that may guarantee revenues for him and incur expenses because of them.
- B) Its operating results are regularly reviewed by the lead operating decision-maker for the purpose of resource allocation and performance evaluation.
- C) Which financial statements are available separately.

Segment information is presented based on internal reports used by management in operational decision-making in accordance with the Group's organizational structure and the nature of its activities. The performance of operating segments is determined and measured based on metrics used internally by management, which may differ from the metrics used in the consolidated financial statements.

For the geographical segment, they represent components that carry out activities within different economic environments that may be exposed to risks and returns that differ from those associated with other environments. Because the Group operates only within the Kingdom of Saudi Arabia, no geographical segments information is presented.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The management assessed the new and amended IFRS issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia, in order to determine their impact on the Group's consolidated financial statements, taking into account the nature of its business and its operating environment.

a) First time application of standards, interpretations and amendments during the year

During the current year, the Group adopted the following standards and amendments, which became effective for annual periods beginning on or after January 1, 2025:

- Amendments to IAS (21) - Lack of exchangeability

These amendments clarify how to determine whether a currency is exchangeable with another currency, the mechanism for determining the spot exchange rate in the event of lack of exchangeability, as well as additional related disclosure requirements. The management has assessed the impact of applying these amendments to the consolidated financial statements and concluded that their application did not have a material impact on the Group's consolidated financial statements for the financial year ended December 31, 2025, as the Group's activity is concentrated in the Kingdom of Saudi Arabia and its material transactions are conducted in Saudi Riyals. The limited transactions in US Dollars do not result in material exposure to exchange rate risk.

b) Standards, interpretations and amendments issued but not effective yet

The following are the standards and amendments that are issued up to the date of approval of these consolidated financial statements, which are not effective yet, and which the Group has not applied early on:

- Amendments to IFRS (9) and IFRS (7) - Classification and Measurement of Financial Instruments (effective beginning on or after January 1, 2026).
- Annual Improvements to IFRS Accounting Standards - Volume 11 (effective beginning on or after January 1, 2026).
- IFRS (18) - Presentation and Disclosure in Financial Statements (effective beginning on or after January 1, 2026).
- IFRS (19) - Subsidiaries without Public Accountability: Disclosures (effective beginning on or after January 1, 2026).
- Amendments to IFRS (10) and (IAS) 28 - Sale or Contribution of Assets between Investor and Associate or Joint Venture (effective date deferred indefinitely).

The management is assessing the potential impact of applying these standards and amendments to the consolidated financial statements, and does not expect their application to have a material impact on measurement or recognition, although there may be an impact on presentation and disclosure when they are be effective, depending on the nature of the operations in those periods.

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6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. These judgments, estimates and assumptions are based on historical experience, as well as information available at the date of preparation of the consolidated financial statements, taking into account data derived from internal and external sources, including technical reports, independent valuations and observable market data where possible, as well as prevailing economic and market conditions and relevant future expectations. Given the estimated nature of these items, they involve a degree of uncertainty. Actual results may differ from these estimates, which could lead to material adjustments to the carrying amounts of assets or liabilities in subsequent financial periods. The management cannot guarantee that actual results will be in line with these estimates, given that they rely on assumptions about future events that are inherently uncertain and may be beyond the Group's control. The management reviews these judgments, estimates and assumptions periodically in light of available information and subsequent developments. The impact on any changes in accounting estimates is recognized in the period in which the change is made and in relevant future periods. The following are the material judgments exercised by management, as well as key accounting estimates that involve a degree of uncertainty and may have a material impact on the consolidated financial statements.

First: Material Judgments

Going concern

The management conducted a comprehensive assessment of the Group's ability to continue as a going concern, by preparing financial forecasts and future cash flows that take into account expected operating performance, liquidity levels, financing plans and outstanding contractual liabilities. This assessment was based on assumptions regarding the Group's ability to generate sufficient cash flows from its operating activities, as well as its ability to obtain the necessary financing when needed. The management did not determine any material uncertainties that may cast doubt on the Group's ability to continue in the foreseeable future. However, this assessment remains inherently sensitive to changes in real estate market conditions, demand levels and project implementation timing, which may affect future cash flows.

Assessing control, joint control and significant influence on investee companies

The management assesses whether the Group exercises control, joint control or a significant influence over the investees, based on a group of factors, including shareholding percentage, voting rights, contractual agreements and the ability to direct related activities. In cases where contractual arrangements are complex or the ownership percentage does not directly reflect the level of control, this assessment requires substantial professional judgment, and differing interpretations of these factors may lead to different accounting treatment.

Classification of investments in equity instruments held at fair value as current or non-current

The management exercises professional judgment when classifying investments in equity instruments measured at fair value based on the Group's business model and approved investment strategy. The management determines whether these investments are classified as current or non-current, based on the intention to hold them, the investment horizon and the expected termination plans, taking into account the nature of these investments. This assessment requires consideration of a group of relevant factors, including the expected liquidity of the investment, contractual restrictions, if any, prevailing market conditions, as well as the Group's operational and investment plans at the date of the statement of financial position. This classification may affect the presentation of these investments within current or non-current assets, but it does not affect their measurement at fair value. This judgment remains sensitive to changes in the Group's investment strategy or in market conditions, which may lead to a reclassification of these investments in subsequent financial periods.

Classification of real estate

Management exercises judgment when classifying real estate as property and equipment, investment properties or properties held for sale, based on the purpose of holding the property, the nature of its use, and the approved operating plans. Given the diversity of the Group's real estate portfolio, which includes leased properties, projects under development and raw land, including land with unspecified use or subject to regulatory proceedings, this classification requires an ongoing evaluation and the use of material professional judgment. This assessment includes considering how the economic benefits are derived from the property, and any change in the intended use or operating conditions may lead to a reclassification of the property, resulting in a difference in the basis of measurement and accounting treatment.

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6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Classification of Leases – Group as Lessor

The management evaluates the terms and conditions of the lease agreements relating to the leased properties to determine whether they substantially retain all the risks and benefits associated with ownership of the asset. This assessment requires consideration of a group of factors, including the lease term compared to the economic life of the asset, the present value of the lease payments compared to the fair value of the asset, as well as the existence of any purchase options or other contractual terms that may affect the transfer of risks and benefits. Based on this assessment, leases are classified as operating or finance leases. This classification affects the timing and nature of revenue recognition associated with these leases. This judgment may be affected by any changes in the terms of leases or in relevant economic conditions, which may result in a difference in the classification in subsequent financial periods.

Determination of duration of leases

The management exercises significant judgment when determining the term of leases, which represents the non-cancellable period plus periods covered by extension options that the Group is reasonably certain to exercise, or excluding periods covered by termination options that the Group is reasonably certain not to exercise. This assessment requires consideration of all relevant economic and operational factors that may create an incentive to exercise extension or termination options, including the importance of the leased asset to operations, the costs of terminating the lease or replacing the asset, and any material improvements made to the asset. The management reassesses the duration of leases when material events or changes in circumstances occur that are within its control and affect its ability to exercise or not exercise these options. Any changes to these assumptions may result in modifications to the lease term, and consequently affect leases liabilities and right-of-use assets in subsequent financial periods.

Fulfilment of performance obligations

The management evaluates each of its contracts with customers to determine whether performance obligations are met over time or at a specific time, in order to determine the appropriate method of recognizing revenue in accordance with the terms of the contracts and relevant regulatory provisions. Revenue is recognized over time when the customer receives benefits concurrently with the Group's performance, or when the Group creates or enhances an asset controlled by the customer during its creation, or when the asset has no alternative use for the Group and the Group has an enforceable right to receive consideration for the performance performed. Otherwise, revenue is recognized at a specific point in time. Regarding property under development sales contracts, the management considers the applicable standard to be the absence of an alternative use for the asset and the existence of an enforceable right to receive consideration for the completed performance, therefore, revenue is recognized over a period of time. It follows that revenue recognition is based on the percentage of completion, which may not necessarily coincide with the timing of cash flow collected from customers, given the nature of real estate development contracts which may include payment schedules that differ from the pattern of work execution, which reflects the accounting basis for revenue recognition versus the cash basis of collection.

The management measures progress toward meeting performance obligations using the method that best reflects the transfer of control to the customer; these methods include the input method or the output method. In cases where management believes that the efforts made to reliably represent the performance completed, the input method is used, where revenue is recognized based on the percentage of completion calculated based on costs incurred compared to the total estimated costs of the project. Project completion cost estimates include, among other items, construction costs, change orders and costs necessary to meet other contractual liabilities. In other cases, the output method may be used to measure progress towards meeting performance obligations, based on direct performance indicators such as completion reports, technical certifications, or approved completion percentage, when management believes that this method reliably reflects the level of performance completed. Project completion cost estimates are among the essential judgments and estimates of management, and are reviewed periodically and regularly. Any changes in estimated costs, scope of work or timing of project execution may lead to adjustments in the percentage of completion and recognized revenue, and thus may have an impact on the results of subsequent financial periods.

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6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Second: Significant accounting estimates

Net realizable value for properties available for sale

Management estimates the net realizable value of available-for-sale properties in the ordinary course of business to assess the recoverability of their carrying amounts. Net realizable value represents the estimated selling price in the ordinary course of business less completion costs and selling costs. The estimated selling price is determined through a comprehensive analysis of current and anticipated market conditions, including recent transaction prices for similar properties, property location, project nature, demand level, and project status and percentage of completion. Completion costs are estimated based on up-to-date technical studies and operational reports and include construction costs, change orders, and indirect costs necessary to complete and sell the projects. These estimates are based on the best available information at the reporting date, including internal and external data; however, they are subject to a degree of uncertainty, particularly regarding changes in market prices, increases in actual costs, or project delays. Based on management's assessments, no indicators have been identified that would warrant recognizing impairment losses on available-for-sale properties that would have a material impact on the consolidated financial statements. Any changes to these assumptions may result in a decrease in net realizable value from book values, which may necessitate the recognition of impairment losses in subsequent financial periods.

Fair value of investment properties

The fair value of investment properties is measured and disclosed using appropriate valuation methods that reflect the nature of these assets. Fair value is determined based on periodic appraisals prepared by qualified appraisers experienced in real estate valuation, taking into account the nature, location, and current and anticipated uses of the property. The valuation methods employed are primarily income and market approaches, depending on the nature of the property and the availability of observable data. Key assumptions used in the valuation include, among other things, discount rates, capitalization rates, growth rates, future cash flows, and the best possible use of the property under current market conditions. These assumptions are based on market conditions at the valuation date, and actual results may differ from these estimates due to changes in economic, regulatory, or market factors. Most measurements of the fair value of investment properties are classified at Level 3 of the fair value hierarchy because they rely on inputs that are not materially observable. Therefore, determining fair value involves a high degree of professional judgment, and changes in key assumptions may affect estimated fair values in subsequent financial periods. Management reviews the results of independent valuations and compares them with internal data and available market indicators to ensure the reasonableness of the recognized or disclosed fair values. Disclosed fair values are based on available valuations, which reflect market conditions prevailing at the valuation date. Differences between carrying values and fair values may be affected by the nature of the assets, their acquisition history, and changes in market conditions.

Useful life and residual value of depreciable assets

Management estimates the useful lives and residual values of depreciable assets for the purpose of calculating depreciation expense. These estimates are based on the asset's expected use, depreciation patterns, technological obsolescence, and relevant operational and environmental factors. They are reviewed periodically or when there are indications of a change in the asset's use or performance, such as changes in operating plans, utilization levels, or technological advancements. While these estimates are based on the best available information at the reporting date, they are subject to a degree of uncertainty, as actual results may differ due to changes in operating or economic conditions. Any changes in useful lives or residual values may result in adjustments to depreciation expense in subsequent financial periods.

Impairment of non-financial assets

The presence of indicators of impairment of non-financial assets is assessed, and where such indicators exist, the recoverable amount—the higher of fair value less cost of sale and value in use—is estimated using discounted cash flow models. These models rely on key assumptions such as discount rates, future cash flows, and growth rates. These estimates involve a degree of uncertainty, as actual results may differ due to changes in economic, operating, or market conditions. Any changes to these assumptions may necessitate adjustments to recoverable amounts, potentially impacting the results of subsequent financial periods.

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6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Project completion cost estimates

Project completion cost estimates are used to determine percentage of completion and recognized revenue. Progress toward fulfilling performance obligations is measured using an input-based approach, based on the ratio of costs incurred to total estimated costs for each project or contract, reflecting the pattern of performance fulfillment. These estimates include construction costs, change orders, and other costs necessary to meet contractual obligations, including direct and indirect costs associated with project execution. Management also considers the impact of contract modifications when determining total estimated costs and percentage of completion. These estimates are updated periodically based on actual work progress and execution conditions. They are based on the best available information at the reporting date and may be affected by changes in scope of work, actual costs, or execution conditions. Management also assesses whether total estimated costs are expected to exceed anticipated revenue for any project or contract. This assessment is part of the material estimates that may affect the financial period results. Any changes in estimated costs may result in adjustments to the percentage of completion and recognized revenue in subsequent financial periods.

Determining the transaction price

Management determines the transaction price for each of its contracts with customers, which represents the amount of consideration expected to be received for the delivery of the promised goods or services. This requires the use of estimates relating to variable consideration, including discounts, penalties, or contractual incentives, according to the nature and terms of each contract. Variable consideration is estimated using the method that best reflects the amount expected to be received, including the most probable amount method, taking into account historical experience, contract conditions, and relevant future factors. These estimates are based on assumptions about the fulfillment of contractual conditions and the level of performance and may be affected by changes in performance conditions or agreements with customers. Any changes to these estimates may result in adjustments to revenue recognized in subsequent financial periods.

Expected credit losses

Management applies a simplified expected credit loss model to measure impairment losses on trade receivables by grouping them into homogeneous clusters based on credit risk characteristics and the number of days overdue. Expected loss rates are determined based on historical experience of default patterns and adjusted, where appropriate, to reflect available information at the reporting date, including relevant general economic conditions, to the extent that they reflect management's assessment of credit risk. These estimates are primarily based on an analysis of debt aging and historical repayment patterns and are reviewed and updated periodically in light of available information and changes in customer behavior. Management also considers, where appropriate, contractual guarantees for certain balances when assessing credit risk and estimating expected losses, as these guarantees help mitigate exposure to non-collection risk. These estimates involve a degree of uncertainty, as actual results may differ due to changes in customer creditworthiness or economic conditions, particularly in sectors or for customers exhibiting indicators of increased credit risk. These models may also not fully reflect all possible changes in credit risk, especially in the event of unexpected economic fluctuations, which may lead to adjustments in expected credit losses in subsequent financial periods.

Fair value of financial instruments (including non-observable inputs - Level 3)

When active market prices are unavailable, the fair value of financial instruments is determined using appropriate valuation models that rely, to the greatest extent possible, on observable inputs. Where valuations rely on non-observable inputs (Level 3), this requires the use of substantial estimates by management. These estimates include, for example, the determination of expected future cash flows, appropriate discount rates, and assumptions about the future financial performance of the investee, in accordance with the nature of each investment and the data available at the reporting date. These estimates may also require the use of professional judgment to determine the appropriateness of the valuation models used and their representation of fair value under current market conditions. While these estimates are based on the best available information at the reporting date, they involve a degree of uncertainty because they rely on assumptions that are not directly observable. Any changes to these assumptions could have a material impact on the estimated fair values and, consequently, on the results of subsequent financial periods.

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6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Zakat

Determining the zakat provision requires the use of substantial judgments and estimates by management when calculating the zakat base and zakatable profit in accordance with the zakat collection regulations applicable in the Kingdom of Saudi Arabia, which are subject to several interpretations and practical applications. These estimates are based on management's interpretation of the regulations and instructions issued by the Zakat, Tax and Customs Authority, as well as followed practices, taking into account the nature of the group's activities and transactions. The final zakat assessment may differ from the amounts estimated and recognized in the consolidated financial statements due to the results of zakat audits or the settlement of objections. Differences may also arise from variations in interpretation or application between management and the relevant authorities, which may lead to adjustments to the zakat provision in subsequent financial periods.

Provisions

Determining provisions requires management to use substantial judgment and estimates, particularly regarding the assessment of the likelihood of a present obligation requiring cash outflows, and the estimation of the amount and timing of the cash outflows needed to settle that obligation. These estimates are based on the best available information at the reporting date, including the nature of the obligation, past experience, legal opinions and advice, where appropriate, and other relevant factors. These estimates involve a degree of uncertainty, particularly in cases involving contingent liabilities, legal issues, or uncertain claims, where actual results may differ from the estimates. Management reviews provisions periodically and updates them as new information becomes available. Any change in the estimates may result in adjustments to the amounts recognized in subsequent financial periods.

Idle lands fees

Assessing liabilities related to idle lands fees requires the use of substantial judgments and estimates by management, particularly regarding determining whether the Group's land is subject to the fees in accordance with applicable regulations and assessing whether a current liability has arisen that would require recognition of an expense and liability in the financial statements. This includes assessing the likelihood of the liability arising under the circumstances of each case. These estimates include evaluating the regulatory status of the land, its uses, and its subjection to fees, as well as examining cases where the fees are subject to objection or dispute with the relevant authorities. These estimates are based on management's interpretation of applicable regulations and instructions, and on the best available information at the reporting date and may be affected by changes in regulations or their interpretation, or by the outcome of objections or disputes. These estimates involve a degree of uncertainty, and any changes in assumptions or the outcome of regulatory proceedings may result in adjustments to the amounts recognized in subsequent financial periods.

Employees' defined benefits obligations

Employee defined benefit obligations are determined using actuarial valuations that require management to make significant assumptions. These assumptions include the discount rate, future salary and benefit increases, employee turnover rates, and mortality rates, based on the best available information at the reporting date. Due to their long-term nature, these estimates involve a degree of uncertainty, as actual results may differ from the assumptions due to changes in economic or demographic conditions. These obligations are also inherently sensitive to changes in the actuarial assumptions used. These assumptions are reviewed periodically, and any changes may affect the amount of the obligation recognized in subsequent financial periods.

Leases - Incremental borrowing rate

When the interest rate implicit is not provided in the lease, management uses the incremental borrowing rate to determine lease obligations, which requires substantial judgment and estimation. Given the nature of some long-term leases with unusually long durations, determining an appropriate rate requires professional judgment, as direct market data for similarly long-term financing is not readily available. Accordingly, management relies on observable market information, including relevant benchmark rates, and makes adjustments to reflect the lease term, the nature of the leased assets, and the group's financing characteristics. These estimates are based on the best available information at the time and involve a degree of uncertainty due to the nature of the assumptions used, particularly regarding the alignment of market data with long-term leases. Any changes to these assumptions or to market conditions may result in adjustments to lease obligations in subsequent financial periods.

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7. SEGMENT INFORMATION

For management purposes, the Group's operational segments have been determined based on internal reports that are regularly reviewed by the key operational decision-maker for the purpose of allocating resources and assessing performance. The Group's operations are organized primarily based on the nature of the products and services rendered, and its operational sectors for which reports are prepared are as follows:

- A) Rental Sector
- B) Property sales sector
- C) Infrastructure projects sector
- D) Construction projects sector
- E) Facility management sector
- F) Head Office

The operating segment performance is evaluated based on total profit / (loss), which is the indication used by management to evaluate performance and making decisions regarding resource allocation. Certain general operating expenses, including general and administrative expenses and marketing expenses, as well as finance charges, revenue and other expenses, are recorded and track on a lump-sum basis and are not allocated to operating sectors. This is because such allocation does not reliably reflect the actual performance of each segment. Assets and liabilities are not presented at the operating segment level. They are managed and tracked according to the accounting records of the legal entities, including mortgaged real estate related to financing arrangements. Their performance is not reviewed or evaluated on a segment basis by the principal operating decision-maker but is considered within the overall financial position of the Group. The material activities of the Group are carried out within the Kingdom of Saudi Arabia, and therefore the Group does not present separate geographical information. The following is a summary of the financial information for the operating segments, which is consistent with the Group's consolidated financial statements for the financial year ended December 31:

2025	Rental	Property sales	Infrastructure projects	Construction projects	Facility management	Total
Revenue	366,873	644,520	781,246	4,140	83,306	1,880,085
Cost of revenue	(150,735)	(338,344)	(452,895)	(48,172)	(67,042)	(1,057,188)
Gross profit / (loss)	216,138	306,176	328,351	(44,032)	16,264	822,897
2024	Rental	Property sales	Infrastructure projects	Construction projects	Facility management	Total
Revenue	337,995	565,802	974,421	47,701	61,749	1,987,668
Cost of revenue	(145,791)	(297,267)	(729,771)	(56,702)	(48,804)	(1,278,335)
Gross profit / (loss)	192,204	268,535	244,650	(9,001)	12,945	709,333

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8. PROPERTY AND EQUIPMENT

	Buildings	Machinery & equipment	Furniture & decorations	Computers	Vehicles	Total 2025	Total 2024
Cost:							
On 1 January 2025	12,628	103,220	35,223	17,155	15,735	183,961	182,640
Additions during the year	-	2,220	17,032	1,358	831	21,441	7,928
Disposals during the year	-	(131)	(1,293)	(697)	(1,646)	(3,767)	(6,607)
On 31 December 2025	12,628	105,309	50,962	17,816	14,920	201,635	183,961
Depreciation:							
On 1 January 2025	8,418	97,259	24,205	13,479	11,998	155,359	152,636
Charge for the year	313	3,150	6,864	1,977	1,908	14,212	7,687
Disposal during the year	-	(104)	(1,282)	(697)	(1,401)	(3,484)	(4,964)
On 31 December 2025	8,731	100,305	29,787	14,759	12,505	166,087	155,359
Net book value:							
On 31 December 2025	3,897	5,004	21,175	3,057	2,415	35,548	
On 31 December 2024	4,210	5,961	11,018	3,676	3,737		28,602

Depreciation expense was charged to the items of the consolidated statement of profit or loss according to the nature of the use, where charged to the cost of revenues amounted to SR 10,158 thousand for the fiscal year ending on December 31, 2025 (December 31, 2024: SR 5,919 thousand), while charged to general and administrative expenses amounted to SR 4,054 thousand (December 31, 2024: SR 1,768 thousand).

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9. INVESTMENT PROPERTIES

	Lands	Buildings	Fittings and decorations	Capital work-in-progress	Total 2025	Total 2024
Cost:						
On 1 January 2025	3,862,128	1,601,672	644,531	504,668	6,612,999	6,452,802
Additions	-	89	1,819	297,486	299,394	165,006
Transferred to properties available for sale	(44,893)	-	-	-	(44,893)	(4,809)
Transferred to an associate	(17,467)	-	-	-	(17,467)	-
On 31 December 2025	3,799,768	1,601,761	646,350	802,154	6,850,033	6,612,999
Depreciation:						
On 1 January 2025	-	676,281	398,027	-	1,074,308	1,018,636
Charge for the year	-	34,113	45,457	-	79,570	55,672
On 31 December 2025	-	710,394	443,484	-	1,153,878	1,074,308
Net book value:						
On 31 December 2025	3,799,768	891,367	202,866	802,154	5,696,155	
On 31 December 2024	3,862,128	925,391	246,504	504,668		5,538,691

The whole depreciation expense of investments properties was charged to the cost of revenues, given that these assets are directly linked to revenue generation.

As set out in the material accounting policies, the investment properties are stated at cost less accumulated depreciation and accumulated impairment, if any. The fair value of investments properties based on valuation performed by qualified valuers Barcode Firm (independent valuer accredited by Saudi Authority for Accredited Valuers), who are specialist in valuing these types of investments properties. This valuation indicate that the fair value of investments properties is materially higher than its book value, exceeding SR 15 billion as of 31 December 2025 (31 December 2024: SR 16 billion). As at the date of consolidated statement of financial position, investments properties include assets with book value of SR 3.3 billion (2024: SR 3.2 billion) were mortgaged against loans and credit facilities granted to the Group. Investments properties include constructed buildings and works in progress with book value amounting SR 758 million as of December 31, 2025 (2024: SR 691 million) constructed on a leased land from the High Commission for the Development of Al-Riyadh under contracts between 28 years and 99 years. The management believes that these assets are used or are being developed for the purpose of generating rental income by leasing them to others, or making them available for future leasing, in line with the Group's business model.

A) Lands not available for used

Certain land parcels owned by the Group are currently not available for use or development due to various reasons, of which certain reasons relate to the areas where these lands are located and other related to the fact that they are under study from specialised committees to resolve these matters. The management is currently communicating with the related government agencies to treat these reasons to allow the use of these lands. The impact on the recoverable amount of these lands is still uncertain and depend on the results of the study by the assigned committees. The management does not expect the Company to incur any losses related to this matter. The book value of these lands amounted to SR 438 million as of 31 December 2025 (2024: SR 438 million) while the fair value has exceeded SR 1.6 billion as of 31 December 2025 (2024: SR 1.7 billion) as per the above-mentioned valuers.

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9. INVESTMENT PROPERTIES (Continued)

B) Al Widyan project

During 2021, management was informed by the relevant government agencies that the Group's land parcels, allocated to the Al Widyan project, is located within an area currently under study for development. This may result in a significant change in the original project plan and the recoverable amount of the land. The impact of this study remains uncertain and depends on the complete study by the government agencies and future developments in the area. In any case, management does not expect the Company to incur any losses related to this matter. The book value of the land and capital works-in-progress as at December 31, 2025 amounted to SR 2.9 billion (2024: SR 2.9 billion) while the fair value amounted more than SR 7 billion as at December 31, 2025 (2024: SR 8 billion) as per the above-mentioned valuers.

10. Debt instruments at amortized cost

During 2016, the Group entered into an agreement with Al Bayan Holding Group Company to invest in debt instruments at amortized cost. The Group claimed Al Bayan Holding Group Company to pay its financial liabilities that exceed the amount of SR 206 million, but the latter did not respond to that. During the year 2021, the Group has filed a lawsuit against the Company and a final ruling was issued to dismissing the lawsuit. Accordingly, during the year 2022, the Group has filed a lawsuit against the investment guarantor, and a preliminary verdict was issued to dismiss the lawsuit for submitting it prematurely. The Group has objected the verdict, and a verdict was issued by the Appeal Court overruling the initial verdict and obliging the Commercial Court to hear the case. during the financial year 2024, the Court of Appeal issued a final ruling obligating the investment guarantor to pay the amount of SR 187.5 million to the Group. The Group submitted a request to implement the ruling to the Enforcement Court, and the implementation request is still pending as at the date of consolidated financial statements.

11. INVESTMENT IN AN ASSOCIATE AND INVESTMENT IN A JOINT VENTURE

The investment in the associate and investment in the joint venture as of December 31 consists of the following:

	2025	2024
Riyadh Holding Company	297,306	298,792
Tilal Towers Development Real Estate Company	61,405	-
InfraRoad Contracting Company Ltd.	60,416	13,481
	419,127	312,273

The following is a summary of movement in investments in the associates and joint ventures during the year ended December 31:

	2025	2024
At the beginning of the year	312,273	295,349
Cash investments during the year	43,938	2,975
Transferred from investments properties during the year	17,467	-
Share of profits for the year	60,170	55,614
Share of other comprehensive loss	(4,722)	(31,666)
Dividends received during the year	(9,999)	(9,999)
At the end of the year	419,127	312,273

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11. INVESTMENT IN AN ASSOCIATE AND INVESTMENT IN A JOINT VENTURE (Continued)

Riyadh Holding Company

Riyadh Holding Company was incorporated during 1986, is a limited liability company registered in Riyadh in the Kingdom of Saudi Arabia. In the date of consolidated statement of financial position, the share capital of the Company amounted to one billion Saudi Riyals. The Group's share amounted to SR 166.666 million representing 16.67% in Riyadh Holding Company. The Company is classified as an associate company because the Group has a material influence over it. This investment is accounted for using equity accounted investees method in these consolidated financial statements. The management believes that this investment is of strategic importance within the Group's investment portfolio, in light of the nature of the ownership of the investee company and the associated operating environment.

The following is a summary of the statement of financial position of Riyadh Holding Company as at December 31.

	2025	2024
Current assets	528,083	861,126
Non-current assets	2,332,400	1,975,527
Current liabilities	(156,103)	(135,527)
Non-current liabilities	(920,537)	(908,369)
Equity	1,783,843	1,792,757
Group's share in equity – 16.67%	297,306	298,792

Tilal Towers Development Real Estate Company

Tilal Towers Development Real Estate Company was incorporated during second half of 2024, is a limited liability company registered in Riyadh in the Kingdom of Saudi Arabia. The share capital of the Company amounted to SR 100 thousand. The Group's share amounted to SR 25 thousand representing 25% in Tilal Towers Development Real Estate Company. This investment did not have a material financial impact on the consolidated financial statements for the year ended December 31, 2024. The Company aims to develop educational complexes on land owned by the partners, During the period following its establishment, ownership of that land was transferred to the Company to enable it to carry out its activities. The partners injected additional contributions during the year ended December 31, 2025 to finance the project's development business, in proportion to their ownership percentages. The Company is classified as an associate company because the Group has a material influence over it. This investment is accounted for using equity accounted investees method in these consolidated financial statements. The management believes that this investment is in line with the nature of the Group's activities and enhances the diversification of its investments in the real estate sector.

The following is a summary of the statement of financial position of Tilal Towers Development Real Estate Company as at December 31:

	2025	2024
Current assets	32,087	-
Non-current assets	227,632	-
Current liabilities	(14,099)	-
Equity	245,620	-
Group's share in equity – 25%	61,405	-

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11. INVESTMENT IN AN ASSOCIATE AND INVESTMENT IN A JOINT VENTURE (Continued)

InfraRoad Contracting Company Ltd.

InfraRoad Contracting Company Ltd. was incorporated during second half of 2023, is a limited liability company registered in Riyadh in the Kingdom of Saudi Arabia. In the date of consolidated statement of financial position, the share capital of the Company amounted to SR 6 million. The Group's share amounted to SR 3 million representing 50% in InfraRoad Contracting Company Ltd. The Group, through one of its subsidiaries, entered into this joint venture with InfraRoad Contracting Company Ltd. to carry out infrastructure works for one of the major projects in Riyadh, the Kingdom of Saudi Arabia. This investment is classified as a joint venture due to the shared control between the parties. Joint venture is accounted for using the equity accounted investees method in these consolidated financial statements.

The following is a summary of the statement of financial position of InfraRoad Contracting Company Ltd. as at December 31:

	2025	2024
Current assets	426,564	259,590
Non-current assets	76,696	45,972
Current liabilities	(381,650)	(278,293)
Non-current liabilities	(778)	(307)
Equity	120,832	26,962
Group's share in equity – 50%	60,416	13,481

12. INVESTMENT IN EQUITY INSTRUMENTS DESIGNATED AT FVOCI

	Ownership		Fair value	
	2025	2024	2025	2024
Economic Knowledge City Developers	9.48%	9.48%	89,818	117,189
Um Al Qura Company for Development and Reconstruction	0.31%	0.76%	77,201	173,143
Dar Al Tamleek Company	9.18%	9.18%	50,820	56,401
Kinan International Real Estate Development Company	2.11%	2.11%	73,363	42,078
United Arabian Flat Glass Company	4.10%	4.10%	22,283	26,461
Taiba Investment Company	0.001%	0.001%	39	50
			313,524	415,322

The movement of investments in equity instruments designated at FVOCI was as follows:

	2025	2024
At the beginning of the year	415,322	366,397
Net change in fair value	31,324	49,880
Disposals during the year	(133,122)	(955)
At the end of the year	313,524	415,322

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12. INVESTMENT IN EQUITY INSTRUMENTS DESIGNATED AT FVOCI (Continued)

The investment in Um Al Qura Company for Development and Reconstruction was classified as current assets, in light of the management's intention to terminate from this investment within the twelve months following the date of the consolidated statement of financial position, which is in line with the partial sales that carried out during the year, and in accordance with the investment management strategy adopted by the Group. The following is a classification of investments held at FVOCI in the consolidated statement of financial position:

	2025	2024
Current assets	77,201	-
Non-current assets	236,323	415,322
	313,524	415,322

The following is a statement of dividends received from the Group's investments in equity instruments held at FVOCI during the financial year ended December 31:

	2025	2024
Dar Al Tamleek Company	-	2,203
Kinan International Real Estate Development Company	1,769	1,642
United Arabian Flat Glass Company	696	-
Taiba Investment Company	1	1
	2,466	3,846

13. RIGHT-OF-USE ASSETS

The Group entered into several lease agreements, mainly relating to land in the Diplomatic Quarter of Riyadh, Kingdom of Saudi Arabia, with terms ranging between 28 and 99 years. Other group-wide leases include shorter-term lease arrangements, generally not exceeding five years. These leased assets are used in the Group's operating activities. The following is the book value of the right-of-use assets and the changes thereto during the financial year ended December 31:

	2025	2024
Balance at the beginning of the year	210,708	136,855
Addition during the year	3,162	76,591
Depreciation charged during the year	(8,986)	(2,738)
At the end of the year	204,884	210,708

The following table illustrate the distribution of depreciation expense for right-of-use assets recognized in the consolidated statement of profit or loss for the financial year ended December 31:

	2025	2024
Cost of revenue	6,336	1,400
General and administrative expenses	2,650	1,338
	8,986	2,738

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14. PROPERTIES AVAILABLE FOR SALE

The properties available for sale represent land and real estate units under development or ready for sale within the ordinary course of the Group's business. They are measured at the lower of cost and net realizable value in accordance with the approved accounting policies. In general, management does not consider any material indications that the impairment of the properties available for sale has fallen below their book values as at the date of the consolidated statement of financial position, in light of the available analyses and assessments. In some limited cases, differences may appear between the cost and net realizable value of certain properties, but the management considers their impact are immaterial on the consolidated financial statements as a whole. During the preparation of the consolidated financial statements for this current year, management has re-presented the item of developed properties as properties available for sale, in order to better reflect the nature of this properties, without any change in the basis of measurement or accounting treatment. Properties available for sale are classified as current or non-current assets based on the expected timing of their sale, taking into account the nature of the project, its development stage and management's termination plans, in line with the Group's ordinary course of business. The table below shows the classification of the properties available for sale in the consolidated statement of financial position:

	<u>2025</u>	<u>2024</u>
Current assets	243,603	267,327
Non-current assets	386,705	381,269
	630,308	648,596

Below is a breakdown of the properties available for sale as at 31 December:

	<u>2025</u>	<u>2024</u>
Cost of ready-to-sale units	17,942	17,942
Cost of land available for sale	572	-
Cost of land and capital works in-progress related to developed properties	611,794	630,654
	630,308	648,596

15. PREPAID EXPENSES AND OTHER RECEIVABLES

	<u>2025</u>	<u>2024</u>
Advanced payments to suppliers	29,018	65,059
VAT receivables	41,374	30,841
Bank guarantees	16,668	34,998
Due from related parties (Note 32)	169,677	157,293
Contract assets	58,373	64,152
Others	9,020	17,439
Impairment provision for prepayments and other debit balance	(14,936)	(21,350)
	309,194	348,432

A provision is made against certain other debit balances when there are indications of reduced recoverability, based on management's assessment of the nature and age of these balances, and reflecting the best estimate available at the date of preparation of the consolidated financial statements. The summary of movement in the provision for impairment of other debit balance is as follows:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	21,350	16,565
Provided during the year	-	4,785
Provision no longer required and reversed in other income	(6,414)	-
	14,936	21,350

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16. TRADE RECEIVABLES

	2025	2024
Total trade receivables	344,313	664,887
Allowance for expected credit losses	(144,540)	(134,203)
	199,773	530,684

Management applies a simplified expected credit loss model to measure the provision for impairment losses on trade receivables based on historical experience of default patterns and debt aging analysis, adjusting it, where appropriate, to reflect information available at the date of preparation of the consolidated financial statements, including related economic conditions. A summary of movement in the allowance for expected credit losses during the year ended December 31, is as follows:

	2025	2024
At the beginning of the year	134,203	125,912
Provided during the year	13,464	8,291
Written off debts during the year	(3,127)	-
At the end of the year	144,540	134,203

As of 31 December, the analysis of receivables aging is set out below:

	Total	1-90 days	91-180 days	181-270 days	271- 365days	More than one year
2025	344,313	109,653	21,587	24,224	13,780	175,069
2024	664,887	506,647	22,892	12,772	13,281	109,295

In light of the nature of some existing contracts and arrangements with customers, management does not believe that all overdue balances necessarily reflect a weakness in collectability or an increase in credit risk.

17. CASH AND CASH EQUIVALENTS

	2025	2024
Cash at banks and on hand	752,604	796,758
Short-term deposit	800,000	280,000
	1,552,604	1,076,758

As at the date of consolidated statement of financial position, cash balances include an amount of SR 458 million (2024: SR 595 million) for advances received from customers as per arrangements for sale of properties under development which are deposited into restricted bank accounts in accordance with the relevant regulatory requirements. These balances are used to finance related projects, and the Group may, after obtaining the necessary approvals from the competent authorities, withdraw any surplus beyond the needs of those projects. The full balances can be withdrawn after the completion of the projects associated with them, in accordance with the applicable regulations.

Short-term bank deposits are deposits with local banks with an original maturity period less than three months from the date of deposit. They can be easily converted into cash and are subject to immaterial risks of change in value, and therefore they are classified as cash and cash equivalents. While deposits with maturities more than three months from the date of deposit and with a maturity period within twelve months from the date of the consolidated statement of financial position are presented as a separate item within current assets under the name of time deposits.

Bank deposits with the Group are made in accordance with banking products approved by the Sharia committees of the relevant banks, and generate returns that are included in the consolidated statement of profit or loss within other income under the name of financial revenues, while cash balances with banks do not generate any returns.

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18. SHARE CAPITAL

The share capital of Saudi Real Estate Company amounting to SR 3,750 million as of December 31, 2025 (2024: SR 3,750 million) consists of 375 million shares (2024: 375 million shares) of SR 10 each. The share capital was increased during the year ended December 31, 2022, from SR 2,400 million to SR 3,750 million. This increase resulted in a share premium of SR 222.7 million.

19. STATUTORY RESERVE

The statutory reserve included in the consolidated financial statements, with a balance of SR 720 million as at December 31, 2025, was established in accordance with the previous Companies' Law and the previous Articles of Association of the Company. As a result of amendments to the Companies' Law and the Company's Articles of Association, the requirement to set aside a statutory reserve was cancelled. Therefore, the existing balance of the statutory reserve remains within shareholders' equity without any action being taken regarding it, pending a decision by the General Assembly.

20. CONTRACTUAL RESERVE

The contractual reserve included in the consolidated financial statements, with a balance of SR 10.051 million as at December 31, 2025, was established in accordance with the previous Articles of Association of the Company. As a result of amendments to the Company's Articles of Association, the requirement to set aside a contractual reserve was cancelled. Therefore, the existing balance of the contractual reserve remains within shareholders' equity without any action being taken regarding it, pending a decision by the General Assembly.

21. OTHER RESERVES

Other reserves consist of other accumulated comprehensive income items, the movement of which is presented in the consolidated statement of changes in equity. At the date of the consolidated statement of financial position, these include the following:

	2025	2024
Reserve of change in fair value of Investments in financial instruments	79,444	130,948
Reserve of remeasurement on employees' defined benefit obligations	(5,751)	(2,471)
	73,693	128,477

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22. NON-CONTROLLING INTERESTS

	Saudi Real Estate Infrastructure Company 40%	Saudi Korean Company for Maintenance and Properties Management 40%	Total
Non-controlling interests December 31, 2025			
Total assets	1,101,758	82,013	1,183,771
Total liabilities	(377,679)	(37,155)	(414,834)
Equity (Net Assets)	724,079	44,858	768,937
Net assets attributable to non-controlling interest	289,632	17,943	307,575
Year ended December 31, 2025			
Net profit for the year	321,048	13,377	334,425
Other comprehensive loss	(4,436)	(385)	(4,821)
Total comprehensive income	316,612	12,992	329,604
Net income for the year	128,419	5,351	133,770
Net income attributable to non-controlling interests	126,645	5,197	131,842
Non-controlling interests December 31, 2024			
Total Assets	916,719	54,929	971,648
Total Liabilities	(439,251)	(23,061)	(462,312)
Equity (Net Assets)	477,468	31,868	509,336
Net assets attributable to non-controlling interest	190,987	12,746	203,733
Year ended December 31, 2024			
Net profit for the year	213,243	14,122	227,365
Other comprehensive loss	(3,004)	(67)	(3,071)
Total comprehensive income	210,239	14,055	224,294
Net income for the year	85,297	5,648	90,945
Net income attributable to non-controlling interests	84,096	5,621	89,717

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23. TERM LOAN

During 2015, the Group obtained term loan from a local bank. In June 2022, the Group rescheduled the loan, provided that the loan principal amounting to SR 2.068 billion will be repaid in equal semi-annual instalments over eight years after a four-year grace period from the date of the rescheduling agreement. The first instalment will be paid on December 2026 and the last instalment is paid on June 2034. The loan complies with the Sharia committee of the bank and is subject to prevailing commission rates among Saudi banks (SIBOR) plus an agreed profit margin. The Group has mortgaged a some of land as a guarantee in exchange for this loan. The management believes that it has the willingness, ability and financial solvency to repay the loan in accordance with the terms of the agreement and within the agreed dates. Term bank loans have been classified within current and non-current liabilities according to the loan repayment dates based on the agreements signed with the lending banks as follows:

	<u>2025</u>	<u>2024</u>
Non- current portion	129,279	-
Current portion	1,939,183	2,068,462
	<u>2,068,462</u>	<u>2,068,462</u>

During 2025, the Group has signed an agreement of bank facilities with a local bank with a total value of SR 700 million, in order to finance its existing and new projects and support working capital requirements. The loan complies with the Sharia committee. These facilities have not been utilized as of the date of the consolidated statement of financial position. The Group has provided guarantees for these facilities, including promissory notes and mortgages on some of its real estate.

24. LOAN FROM MINISTRY OF FINANCE

The following is a summary of the movement on the loan from Ministry of Finance during the year ended December 31:

	<u>2025</u>	<u>2024</u>
At the beginning of the year	914,889	1,058,657
Paid during the year	(156,838)	(143,768)
At the end of the year	<u>758,051</u>	<u>914,889</u>

The loan agreement is subject to the financial and non-financial covenants including debt-to-equity ratio, current assets-to-current liabilities (liquidity ratio), debt coverage ratio and providing guarantees that comprise a mortgage property on some of the Group's properties. The Group has not breached any of these covenants as of the date of the consolidated statement of financial position. The management believes that it has the willingness, ability and financial solvency to repay the loan in accordance with the terms of the agreement and within the agreed dates, the last instalment of which is due during the year ended December 31, 2029. Accordingly, the portion due within the next twelve months was classified as current liabilities, while the remaining portion was classified as non-current liabilities, as follows:

	<u>2025</u>	<u>2024</u>
Current portion	169,908	156,838
Non- current portion	588,143	758,051
	<u>758,051</u>	<u>914,889</u>

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25. LEASES LIABILITIES

The following is the present value of the lease liabilities and a summary of the changes thereto during the financial year ended December 31:

	2025	2024
At the beginning of the year	240,249	152,430
Additions during the year	3,162	76,591
Finance charges related to leases liabilities (note 37)	14,413	13,364
Paid during the year	(4,250)	(2,136)
At the end of the year	253,574	240,249

Leases liabilities are linked to the relevant right-of-use assets as stated in Note (13). The management believes that the Group's projected cash flows are sufficient to meet its lease liabilities in accordance with the terms of the agreements and within the agreed timeframes. The balance of leases liabilities was classified under current and non-current liabilities according to the contractual payment schedules, as follows:

	2025	2024
Current liabilities	20,150	13,701
Non- current liabilities	233,424	226,548
	253,574	240,249

26. EMPLOYEES DEFINED BENEFIT OBLIGATIONS

The Group grants end of service benefits to its employees taking into consideration the Saudi Arabian labour law and approved policy. These benefits have been classified as defined benefits, are unfunded and are based primarily on years of service and employee compensation. The Group's liabilities are subject to demographic, legal and economic risks. Economic risks are primarily linked to changes in the discount rates used to measure liabilities, as well as developments in financial markets and salary levels. The following is a summary of the basic actuarial assumptions:

	2025	2024
- Net discount rate	4.95%	5.25%
- Salary growth rate	5.95%	7.00%
- Retirement age	65 years	65 years
	WHO GHO Saudi	WHO GHO Saudi
- Mortality rates	Arabia life table	Arabia life table

The following is a summary of the movement in the present value of defined benefit liabilities and a summary of the changes therein during the financial year ended December 31:

	2025	2024
At the beginning of the year	42,250	31,748
Current service cost	13,558	10,741
Commission cost	2,347	1,583
Actuarial loss	5,283	4,037
Benefits paid during the year	(2,675)	(5,859)
At the end of the year	60,763	42,250

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27. SHORT-TERM BANK LOAN

During year ended December 31, 2024, the Group obtained a short-term loan of SR 100 million from a local bank, and this loan was secured by a promissory note. The loan was fully repaid during the first quarter of the year ended December 31, 2025. The following is a summary of the movement on the short-term bank loan during the year ended December 31:

	2025	2024
At the beginning of the year	100,000	-
Proceeds during the year	-	100,000
Paid during the year	(100,000)	-
At the end of the year	-	100,000

28. TRADE PAYABLES

	2025	2024
Payable to suppliers and contractors	62,721	96,280
Retentions payable to contractors	86,875	92,155
	149,596	188,435

29. UNEARNED REVENUE

	2025	2024
At the beginning of the year	87,781	101,668
Amounts invoiced during the year	364,283	324,108
Rental revenue recognized during the year (note 33)	(366,873)	(337,995)
At the end of the year	85,191	87,781

30. ACCRUED EXPENSES AND OTHER PAYABLES

	2025	2024
Accrued expenses	47,958	129,356
Employees payable	39,993	47,976
Refundable deposits	44,231	42,313
Contract liabilities	234,978	266,383
Dividends payable	8,580	8,602
Due to related parties (note 32)	-	616
Others	8,880	30,631
	384,620	525,877

31. Zakat provision

The movement in provision for Zakat for the year ended December 31 is as follows:

	2025	2024
At the beginning of the year	78,355	85,959
Provided during the year	61,677	17,818
Paid during the year	(91,249)	(25,422)
At the end of the year	48,783	78,355

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31. Zakat provision (Continued)

Zakat assessments

Saudi Real Estate Company

Saudi Real Estate Company calculates and submits its zakat returns based on a zakat group that includes the Company and its wholly owned subsidiaries in accordance with the relevant regulations and instructions. During the year ended December 31, 2025, the Company finalized its zakat status with ZATCA until the year ended December 31, 2023 including payment of differences due resulting from zakat assessments for those years. The Company has submitted the zakat return for the year ended December 31, 2024, and paid the zakat due, and obtained a zakat certificate valid until April 30, 2026, and no assessment has been issued regarding it by ZATCA to date.

Saudi Real Estate Construction Company

The Company submitted zakat / income tax returns for all years up to the year ended December 31, 2021 to ZATCA. The Company finalized its zakat status with ZATCA until the year ended December 31, 2019. The Company submits information declare for the year ended December 31, 2022, for the purposes of the disclosure as the Company became paying its zakat obligations within consolidated declaration of Saudi Real Estate Company.

Saudi Real Estate Infrastructure Company

The Company submitted zakat returns for all the years until year ended December 31, 2024. And based on that, the amounts due has been paid according to those returns, and no assessment has been issued regarding it by ZATCA to date.

Saudi Korean Company for Maintenance and Properties Management

The Company submitted zakat and income tax returns for all the years until year ended December 31, 2024. And based on that, the amounts due has been paid according to those returns, and no assessment has been issued regarding it by ZATCA to date.

Al Widyan Saudi Real Estate Company

The Company submits its zakat returns yearly for disclosure purposes as its zakat obligations within the consolidated return of the Saudi Real Estate Company.

Hudood Real Estate Investment Company

The Company submits its zakat returns yearly for disclosure purposes as its zakat obligations within the consolidated return of the Saudi Real Estate Company.

Creativity Hub Company for Co-Working Spaces

The Company is incorporated during the year ended December 31, 2025. It has joined to a zakat group of the Saudi Real Estate Company because it is a wholly owned subsidiary of it, and no material zakat liability arose from it during the period, due to its recent establishment.

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32. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders of the Group, Public Investments Fund and entities controlled or significantly influenced by such parties. Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to control the activities of the Group and its employees directly or indirectly. The Group considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 Related Party Disclosures. Following table shows due from related parties as of December 31,

	2025	2024
InfraRoad Binyah Company	4,704	8,861
Red Sea Global Company	11,927	-
Diriyah Gate Company	126,446	136,694
New Murabba Development Company	-	4,807
Roshn Group Company	21,334	6,931
Expo Company 2023 Riyadh	5,266	-
	169,677	157,293

Following table shows due to related parties as of December 31,

	2025	2024
Red Sea Global Company	-	616
	-	616

Following table shows the key management personnel compensation recognized within consolidated statement of profit or loss during the year ended December 31:

	2025	2024
Executive salaries and allowances*	43,915	36,869
Attendance allowance and committees' remuneration (Note 33)	8,689	8,653
	52,604	45,522

Revenues relating to transactions with government entities for the year ended 31 December 2025 amounted to SR 49 million (31 December 2024: SR 47 million).

During the year ended December 31, 2024, the Group signed a contract with the Royal Commission for Al-Ula and Al-Ula Development Company to implement the development management agreement for the Sidrat Al-Ula project. During the year ended December 31, 2025, the parties agreed not to continue implementing the contract in its current form. As a result, the Company recovered amounts previously spent on the project, as a claim was issued and paid during the period, without a material financial impact on the consolidated financial statements.

During the year ended December 31, 2025, the Group, along with Riyadh Holding Company and Riyadh Construction Company, signed a contract to sell a plot of land in Riyadh to Al Sumoud Al Thaniyah Real Estate Development and Investment Company, with the Group's share of the sale price amounting to SR 1,724 thousand. This transaction is classified as a related party transaction, given that one of the board members, His Excellency Mr. Muath bin Naeem Al Naeem, owns a share of 35% in the purchasing company.

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33. REVENUE

	2025	2024
Rental revenues (note 29)	366,873	337,995
Revenue from sold lands	371,143	373,876
Revenue from sold units	273,377	191,926
Infrastructure projects revenue	781,246	974,421
Construction projects revenue	4,140	47,701
Revenue from Facility management	83,306	61,749
	1,880,085	1,987,668

34. COST OF REVENUE

	2025	2024
Cost of sold lands	112,228	136,814
Cost of sold units	226,116	160,453
Sub-contract	222,566	426,302
Employees' salaries, wages, and other related benefits	202,957	234,511
Materials cost	102,033	118,145
Depreciation of property and equipment	10,158	5,919
Depreciation of investments properties	79,570	55,672
Depreciation of right-of-use assets	6,336	1,400
Maintenance and operation of investments properties expenses	55,191	74,752
Others	40,033	64,367
	1,057,188	1,278,335

35. SELLING AND MARKETING EXPENSES

	2025	2024
Promotions and advertisement	6,989	8,215
Employees' salaries, wages, and other related benefits	5,127	3,989
Others	-	277
	12,116	12,481

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36. GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
Credit loss related to trade receivables	13,464	8,291
Salaries, wages, and other related benefits	145,621	140,167
Attendance allowance and committee's remuneration (note 29)	8,689	8,653
Professional, consulting, and governmental fees*	11,324	29,363
IT expenses	15,923	5,279
Depreciation of property and equipment	4,054	1,768
Depreciation of right-of-use assets	2,650	1,338
Amortization of intangible assets	2,852	3,445
Others	8,493	17,528
	213,070	215,832

* The total value of professional fees for the Group's external auditor, El Sayed El Ayouty & Co. charged to the parent company's consolidated statement of profit or loss amounted to SR 635 thousand (2024: SR 678 thousand), of which SR 545 thousand was for audit and examination services (2024: SR 545 thousand), while fees for other services amounted to SR 90 thousand (2024: SR 133 thousand).

37. OTHER INCOME

	2025	2024
Financial income	39,389	24,084
Gains on disposal of property and equipment	846	1,162
Others	7,263	786
	47,498	26,032

38. FINANCIAL CHARGES

	2025	2024
Bank loans and facilities	202,020	229,322
Lease liabilities (note 25)	14,413	13,364
	216,433	242,686

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39. EARNING PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year. There is no difference between basic and diluted earnings per share, due to the absence of financial instruments that may have a diluting effect on earnings per share. The following table reflects the net profit for the year and number of shares used in the basic and diluted loss per share computations:

	2025	2024
Net profit for the year attributable to equity holders of the Parent Company (SR)	295,964,654	215,063,412
Weighted average number of ordinary shares (share)	375,000,000	375,000,000
Basic and diluted earnings per share (SR)	0.79	0.57

40. COMMITMENTS AND CONTINGENCIES

Parent Company Guarantee

During the year ended December 31, 2025, Saudi Real Estate Company issued a corporate guarantee in favour of Qiddiya Investment Company, in connection with a business contract concluded between Qiddiya Investment Company and one of the Group's subsidiaries, Saudi Real Estate Construction Company. Under this guarantee, Saudi Real Estate Company undertakes to guarantee that the subsidiary meets its contractual obligations in accordance with the terms of the aforementioned contract. As at the date of the consolidated statement of financial position, the Group has not received any claims under this guarantee. And there are no indications of a material breach of the related contractual obligations. This guarantee is also monitored periodically in light of the related contractual developments. Based on management's assessment of the facts and existing circumstances as at the date of the consolidated statement of financial position, no current liability has been determined that would require to recognize a provision. Accordingly, this guarantee was disclosed within contingencies without recognizing any amounts in the consolidated financial statements.

Bailment and stand surety of joint venture

One of the subsidiaries, Saudi Real Estate Infrastructure Company along with the other shareholder in the joint venture, issued bailment and stand surety in favour of finance entities, in connection with bank facilities granted to the joint venture with a total of SR 446 million. This bailment represents a potential commitment whose activation depends on the joint venture's breach of its liabilities to the finance entities. As at the date of the consolidated statement of financial position, no breaches or claims have been recorded under this bailment. The Group has not received any claims from the related finance entities. The related joint venture commitments are monitored periodically. Based on management's assessment of the joint venture's financial and operational status and future prospects, no current liability has been determined that would require to recognize a provision. Accordingly, this bailment was disclosed under contingencies without recognizing any amounts in the consolidated financial statements.

Letters of guarantee issued by local banks

The total value of outstanding letters of guarantee as at December 31, 2025, issued by the banks with which the Group deals, amounted to SR 479 million (2024: SR 744 million). These letters were issued by local banks and are subject to specific contractual terms and conditions. The Group maintains a cash margin deposited with those banks against the issuing these letters, amounting to SR 17 million as at December 31, 2025 (2024: SR 35 million). This margin is subject to usage restrictions associated with the related letters of guarantee. Based on the information available at the date of preparation of these consolidated financial statements, the management does not expect these letters to generate any material cash outflows.

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40. COMMITMENTS AND CONTINGENCIES (Continued)

Idle lands claims

During the year ended 31 December 2025, the claims for Idle lands fees received by the Group from the Ministry of Municipal and Rural Affairs and Housing amounted to SR 6 million (2024: SR 17 million). Based on the legal advisory's opinion, the management believes that the likelihood of incurring additional liabilities in this regard is low, and therefore the management does not consider that no need to recognize additional provisions at this stage. It should also be noted that additional invoices have been issued during the period following the date of the financial statements, which are currently under review and assessment by management, as explained in the Note on Subsequent Events.

Legal issues

There are some cases filed against the Group during the ordinary course of business and are currently being litigated. Based on the management's current assessment and according to the information available, the management expects that these cases have no material impact on the consolidated financial statements.

41. FAIR VALUE MEASUREMENT

The following table illustrates the fair value measurement hierarchy of the Group's investments in listed equity instruments held at fair value through other comprehensive income as at the date of the consolidated statement of financial position:

	<u>Fair value</u>	<u>(level 1)</u>	<u>(level 2)</u>	<u>(level 3)</u>
As of 31 December 2025	313,524	99,523	89,818	124,183
As of 31 December 2024	415,322	26,511	117,189	271,622

The fair value of financial instruments is determined according to the fair value hierarchy, which depends on the measurement inputs used. Level 1 measurements are based on prices quoted in active markets, while Level 2 measurements are based on directly or indirectly observable inputs, and Level 3 measurements are based on unobservable inputs and are determined using appropriate valuation methods. The Group's investments in equity instruments measured at fair value through other comprehensive income are classified within the above hierarchy levels. For the remaining financial instruments, the book values of cash and cash equivalents, trade receivables, trade payables and other current liabilities are approximate their fair values, due to their short maturities. The book value of term loans is approximate their fair value, due to that they carry commission rates that reflect prevailing market rates for similar financing. Regarding to the leases liabilities, their fair value is approximate their carrying amount as at the date of the consolidated statement of financial position, due to that they are measured using the discount rate that reflects the prevailing market financing rates at the date of commencement of the lease. The management considers that there are no material differences between the carrying amount and the fair value of these liabilities.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risks arise from the use of financial instruments in its operational and financing activities, which are affected by the diversity of its business sectors as stated in the operational sectors explanation, and by the nature of its business models which depend, partially, on developing and selling real estate assets and providing related services. The financial instruments mainly include trade receivables, cash and cash equivalents, bank loans and facilities, trade payables, leases liabilities as well as investments in equity instruments. The Group is exposed to various financial risks, including commission rate risk, credit risk, liquidity risk and equity price risk. These risks are managed within an approved framework that includes specific policies and procedures, which are reviewed periodically, with the aim of minimizing potential adverse effects on the Group's financial performance, taking into account the nature of its cash flows and its financing structure.

Commission rate risk

The Group's exposure to commission rate risk is mainly in bank loans and facilities with variable interest rates associated with the SAIBOR rate, which exposes future cash flows to fluctuate as a result of changes in prevailing market commission rates. The management manages this exposure through continuous monitoring of commission rate movements and assessing their impact on the future cash flows, in light of the Group's financing structure and loan repayment schedules. Assuming all other variables remain fixed, a 1% increase / decrease in the commission rate as at the date of the consolidated statement of financial position would have resulted in an increase / decrease in the Group's annual financial charges by approximately SR 28 million for the financial year ended December 31, 2025 (2024: SR 31 million), based on the outstanding variable-rate loans as at the date of the consolidated statement of financial position.

Foreign currency risk

Foreign currency risk arises from changes in exchange rates, which may affect the value of the Group's assets, liabilities and future cash flows. Most of the Group's transactions are made in Saudi Riyals, and its exposure to foreign currencies is limited and mainly concentrated in transactions denominated in US Dollars. Given the stability of the Saudi Riyal against the US Dollar, the management considers that exchange rate fluctuations have no material risk on the consolidated financial statements.

Equity price risk

The Group is exposed to equity price risk related to its investments in listed equity instruments, which are measured at fair value through other comprehensive income. The fair value of these investments may be affected by changes in market prices and related economic factors. The management monitors the performance of these investments on a regular basis and does not consider the impact of fluctuations in the prices of these instruments to be material on the consolidated financial statements.

Credit risk

Credit risk is the risk that counterparties will not meet their contractual obligations, leading to a financial loss. These risks are mainly concentrated in trade receivables and balances at banks and financial institutions. The Group manages credit risk by setting credit limits for clients, monitoring receivables balances periodically and assessing the creditworthiness of counterparties. The management takes into account the nature of the contracts associated with the Group's projects, including the collection deadlines associated with the development and implementation when assessing the level of risk and determining the necessary provisions.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk is that the Group is unable to meet its obligations when fallen due as a result of a mismatch in the timing of cash inflows and outflows. The Group manages liquidity risk through continuous cash planning and monitoring of expected cash flows, taking into account the nature of cash flows associated with real estate development and investment projects, as well as other contractual obligations, and maintaining appropriate levels of cash and cash equivalents and providing credit facilities to support its financing needs when required.

The table below illustrates the contractual maturity dates of the Group's financial liabilities and agreed upon repayment terms. This table has been prepared based on the cash flows of the Group's financial liabilities and as per the nearest contractual maturity date:

	<u>Total</u>	<u>During year</u>	<u>More than 1 to 5 years</u>	<u>More than 5 years</u>
<u>31 December 2025</u>				
Trade payables	149,596	149,596	-	-
Leases liabilities	253,574	20,150	40,602	192,822
Bank loans and facilities	2,826,513	299,187	1,622,374	904,952
	<u>3,229,683</u>	<u>468,933</u>	<u>1,662,976</u>	<u>1,097,774</u>
<u>31 December 2024</u>				
Trade payables	188,435	188,435	-	-
Leases liabilities	240,249	13,701	41,829	184,719
Bank loans and facilities	3,083,351	256,838	1,663,003	1,163,510
	<u>3,512,035</u>	<u>458,974</u>	<u>1,704,832</u>	<u>1,348,229</u>

43. SUBSEQUENT EVENTS

The management has assessed subsequent events from the date of the consolidated statement of financial position until the date of approval of these consolidated financial statements in accordance with the requirements of the related IFRS endorsed in the Kingdom of Saudi Arabia. Based on this assessment, the management believes that there are no any subsequent events that would made adjustments to the consolidated financial statements, except for the following disclosures:

- One of the subsidiaries, Saudi Real Estate Infrastructure Company, signed a credit facilities agreement complied with Sharia committee at Alinma Bank amounting to SR 550 million, for a period of one year renewable, for the purpose of supporting operational processes and financing future projects.

- Saudi Real Estate Company signed a lease agreement for the "Al Reef" residential complex located in the Diplomatic Quarter in Riyadh for a period of (20) years, with a total of SR 1,199 million (excluding VAT). It is expected that the financial impact of this contract is reflected in future financial periods.

- Idle lands fees invoices have been issued for some of the lands owned by the Group amounting to SR 62 million approximately. These invoices are subject to study and evaluation by the management in light of the relevant regulations and bylaws, taking into account the nature of the land subject to the fees and its current status. The management is currently assessing the appropriate accounting treatment for these invoices in accordance with the requirements of IFRS endorsed in the Kingdom of Saudi Arabia, including determining whether they represent an outstanding liability, a potential liability or no need to be recognized at this stage. Based on the initial assessment and the information available to date, the management does not consider an impact that need conducting an adjustment to the consolidated financial statements for the financial year ended December 31, 2025, as these invoices relate to the subsequent financial period. Accordingly, any accounting effect, if any, will be reversed in subsequent financial periods in accordance with the relevant IFRS endorsed in the Kingdom of Saudi Arabia.

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44. COMPARATIVE FIGURES RECLASSIFICATION

Certain of comparative figures for the prior year have been reclassified to conform to the presentation in the current year.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 11 Shawwal 1447H (corresponding to 30 March 2026).